浙江升華蘭德科技股份有限公司
SHENGHUA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8106

2019 Annual Report

* For identification purposes only

CHARACTERISTICS OF GEM ("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 usually 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 of the Stock Exchange 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 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 (the "**Director(s)**") of Shenghua Lande Scitech Limited* (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.*

* *For identification purposes only*

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Qi Jinsong *(Chairman and Chief Executive Officer)*
Mr. Chen Ping *(Vice Chairman)*
Mr. Guan Zilong
Mr. Xu Jianfeng

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms, Huang Lianxi
Mr. Shen Haiying

SUPERVISORS

Mr. Lu Weifeng *(Chairman)*
Ms. Shen Xiaofen
Ms. Shen Rujia

AUTHORISED REPRESENTATIVES

Mr. Xu Jianfeng
Mr. Fork Siu Lun Tommy

COMPLIANCE OFFICER

Mr. Chen Ping

COMPANY SECRETARY

Mr. Fork Siu Lun Tommy

AUDIT COMMITTEE

Mr. Shen Haiying *(Chairman)*
Mr. Cai Jiamei
Ms. Huang Lianxi

REMUNERATION COMMITTEE

Mr. Cai Jiamei *(Chairman)*
Mr. Qi Jinsong
Mr. Shen Haiying

NOMINATION COMMITTEE

Ms. Huang Lianxi *(Chairman)*
Mr. Qi Jinsong
Mr. Cai Jiamei

REGISTERED OFFICE

No.9 Nanhu Road
Zhongguan Town
Deqing County
Huzhou City
Zhejiang Province
The People's Republic of China (the "**PRC**")

PRINCIPAL PLACE OF BUSINESS IN THE PRC

17/F., Deqing Shanghui Building
No. 70 Wulipai Road
Deqing County
Huzhou City
Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1505
15/F., Fullerton Centre
19 Hung To Road
Kwun Tong
Kowloon
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of China Limited, Deqing Branch
36 Yongan Street
Wukang Town
Deqing County
Huzhou City
Zhejiang Province
The PRC

Zhejiang Deqing Rural Commercial Bank Co., Ltd.
50 Shengchangwei Street
Wukang Town
Deqing County
Huzhou City
Zhejiang Province
The PRC

STOCK CODE

8106

CHAIRMAN'S STATEMENT

I would like to present hereby on behalf of the board (the "**Board**") of Directors the 2019 annual report of the Company and its subsidiaries (together the "**Group**").

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB291,488,000 with a net profit attributable to owners of the Company of approximately RMB4,614,000.

The Board does not recommend the payment of a final dividend for the financial year ended 31 December 2019.

REVIEW OF OPERATIONS AND PROSPECTS

During the reporting year, the Group focused on its development strategic goals, committed to promoting the development of the Group's existing main businesses, and actively sought to transforming to mobile Internet services: (i) the trading of software and computer software business continued to adjust its sales strategy and sales structure on the premise of effective control of business risks, increasing sales of brands and products with higher gross profit margin and the overall business development was relatively stable, and attempts have been made on industrial Internet sales services; (ii) the provision of smart city solutions business was a business carried out by the Group after the completion of the acquisition of Increator Technology Co., Ltd.* (浙江創建科技有限公司) ("**Increator Technology**") in February 2018. Through this business, the Group actively grasped the development opportunities of domestic smart cities and strived to promote the overall performance of the Group's business. On the one hand, the Group maintained good cooperative relationship with existing customers, provided continuous software system development services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" (a digital interaction platform that aimed to provide online and offline comprehensive services to local urban and rural residents for government services, medical insurance, transportation, and convenient life) in local cities, and provided pre-consultation and solution design services to new city customers in and outside Zhejiang Province, laying a good foundation for obtaining new project orders. On the other hand, while providing the implementation and development services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", leveraging the development of technologies such as mobile Internet and big data, the Group vigorously innovated to provide new smart city solutions services and solution development services in other sub-segments (such as smart unions, smart communities and smart housekeeping, etc.). In addition, the Group strived to output operation services through Increator Technology. Firstly, the Group provided software development services to the Hangzhou Federation of Trade Unions "Hangong e-home* (杭工e家)" service platform through Hangzhou Increator Smart Union Technology Co., Ltd.* (杭州創建智工科技有限公司) ("**Increator Smart Union**"), a subsidiary established specifically for the smart union operation service, and participated in the operation services. Secondly, the Group cooperated with Guizhou Broadcasting and Television Network Co., Ltd.* (貴州省廣播電視信息網絡股份有限公司) ("**Guiguang Network**") to set up Guifutong Network Technology Co., Ltd.* (貴服通網絡科技有限責任公司) ("**Guifutong**") (details of the investment agreement (the "**Investment Agreement**") and Guifutong were set out in the announcement of the Company dated 15 July 2019), relied on the radio and television and telecommunication network resources owned by Guiguang Network in Guizhou Province, the Group exported related solution services in Guizhou Province directly through Increator Technology or indirectly through Guifutong, and tried to provide operation services through the construction of the Guifutong Service Platform* (貴服通服務平台); (iii) the provision of e-commerce supply chain services business (the business involved the e-trading of general merchandise and provision of related services, which included the provision of supply chain services from the production end, procurement end to customer end for market customers such as e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis, and was commenced by the Group in the last quarter of 2018) actively explored domestic and overseas upstream supply channels, opened up and connected with various domestic downstream e-commerce platforms, and provided e-commerce supply chain services output. With the advancement of this business and the exploration of market opportunities, the Group considered making beneficial attempts in the promotion services for beauty branding and has discussed cooperation plans with relevant domestic potential partners. At the same time, such business gradually participated in e-commerce platform operation services, explored the resources complementation and coordinated development of operation services with the provision of smart city solutions business; (iv) the provision of telecommunication value-added services business continued to cooperate with telecommunication operators, providing SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and other services. Although the Group continued to reconsider the business development model, it still could not change the shrinking status quo of the business; and (v) the provision of telecommunication solutions business, due to lack of adequate resources, failed to obtain order revenue again during the reporting year. The Company considered that the business no longer met the Group's development needs and decided to abandon the business and concentrate the Group's limited resources to better develop other businesses.

REVIEW OF OPERATIONS AND PROSPECTS (Continued)

Looking forward to the future development, the "Novel Pneumonia Coronavirus" epidemic in early 2020 had a great impact on economic development of the society. The Group also faced problems such as the rapid development of domestic mobile Internet technology, increasingly fierce market competition and non-outstanding of the core competence of its own businesses. Fortunately, the epidemic did not have a significant direct impact on the main business of the Group, especially this time the digital empowerment (數字賦能) has played a huge role in the fight against the epidemic. The Group will turn the crisis into an opportunity, further strengthen its strategic goals, continue to innovate and change, and actively grasp the development opportunities of the domestic mobile Internet industry and smart cities construction, seeking transformation to mobile Internet services. Based on the current development status of various businesses, the Group will pinpoint their respective business advantages, tap market demand, and find effective breakthroughs, including but not limited to optimising internal business structure through integration, improving the level of core technology development, improving business operation models, and introducing new businesses which have development potential and other means to improve the profitability of the Group's business. For example: encouraging the trading of hardware and computer software business to cooperate with other business segments, further optimise the sales product structure, and develop product sales with higher gross profit margin; requiring to strengthen the technology development capability of the provision of smart city solutions business, innovate and provide solutions or service products with more market space and service capabilities, empower government affairs for customers in each city and incorporate more advanced digital technologies such as big data and blockchain into the solutions, use "Digital Citizens* (數字市民)" cloud service model to promote collaborative services to citizens in the cities in which they belong, meet the demands of customers in various cities, and further strengthen the operation service capabilities of service platforms; encouraging the provision of e-commerce supply chain services business to continuously optimise the business model, while strengthening the supply chain channel construction, improve operation service capabilities, brand promotion capabilities, etc.; further reviewing the development of the provision of telecommunication value-added services, and carrying out necessary adjustment to such business. The Group will endeavour to build a business ecosystem that is in line with the Group's development, improve business complementarity and synergy, enhance profitability, and achieve sustainable development of the Group in the field of mobile Internet through a series of improvements to the existing business, and create more business value.

Finally, on behalf of the Board and the management, I would like to express my heartfelt thanks to the continued support of the business partners, customers of the Group and the shareholders (the "**Shareholders**") of the Company and the long-term hard working of all start members.

Qi Jinsong
Chairman

20 March 2020
Huzhou City, the PRC

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. Review of operating results for the year

(i) Overview

The Group is principally engaged in (i) the trading of hardware and computer software; (ii) the provision of smart city solutions (the business mainly provides software development and value-added services relating to the construction and operation maintenance of the Citizen Card* (市民卡) systems to the customers, and through which the Group is actively trying to promote its transition to mobile "Internet +" and provide new businesses and products); (iii) the provision of e-commerce supply chain services (the business involves the e-trading of general merchandise and provision of related services, which includes the provision of supply chain services from the production end, procurement end to consumer end for market customers such as the e-commerce platforms, branded manufacturers and merchants through the integration of Internet information technology means and data analysis, and was commenced by the Group in the last quarter of 2018); (iv) the provision of telecommunication value-added services; and (v) the provision of telecommunication solutions (the Company considered that this business no longer met the Group's development needs and decided to abandon the business and concentrate the Group's limited resources to better develop other businesses).

There is no particular seasonal fluctuation in the Group's revenue except that revenue from various business segments in the first quarter are in general lower than in other quarters. This is primarily due to the decreased business activities throughout the PRC before, during and after the week-long Chinese New Year holidays, which occur in January or February of a year. However, the characteristics of the provision of smart city solutions business of the Group is project based. Currently the main revenue of the business comes from specific projects and the income depends on the obtaining of project orders and progress of projects and therefore it is volatile.

In line with industry performance, the Group's hardware and computer software sales and e-trading of general merchandise normally have relatively low gross profit margin. With the continuous optimisation of product structure and sales strategies and improvement of service levels, the Company believes that the gross profit margin will increase accordingly. On the other hand, the Group's provision of software development, technical support and various value-added services normally enjoy relatively higher gross profit margin, which vary among different projects and/or products.

(ii) Revenue

For the year ended 31 December 2019, (i) the trading of hardware and computer software business generated revenue of approximately RMB138,725,000 (2018: RMB166,303,000), representing approximately 16.58% decrease when compared to last year, which was due to the Group's continuous adjustment to the sales strategy and sales structure of the business in the year, increasing the sales of relatively higher gross profit margin brands and products, and reducing the sales of low gross profit margin brands and products. The Group has also been cautiously controlling the scale of the business to control the risks of the related falling inventory prices and increasing trade receivables; (ii) the provision of smart city solutions business generated revenue of approximately RMB41,333,000 (2018: RMB36,278,000), representing approximately 13.93% increase when compared to last year. The business is currently focused on construction projects. Due to the difference in the contract amounts for the projects under construction and progress of the projects in each reporting year, there would be certain fluctuation in the amount of revenue recognised between the respective reporting years. The Group is actively expanding operation services to enhance the stable income capability of the business; (iii) the provision of e-commerce supply chain services business generated revenue of approximately RMB105,059,000 (2018: RMB4,255,000), representing approximately 2,369.07% increase when compared to last year. The Group commenced the business in the last quarter of 2018; (iv) the provision of telecommunication value-added services business generated revenue of approximately RMB6,371,000 (2018: RMB10,271,000), representing approximately 37.97% decrease when compared to last year. The business was constrained by the industry downturn, which led to a decline in the volume of the business in the year. In addition, the national policy to strengthen the regulatory restrictions on related call business also affected the income of the business; and (v) the provision of telecommunication solutions business had not generated revenue (2018: Nil).

For the year ended 31 December 2019, the revenue of the Group was approximately RMB291,488,000 (2018: RMB217,107,000), representing an increase of approximately RMB74,381,000, or approximately 34.26% increase, as compared with that of the year 2018. The overall revenue of the Group increased during the year, which was mainly due to the new provision of e-commerce supply chain services business commenced by the Group in the last quarter of 2018.

(iii) Gross profit margin

For the year ended 31 December 2019, (i) the gross profit margin of the trading of hardware and computer software business was approximately 4.50% (2018: 4.70%). Compared with last year, the gross profit margin of this business declined slightly, but still remained at a relatively high level. The Group strived to continuously adjust the sales strategy and sales structure of this business by increasing the sales of brands and products with relatively higher gross profit margin, while decreasing the sales of brands and products with low gross profit margin; (ii) the gross profit margin of the provision of smart city solutions business was approximately 48.16% (2018: 55.50%). The gross profit margin of this business was affected by the gross profit margin of related projects carried out during the reporting year, and there would be certain fluctuations. In particular, this year's revenue included some software and hardware outsourcing businesses, and the gross profit margin was low. The Group is actively expanding operation services to enhance the stable profitability of the business; (iii) the gross profit margin of the provision of e-commerce supply chain services business was approximately 5.20% (2018: 26.84%). The gross profit margin of this business was affected by the business structure. During the initial start-up period in the previous year, the business involved mainly service business, with relatively higher gross profit margin. During the year, after gradually getting on track, the business became focusing on the normal supply chain trading business, and the business gross profit margin was low; (iv) the gross profit margin of the provision of telecommunication value-added services business was approximately 92.73% (2018: 84.80%). The business achieved a slight increase in the gross profit margin this year by controlling costs; and (v) the provision of telecommunication solutions business had not generated gross profit (2018: Nil).

The gross profit margin of the Group for the year ended 31 December 2019 was approximately 12.87% (2018: 17.41%). The Group's consolidated gross profit margin decreased when comparing with last year. This was mainly attributable to the significant increase in the proportion of the revenue of the Group's provision of e-commerce supply chain services business, which gross profit margin was relatively low, the significant decline in the revenue of the provision of telecommunication value-added services business with high gross profit margin (the revenue contribution ratio of this business decreased significantly) and the relatively low gross profit margin of the projects under construction of the provision of smart city solutions business carried out during the year, when comparing with last year. The Group is working hard to adjust its business structure and product structure. While considering business expansion, it will also take into account the gross profit margin of the business in order to maximise the overall interests of the Group.

(iv) Profit attributable to owners of the Company and earnings per share

For the year ended 31 December 2019, (i) the trading of hardware and computer software business reported segment profit of approximately RMB407,000 (2018: RMB4,247,000). During the year, the business segment increased the labour cost investment, and at the same time, the segment revenue decreased due to the business strategy adjustments and market environment, so there was a decline in the segment profit; (ii) the provision of smart city solutions business reported segment profit of approximately RMB5,509,000 (2018: RMB9,146,000). The business segment's gross profit margin for the year has decreased, while at the same time the provision for trade receivables has increased, so the segment profit for the year has declined; (iii) the provision of e-commerce supply chain services business reported segment profit of approximately RMB745,000 (2018: RMB913,000). During the year, the adjustment of the business structure led to a significant decrease in business gross profit margin despite a significant increase in revenue. At the same time, there was increase in investment including labour costs, marketing expenses and other expenses during the year. As a result, there was a decrease in the segment profit for the year; (iv) the provision of telecommunication value-added services business reported segment profit of approximately RMB577,000 (2018: RMB433,000) In the case of a significant decline in the revenue of this business segment, the Group focused on strengthening management and continued to make efforts to reduce operating costs and expenses (including reduction of lease costs and labour outsourcing costs of operation centres, etc.). Therefore, the segment profit increased slightly this year; and (v) the provision of telecommunication solutions business had not recorded segment results (2018: Nil). For the year ended 31 December 2019, the net unallocated expenses of the Group were approximately RMB3,365,000 (2018: RMB6,516,000). The net unallocated expenses of the Group for the year included government grants (which represented subsidy payments issued by the government under its various perennial subsidy policies to encourage and support industrial development) received of approximately RMB5,716,000 (2018: RMB180,000). In addition, the net unallocated expenses of the Group for the year included net exchange loss of approximately RMB390,000 (2018: gain of RMB1,162,000).

As a result of the cumulative effect of the principal factors described above, for the year ended 31 December 2019, the Group reported a net profit attributable to owners of the Company and earnings per share of approximately RMB4,614,000 (2018: RMB8,393,000) and RMB0.91 cents (2018: RMB1.66 cents), respectively.

2. Business and product development

During the reporting year, the Group's (i) trading of hardware and computer software business continued to adjust its sales strategy and sales structure on the premise of effective control of business risks, increasing sales of brands and products with higher gross profit margin, and the overall business development was relatively stable; (ii) provision of smart city solutions business was a business carried out by the Group after the completion of the acquisition of Increator Technology in February 2018. Through this business, the Group actively grasped the development opportunities of domestic smart cities and strived to promote the overall performance of the Group's business. On the one hand, the Group maintained good cooperative relationship with existing customers, provided continuous software system development services and value-added services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" in local cities, and provided pre-consultation and solution design services to new city customers in and outside Zhejiang Province, which laid a good foundation for obtaining new project orders. On the other hand, while providing the implementation and development services for the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", leveraging the development services for technologies such as mobile Internet and big data, the Group vigorously innovated to provide new smart city solutions services and solution development services in other segments (such as smart union, smart communities and smart housekeeping, etc.). In addition, the Group strived to output operation services through Increator Technology. Firstly, the Group provided software development services to the Hangzhou Federation of Trade Unions "Hangong e-home* (杭工e家)" service platform through Increator Smart Union, a subsidiary established specifically for the smart union operation service, and participated in the operation service. Secondly, the Group cooperated with Guiguang Network to set up Guifutong, relied on the radio and television and telecommunication network resources owned by Guiguang Network in Guizhou Province, the Group exported related solution services in Guizhou Province directly through Increator Technology or indirectly through Guifutong, and tried to provide operation services through the construction of the Guifutong Service Platform* (貴服通服務平台); (iii) provision of e-commerce supply chain services business actively explored domestic and overseas upstream supply channels, opened up and connected with various domestic downstream e-commerce platforms, and provided e-commerce supply chain services output. With the advancement of this business and the exploration of market opportunities, the Group considered making beneficial attempts in the promotion services for beauty branding and has discussed cooperation plans with relevant domestic potential partners. At the same time, such business gradually participated in e-commerce platform operation services, explored the resources complementation and coordinated development of operation services with the provision of smart city solutions business; (iv) provision of telecommunication value-added services business continued to cooperate with telecommunication operators, providing SMS business cards (短信名片), 114 Bai Shi Tong Alliance (114號碼百事通), precise marketing (精準行銷) and other services. Although the Group continued to reconsider the business development model, it still could not change the shrinking status quo of the business; and (v) provision of telecommunication solutions business, due to lack of adequate resources, failed to obtain order revenue again during the reporting year. The Company considered that the business no longer met the Group's development needs and decided to abandon the business and concentrate the Group's limited resources to better develop other businesses.

3. Investment and cooperation

(i) Business investment and cooperation

On 15 July 2019, Increator Technology entered into the Investment Agreement with Guiguang Network, pursuant to which Increator Technology and Guiguang Network have agreed to establish Guifutong in Guiyang City, Guizhou Province, the PRC for the purpose of the construction and operation of the Guifutong Service Platform* (貴服通服務平台) and the related value-added application service platform and big data platform. According to the Investment Agreement, the registered capital of the Guifutong is RMB50,000,000 and each of Increator Technology and Guiguang Network has agreed to contribute to the registered capital of Guifutong at RMB16,500,000 and RMB33,500,000, respectively. Details of the Investment Agreement and Guifutong were set out in the announcement dated 15 July 2019 issued by the Company. Guifutong was established on 12 August 2019. As at 31 December 2019, the Group's investment in Guifutong was classified as interest in an associate in its consolidated statement of financial position.

Besides the above-mentioned investment, the Group has also been constantly seeking suitable investment opportunities or business cooperation opportunities, including opportunities for expansion of existing businesses and other potential new business opportunities suitable for the Group's development. However, there is no concrete progress up to the present.

During the year ended 31 December 2019, the Group deregistered an immaterial subsidiary, namely Hangzhou Innate Information Technology Co., Ltd.* (杭州英納特信息科技有限公司), due to restructuring of business units.

During the reporting year, the Group also maintained good cooperation relationship with the computer hardware manufacturers, Citizen Card* (市民卡) management companies at various places, e-commerce platforms, telecommunication operators and other business partners.

(ii) Investments in wealth management products

Since the year ended 31 December 2018 and during the reporting year, the Group subscribed for and held various short-term investments, from time to time, in the wealth management products (the "**Wealth Management Products**") issued by Bank of China Limited. The Wealth Management Products had no fixed maturity period and were not principal protected nor with pre-determined or guaranteed return. The underlying investments of the Wealth Management Products were primarily (i) money market instruments (such as various types of deposits, certificates of deposit, pledged repo, etc.); (ii) fixed income securities (such as fixed income products like corporate and government bonds); and (iii) non-standardised assets that met regulatory requirements and other financial investment instruments approved by the regulatory authorities (such as trust loans, acceptance bills and/or letters of credit). The expected annualised rate of return of the Wealth Management Products subscribed during the year was around 2.80%-3.50% (2018: 2.00%-3.85%), which was relatively higher than the comparable market bank deposit interest rates.

The subscriptions of the Wealth Management Products were made for treasury management purpose to maximise the return on the unutilised funds of the Group after taking into account, among others, the level of risk, return on investment and term to maturity. The Group generally subscribed for standard short-term wealth management products issued by creditworthy banks with its temporary unused funds, on a revolving basis. Although the Wealth Management Products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and be also in line with the internal risk management, cash management and investment policies of the Group as the Group had totally recovered the principal and received the expected returns upon the redemption of the Wealth Management Products in the past. In addition, the Wealth Management Products were with flexible redemption terms or a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group could also earn more lucrative returns than spot bank savings or time deposit interest rates. Also, in view of the low risk nature and the flexible redemption terms or a relatively short term of maturity of the Wealth Management Products, the Directors were of the view that the Wealth Management Products posed little risk to the Group and the terms and conditions of each of the subscriptions of the Wealth Management Products was fair and reasonable and was in the interests of the Company and the Shareholders as a whole. The Group could maximise the overall returns to the Shareholders while maintaining the flexibility of the Group's treasury management.

Details of the subscriptions and redemptions of the Wealth Management Products during the year ended 31 December 2019 which constituted notifiable transactions of the Company under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 16 July 2019.

As at 31 December 2019, the Group's investments in the Wealth Management Products were classified as financial assets at fair value through profit or loss in its consolidated statement of financial position, and amounted to approximately RMB15,601,000 (2018: RMB27,300,000). For the year ended 31 December 2019, the gain realised by the Group from the Wealth Management Products amounted to approximately RMB778,000 (2018: RMB333,000).

4. Principal risks and uncertainties

The Group is operating in the domestic information and trading markets in the PRC. There is market uncertainty on whether the PRC economy growth will persist in the coming years. The Group's financial performance may be adversely affected if the domestic consumer market downturn occurs and the competition in the market continues to be intensified. The Group endeavours to develop and transform its business towards mobile Internet industry application and services, aiming to diversify the risk of over reliance on one single business segment or product and cultivate new business and new products with more market competitiveness in order to replace the old uncompetitive business.

Other risks and uncertainties are set out in the notes 4 to 6 to the consolidated financial statements.

5. Employees information

As at 31 December 2019, the Group had approximately 176 (2018: 173) employees in total. The total staff costs of the Group for the reporting year amounted to approximately RMB28,621,000 (2018: RMB27,492,000).

The Group's human resources management strategy was formulated in accordance with the Group's guidelines of development strategy on one hand and with requirements under long term vision planning as its target direction on the other. At the same time, incentive scheme would be embedded in other human resources programs and flourishing result would be expected from this cross match. The Group opened wide for recruitment channels, set up mechanisms for attracting human resources, grasped for human development and formulated a good system in people deployment and incubation. The Group implemented an annual income target system which was linked up with staff performance appraisal and compensation system. Target annual income was confirmed and released in accordance with performance appraisal result. After a total assessment on employee's job performance, capability and work attitude, an integrated evaluation could be established for the employee which would be used as referencing standard. Through the integration of the two systems, the employees were effectively motivated and the attainment of the Group's target was assured.

The Group did envisage on employee's personal development and provided employees with training courses on quality and skills. Training plan was given to suit individual staff to help each one more compatible with the Company's job requirement and ensured comprehensive development during his career life.

The Group did not issue any share options nor had any bonus plan.

6. Environment protection

The Group's business does not involve any natural resource emissions. The key environmental impacts from the Group's operations mainly related to paper and energy consumption. To achieve environment protection, the Group encouraged its employees to reduce paper, electricity and energy consumption throughout all its operations. Moreover, some of the business products provided by the Group help to improve social management efficiency and save paper, electricity and energy consumption.

7. Compliance

During the year, the Group has complied with all relevant laws and regulations and has obtained all permits and business licences from various governmental authorities necessary to carry on its business.

REVIEW OF FINANCIAL PERFORMANCE AND POSITIONS

1. Financial performance

- For the year ended 31 December 2019, the Group's revenue amounted to approximately RMB291,488,000 (2018: RMB217,107,000).

- For the year ended 31 December 2019, the Group achieved a gross profit margin of approximately 12.87% (2018: 17.41%).

- For the year ended 31 December 2019, the Group achieved a net profit attributable to owners of the Company of approximately RMB4,614,000 (2018: RMB8,393,000).

- For the year ended 31 December 2019, the Group recorded earnings per share of approximately RMB0.91 cents (2018: RMB1.66 cents).

2. Financial positions

- The Group maintained creditable financial conditions. For the year ended 31 December 2019, the Group was mainly financed by proceeds generated from daily operations, other internal resources and bank borrowings.

- As at 31 December 2019, the Group had right-of-use assets of approximately RMB1,287,000 (2018: Nil) relating to its office premise leases, which were recognised under the new IFRS 16 as described above.

- As at 31 December 2019, the Group had interest in an associate of approximately RMB6,634,000 (2018: Nil), which represented the Group's investment in Guifutong as described above.

- As at 31 December 2019, the Group had inventories of approximately RMB20,892,000 (2018: RMB9,100,000). The increase in the Group's inventories during the reporting year was mainly attributable to the increase in inventories of hardware and computer software.

- As at 31 December 2019, the Group had trade receivables of approximately RMB52,560,000 (2018: RMB31,283,000). The increase in the Group's trade receivables during the reporting year was mainly attributable to the increase in trade receivables under the trading of hardware and computer software business segment and e-commerce supply chain services business segment.

- As at 31 December 2019, the Group had contract assets of approximately RMB5,331,000 (2018: RMB1,583,000). The increase in the Group's contract assets during the reporting year was mainly attributable to the increase in contract assets recognised under the smart city solutions business segment.

- As at 31 December 2019, the Group's total bank balances and cash and financial assets at fair value through profit or loss (which represented the Wealth Management Products as detailed above) amounted to approximately RMB47,938,000 (2018: RMB62,472,000). The total bank balances and cash and financial assets at fair value through profit or loss to total assets and net assets ratio as at 31 December 2019 were approximately 29.39% (2018: 44.64%) and 44.04% (2018: 59.45%), respectively.

- As at 31 December 2019, the Group had trade and other payables of approximately RMB41,405,000 (2018: RMB21,508,000). The increase in the Group's trade and other payables during the reporting year was mainly attributable to the increase in trade payables under the trading of hardware and computer software business segment and e-commerce supply chain services business segment.

- As at 31 December 2019, the Group had total lease liabilities of approximately RMB2,286,000 (2018: Nil) relating to its office premise leases, which were recognised under the new IFRS 16 as described above.

- As at 31 December 2019, the Group had a total asset value of approximately RMB163,124,000 (2018: RMB139,958,000).

- As at 31 December 2019, the Group had current liabilities of approximately RMB53,677,000 (2018: RMB34,867,000).
- As at 31 December 2019, the Group had non-current liability of approximately RMB601,000 (2018: Nil).
- As at 31 December 2019, the Group had equity attributable to owners of the Company of approximately RMB107,492,000 (2018: RMB102,878,000).
- As at 31 December 2019, the Group had non-controlling interests of approximately RMB1,354,000 (2018: RMB2,213,000).
- As at 31 December 2019, the Group had a gearing ratio (i.e. the ratio of total liabilities to total assets) of approximately 33.27% (2018: 24.91%).
- As at 31 December 2019, the Group had a net current ratio (i.e. the ratio of current liabilities to current assets) of approximately 35.82% (2018: 26.08%).
- The Group's exposure to foreign currency risk related principally to its bank balances, trade receivables, other receivables, contract assets and trade and other payables denominated in foreign currencies other than the functional currency of relevant group entity. The Group did not have a foreign currency hedging policy. However, the Directors would continuously monitor the related foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. Further information on the Group's currency risk are set out in the notes to the consolidated financial statements.
- As at 31 December 2019, none of the Group's assets were pledged (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no material contingent liabilities (2018: Nil).

CAPITAL STRUCTURE

There were no changes in the Company's capital structure during the year ended 31 December 2019 (2018: Nil). The registered capital of the Company was RMB50,654,617, comprising 244,421,170 domestic shares (the "**Domestic Shares**") of the Company of nominal value of RMB0.10 each and 262,125,000 H shares (the "**H Shares**") of the Company of nominal value of RMB0.10 each, as at 31 December 2019 and 2018.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

FUTURE PROSPECTS

1. Impact of "Novel Pneumonia Coronavirus" epidemic

The epidemic of the "Novel Pneumonia Coronavirus" in early 2020 had a great impact on economic development of the society. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic situation, actively took measures to avoid the economic loss of the Group, and studied and analysed the influences of the epidemic situation on the Group's business, and grasped the development opportunities contained in it. On the one hand, affected by the epidemic, the Group promoted employees' home office and network office according to the advantages and characteristics of the industry in which it worked, maintained close contact with suppliers and customers, and tried to maintain the normal development of business activities. In addition, according to the experience of the Group in the past years, the Group's business would have relatively little activity before and after Chinese New Year. Therefore, although issues like the delay in resuming work caused by the outbreak of the epidemic had some impacts (such as decrease in efficiency in goods delivery, project development, etc.) on the Group's main business operations, they were basically controllable. On the other hand, information technology had played a huge role in the fight against the epidemic, whether it was "digital empowerment (數字賦能)" to help government management to fight the epidemic, or "convenient services (便民服務)" to meet the needs of ordinary citizens. Relevant businesses of the Group have also played a role in this, for example, the smart city solutions business have provided solutions to individual city customers to help the government fighting the epidemic. The epidemic is not over yet. The Group will seriously deal with the negative impact of the epidemic on various businesses. In addition, the Group believes that the epidemic will stimulate demand for related products and services, and the Group's related businesses will benefit directly or indirectly.

2. Orders in hand/status in sales contract

During the reporting year, the Group's trading of hardware and computer software business maintained close cooperation with well-known hardware and software vendors in the industry, launched sales of computer storage servers and other products and services, and sought to increase the proportion of system integration service contract revenue, and continued to gradually improve the business income structure and profitability. The construction service contracts of the Group's smart city solutions business are being implemented in many places in and outside Zhejiang Province as planned, and good cooperative relationships were established with local city customers. The business was exploring customer needs and provided smart city solution products and services such as "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", etc.. Business order contracts in many other cities in the country were explored, which laid a foundation for the subsequent continuous creation of new contract orders. After more than a year of exploration, the Group's e-commerce supply chain services business has established cooperative relationships with many well-known domestic e-commerce platforms, domestic and foreign brand manufacturers and merchants, and will further actively explore upstream and downstream channel cooperation to seek more business cooperation orders, especially for more upstream quality product resources. The cooperation between the Group's telecommunication value-added services business and telecommunication operators is within the validity period of the contract. At the same time, it also maintains access and implementation in many places. However, due to market demand and policy restrictions, the business has not been able to change the situation, necessary adjustments are now considering. It is difficult for the Group's telecommunication solutions business to re-acquire new business contract orders based on the current status. The Company decided to abandon this business to better support the development of other businesses. The Directors believe that this move will not have any material adverse impact on the financial and trading position of the Group.

3. Prospects of new business and new products

The Group continues to promote the transition to mobile Internet services, and combines existing business and technological advantages, and continues to seek new business opportunities, with a view to providing technology development capabilities and business innovation capabilities possessed by the smart city solutions business to collaborate with other businesses and integrate resources, carry out innovative development of new business or new products, and strive to build a business ecosystem with sustainable development capabilities.

On the one hand, the Group will grasp the technical advantages and customer resources in various cities accumulated in the provision of smart city solutions business, strengthen solution innovation, provide "digital empowerment (數字賦能)" to customers, and continuously improve the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)", expand application scenarios and service functions, such as further strengthening the development of applications like smart union, smart community and smart housekeeping services. In particular, this business summarises the practical experience of applying digital technology for some city customers to combat the "Novel Pneumonia Coronavirus" epidemic. Leveraging the opportunities after the epidemic that state and governments at all levels would deeply reconsider the social governance and city management service capabilities and efficiency, the business would promote better solutions involving the provision of complete digital information services with "information release, information collection, traceability and behavior management" to city customers in every city, which will help to improve and enhance their social governance and city management, and drive the development of new customers and exploration of old customers for this business.

On the other hand, the Group will continue to cultivate operation services in order to provide a variety of convenient services and value-added services to a broad customer base of the "Digital Citizen and Citizen Card Service Platform* (數字市民及市民卡服務平台)" to maximise business value. Firstly, continue to promote operation services output in the smart union area by Increator Smart Union. While providing system solution development services, enhance the value-added service capabilities, and provide personalised value-added services and goods for union organisations and members. Secondly, seize the opportunity of establishing Guifutong and building of Guifutong Service Platform* (貴服通服務平台), to provide value-added services such as creating a "Smart and Healthy Living Room* (智慧健康客廳)", and to provide opportunities for operation services. Thirdly, encourage e-commerce supply chain services business to provide operation services for e-commerce platforms, further accumulate resources of upstream and downstream channels to master product and service capabilities with sufficient profit potential, and actively promote the coordinated development and resources complementation of operation services with smart city solutions business.

Further, the Group will actively promote the transformation and development of other business sectors, develop or introduce new businesses and new products, and help the Group to construct business ecosystem. Firstly, guiding the trading of hardware and computer software business to continue to adjust sales strategies and sales structure, strengthen the expansion of system integration services, seek supporting service opportunities with the help of smart city solutions business and encourage beneficial exploration in other product sales services. Secondly, reviewing the telecommunication value-added services business and making necessary adjustments and integrations, such as considering transformation to provide support for other business operations and provide related value-added services. Thirdly, encouraging e-commerce supply chain services business to strengthen service capabilities. In addition to expanding supply chain channels and providing e-commerce platform operation services, focus on brand marketing and other capabilities, such as brand marketing of beauty products.

In order to achieve the strategic development goals, the Group has actively and steadily advanced related work in accordance with the above plan. The Board believes that the Group would seize the opportunity and, through adopting effective measures, with the coordinated development of each business segment, and build a business ecosystem with the Group's characteristics in the future, covering from technology to services, from products to platforms, from offline to online, and from B end to C end. The Group's continued profitability in the mobile Internet service industry will be created which will bring more value to the Shareholders.

4. Use of 2015 Placing Proceeds

The change of use of the net proceeds (the "**2015 Placing Proceeds**") received by the Company from the placing of its 150,000,000 new H Shares in the end of the year 2015 has been approved by the Shareholders at the extraordinary general meeting held on 29 January 2018. The relevant details were set out in the announcements of the Company dated 29 September 2017, 23 October 2017, 24 November 2017, 13 December 2017 and 29 January 2018, and the circular of the Company dated 15 December 2017 issued by the Company, respectively.

The 2015 Placing Proceeds have been fully utilised up to 31 December 2019 as planned and the use of the 2015 Placing Proceeds are summarised in the following table:

No.	Uses of net proceeds	Allocation (revised as per approval by the Shareholders at the extraordinary general meeting held on 29 January 2018)	Utilised amount as at 31 December 2019	Remaining balance as at 31 December 2019
(a)	Investments in research and development in relation to telecommunication solutions and telecommunication value- added services, developing data mining technologies and online business and its application or marketing platform, creating business platforms for corporate mobile Internet, with a view to transforming towards "Internet +"	Approximately RMB5,000,000	Approximately RMB5,000,000	–
(b)	Future investments	Approximately RMB10,000,000	Approximately RMB10,000,000	–
(c)	General working capital	Approximately RMB21,000,000	Approximately RMB21,000,000	–
(d)	Settlement of consideration for the acquisition of Increator Technology	Approximately RMB6,000,000	Approximately RMB6,000,000	–

On behalf of the Board
Qi Jinsong
Chairman

20 March 2020
Huzhou City, the PRC

* *For identification purposes only*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors (the "**Supervisors**") of the Company and senior management of the Group in office as at 20 March 2020, the date of this annual report, are set out as follows:

DIRECTORS

Executive Directors

Mr. Qi Jinsong (戚金松) (formerly Mr. Qi Jinsong (戚金崧)), aged 55, is the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company. Mr. Qi completed a two-year online professional course for economics offered by China University of Geosciences (Wuhan)(中國地質大學(武漢)) in April 2005. Mr. Qi was appointed as the general manager and president of the board of Zhejiang Shenghua Qiang Ci Material Company Limited* (浙江升華強磁材料有限公司) (currently known as Zhejiang Long Hua Shu Furniture Company Limited*(浙江龍華樹家具有限公司)) ("**Shenghua Qiang Ci Material**") from January 2009 to February 2012. From February 2012 to April 2013, he was the deputy general manager and later the general manager of Shenghua Estate Group Company Limited*(升華地產集團有限公司)("**Shenghua Estate**"). From April 2013 to July 2013, he was appointed as the deputy general manager of Zhejiang Shenghua Biok Biology Co., Ltd.(浙江升華拜克生物股份有限公司)("**Shenghua Biok Biology**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600226). From July 2013 to June 2014, he was the deputy general manager of Meidu Group Company Limited*(美都集團股份有限公司)("**Meidu Group**"). Mr. Qi was appointed as the executive vice president (from June 2014 to July 2016) and director (from May 2015 to July 2016) of Meidu Energy Company Limited*(美都能源股份有限公司)("**Meidu Energy**"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600175). Mr. Qi joined the Company since February 2017 and has been appointed as an executive Director since May 2017.

Mr. Chen Ping (陳平), aged 55, is the vice chairman (the "**Vice Chairman**") and compliance officer (the "**Compliance Officer**") of the Company. Mr. Chen is an advisor to students seeking their masters' degree and an associate professor at Zhejiang University(浙江大學). Mr. Chen graduated from the Department of Computer Science and Technology at Zhejiang University with a bachelor's degree and a master's degree in computer applications in July 1987 and December 1989, respectively. Since graduation from Zhejiang University (浙江大學), Mr. Chen has been involved in the research and development of computer networking and communication platforms, particularly in wireless data communication platforms and was awarded the Zhejiang Province Science and Technology Advancement Second Prize and Third Prize (浙江省科學技術進步二等獎及三等獎) issued by the Zhejiang Provincial People's Government in 1993. Mr. Chen had previously conducted classroom lectures in the Department of Computer Science and Technology at Zhejiang University (浙江大學) for seven years up to 1997. Mr. Chen published two computer networking academic textbooks and a number of academic research papers in the PRC. Mr. Chen joined the Company since May 1997 and was appointed as an executive Director since May 2017.

Mr. Guan Zilong (管子龍), aged 32, is the financial controller of the Company. Mr. Guan is also a director of Increator Technology and Shenghua Scitech Information Limited, both wholly-owned subsidiaries of the Company. Mr. Guan graduated from China Jiliang College*(中國計量學院)(currently known as China Jiliang University(中國計量大學)) and obtained a bachelor's degree in management with major in financial management in June 2011. Mr. Guan is a non-practising member (非執業會員) of Zhejiang Institute of Certified Public Accountants (浙江省註冊會計所師協會). Between July 2011 and May 2016, he was with Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)) and mainly handled annual audit works for listed companies and initial public offering works for proposed listing applicants. Mr. Guan joined the Company since June 2016 and has been appointed as an executive Director since May 2017.

Mr. Xu Jianfeng (徐劍鋒), aged 33, is the secretary of the Board and the authorised representative (the "**Authorised Representative**") of the Company. Mr. Xu is also a director of Increator Technology, a wholly-owned subsidiary of the Company. Mr. Xu graduated from Jiangxi University of Finance and Economics (江西財經大學) majoring in tourism management and finance (second degree) in July 2009 and obtained a bachelor's degree in management and a bachelor's degree in economics. Since July 2009 till May 2017, Mr. Xu has been appointed as the secretary to the president(總裁秘書)of Shenghua Group Holdings Co., Ltd.*(升華集團控股有限公司)("**Shenghua Group Holdings**"). Mr. Xu joined the Company and has been appointed as an executive Director since May 2017.

Independent Non-Executive Directors

Mr. Cai Jiamei (蔡家楣), aged 73, is the chairman of the remuneration committee (the "**Remuneration Committee**") of the Company. Mr. Cai graduated from the Physics Department of Fudan University(復旦大學)majoring in semiconductor in August 1970. From May 2010 to January 2015, Mr. Cai was appointed as an independent non-executive director of Hangzhou New Century Information Technology Co., Ltd.*(杭州新世紀信息技術股份有限公司) (currently known as Hangzhou Liaison Interactive Information Technology Co., Ltd.* (杭州聯絡互動信息技術股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 002280). From August 2011 to August 2017, he was appointed as an independent non-executive director of B-soft Company Limited* (創業軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300451). From July 2013 to January 2020, he was appointed as an independent non-executive director of Sunwave Telecommunication Company Limited* (三維通信股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002115). From January 2014 to January 2019, he was appointed as an independent non-executive director of Hangzhou Xianlin Sanwei Technology Company Limited*(杭州市先臨三維科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 830978). Since June 2018, he has been appointed as an independent non-executive director of Xinhu Zhongbao Co., Ltd.* (新湖中寶股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600208). Mr. Cai was elected as the chairman of the second and third session of the council of Zhejiang Software Industry Association*(浙江省軟件行業協會)in 2008 and 2012, respectively. Mr. Cai was appointed as the dean of the College of Information Engineering*(信息工程學院) (from October 2000 to August 2004), College of Software*(軟件學院)(from April 2002 to May 2006) and College of Software Vocational Skills*(軟件職業技術學院)(from April 2002 to May 2006) of Zhejiang University of Technology(浙江工業大學). Mr. Cai joined the Company and has been appointed as an independent non-executive Director since May 2017.

Ms. Huang Lianxi (黃廉熙), aged 57, is the chairman of the nomination committee (the "**Nomination Committee**") of the Company. Ms. Huang graduated from East China College of Political Science and Law(華東政法學院)(currently known as East China University of Political Science and Law(華東政法大學)) in August 1983 majoring in law. Ms. Huang furthered her legal study at Shanghai College of International Business and Economics (上海對外貿易學院)(currently known as Shanghai University of International Business and Economics(上海對外貿易大學)) in 1984 and graduated in July 1986. From 1991 to 1992, Ms. Huang attended a one-year course in United Kingdom Practical Training Scheme for Lawyers of the People's Republic of China at the University of London and obtained a certificate of completion. From September 1984 to September 2003, Ms. Huang worked at Zhejiang Economy Law Firm*(浙江省經濟律師事務所) (currently known as Zhejiang Zhe Jing Law Firm*(浙江浙經律師事務所)) as a lawyer, deputy head officer (副主任) and partner successively. Ms. Huang is a partner of Zhejiang Tiance Law Firm*(浙江天冊律師事務所)and she joined the firm since September 2003. In October 2008, Ms. Huang was recognised as Outstanding Lawyer(全國優秀律師)for the years 2005 to 2007 by All China Lawyers Association*(中華全國律師協會). In February 2013 and January 2018, Ms. Huang was appointed as a member of the Twelfth and Thirteenth National Committee for Chinese People's Political Consultative Conference*(中華人民政治協商會議第十二屆、第十三界全國委員會), respectively. Ms. Huang is an arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會). Ms. Huang had been the vice-president of the Lawyers Association of Zhejiang*(浙江省律師協會). Ms. Huang was an independent non-executive director of Zhejiang Zhenyuan Company Limited(浙江震元股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000705), from June 2008 to August 2014. From April 2008 to April 2014, Ms. Huang was appointed as an independent non-executive director of Sunny Loan Top Company Limited(香溢融通控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600830). From April 2009 to April 2015, Ms. Huang was appointed as an independent non-executive director of Shenghua Biok Biology. She was an independent non-executive director of China Calxon Group Company Limited*(嘉凱城集團股份有限公司) (formerly known as Hunan Yahua Holdings Group Company Limited*(湖南亞華控股集團股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 000918), from August 2009 to March 2016. From July 2013 to November 2018, Ms. Huang was appointed as an independent non-executive director of Zhejiang Kangsheng Co., Ltd.(浙江康盛股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002418). Ms. Huang has been an independent non-executive director of Zuoli Kechuang Micro-finance Company Limited(佐力科創小額貸款股份有限公司), a company listed on the main board of the Stock Exchange (stock code: 6866), since April 2014. Ms. Huang has been an independent non-executive director of Zhejiang Youpon Ceiling Company Limited* (浙江友邦吊頂股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002718), since March 2016. Ms. Huang has been an independent non-executive director of Hanjia Design Group Co.,Ltd.* (漢嘉設計集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300746), since March 2019. Ms. Huang joined the Company and has been appointed as an independent non-executive Director since May 2017.

Mr. Shen Haiying (沈海鷹), aged 48, is the chairman of the audit committee (the "**Audit Committee**") of the Company. Mr. Shen completed a two-year professional course for accounting jointly offered by The Broadcast and Television University of China*(中央廣播電視大學)(currently known as The Open University of China (國家開放大學)) and Beijing Technology and Business University(北京工商大學)in January 2005. From November 1999 to March 2007, Mr. Shen was a director of Deqing Tianqin Accountants' Firm Company Limited*(德清天勤會計師事務所有限責任公司). From April 2007 to March 2011, Mr. Shen was the executive director and general manager of Huzhou Tianqin Assets Appraisal Company Limited* (湖州天勤資產評估有限公司). From June 2008 to May 2014, he was appointed as an independent non-executive director of Shenghua Biok Biology. Since April 2011 till March and September 2019, Mr. Shen was the general manager and vice-chairman of the board of Zuo Li Group Holdings Company Limited*(佐力控股集團有限公司), respectively. Since October 2007 to September 2018, Mr. Shen was a director of Zhejiang Top Medicine Co., Ltd. (浙江拓普藥業股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 837631). Mr. Shen is a senior accountant(高級會計師)awarded by the Review Committee of Senior Accountant Qualification of Zhejiang Province*(浙江省高級會計師資格評審委員會). He is also a certified tax agent of Zhejiang Province(浙江省註冊税務師). Mr. Shen joined the Company and has been appointed as an independent non-executive Director since May 2017.

SUPERVISORS

Shareholder Representative Supervisors

Mr. Lu Weifeng (盧偉鋒), aged 40, is the chairman of the supervisory committee (the "**Supervisory Committee**") of the company. Mr. Lu completed the undergraduate study at University of Chongqing (重慶大學) majoring in professional public service management in July 2010. Since July 1999 till present, Mr. Lu has been employed by and is the director and assistant to the president (總裁助理) of Shenghua Group Holdings. Since March 2015 till present, Mr. Lu has been a director and manager of Zhejiang Zheke Shenghua Venture Capital Co., Ltd.* (浙江浙科升華創業投資有限公司). Since June 2016 till present, Mr. Lu has been a director of Bailida Solar Co., Ltd.* (百力達太陽能股份有限公司). Since June 2016 till present, Mr. Lu has been a director of Hangzhou Tiandi Digital Technology Co., Ltd.* (杭州天地數碼科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300743). Since September 2018 till present, Mr. Lu has been a director of Zhejiang Shenghua Yunfeng New Materials Co., Ltd.* (浙江升華雲峰新材股份有限公司). Since December 2019 till present, Mr. Lu has been a chairman of the supervisory committee of Zhejiang Shenghua Holdings Group Company Limited (浙江升華控股集團有限公司) ("**Zhejiang Shenghua**") .Mr. Lu joined the Company and has been appointed as a Supervisor since May 2019.

Ms. Shen Xiaofen (沈小芬), aged 47, completed the specialist study at The Broadcast and Television University of China* (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) majoring in professional accounting in January 2008. From January 1999 to August 2009, Ms. Shen served successively as the staff and the deputy manager of the finance department of Shenghua Biok Biology. From August 2009 to July 2017, Ms. Shen was the cost manager of the finance department of Zhejiang Yunda Wind Power Co., Ltd.* (浙江運達風電股份有限公司). Since July 2017 till present, Ms. Shen has served as the deputy general manager of the audit and compliance department of Shenghua Group Holdings. Ms. Shen joined the Company and has been appointed as a Supervisor since May 2019.

Employee Representative Supervisor

Ms. Shen Rujia (沈儒佳), aged 31, graduated from Jiaxing University (嘉興學院) in June 2011, majoring in architecture and accounting (second degree), with a bachelor's degree in engineering and a bachelor's degree in management. Ms. Shen obtained the intermediate accounting professional and technical qualification certificate approved by the Ministry of Human Resources and Social Security and Ministry of Finance of the PRC. From July 2011 to July 2018, Ms. Shen worked as an accountant in Shenghua Estate. Ms. Shen has worked as an accountant in the Company since August 2018 and has been appointed as a Supervisor since August 2019.

SENIOR MANAGEMENT

Mr. Qi Jinsong (戚金松) (formerly Mr. Qi Jinsong (戚金崧)), aged 55, is the Chairman and the Chief Executive Officer. Mr. Qi completed a two-year online professional course for economics offered by China University of Geosciences (Wuhan) (中國地質大學(武漢)) in April 2005. Mr. Qi was appointed as the general manager and president of the board of Zhejiang Shenghua Qiang Ci Materials from January 2009 to February 2012. From February 2012 to April 2013, he was the deputy general manager and later the general manager of Shenghua Estate. From April 2013 to July 2013, he was appointed as the deputy general manager of Shenghua Biok Biology. From July 2013 to June 2014, he was the deputy general manager of Meidu Group. Mr. Qi was appointed as the executive vice president (from June 2014 to July 2016) and director (from May 2015 to July 2016) of Meidu Energy. Mr. Qi joined the Company since February 2017.

Mr. Guan Zilong (管子龍), aged 32, is the financial controller of the Company. Mr. Guan graduated from China Jiliang College*(中國計量學院)(currently known as China Jiliang University(中國計量大學)) and obtained a bachelor degree in management with major in financial management in June 2011. Mr. Guan is a non-practising member (非執業會員) of Zhejiang Institute of Certified Public Accountants (浙江省註冊會計所師協會). Between July 2011 and May 2016, he was with Pan-China Certified Public Accountants LLP* (天健會計師事務所(特殊普通合夥)) and mainly handled annual audit works for listed companies and initial public offering works for proposed listing applicants. Mr. Guan joined the Company since June 2016.

Mr. Xu Jianfeng (徐劍鋒), aged 33, is the secretary of the Board and the Authorised Representative. Mr. Xu graduated from Jiangxi University of Finance and Economics(江西財經大學) majoring in tourism management and finance (second degree) in July 2009 and obtained a bachelor's degree in management and a bachelor's degree in economics. Since July 2009 till May 2017, Mr. Xu has been appointed as the secretary to the president(總裁秘書)of Shenghua Group Holdings. Mr. Xu joined the Company since May 2017.

Mr. Zhang Xuguang (張旭光), aged 62, is the chairman of the board of Increator Technology, a wholly-owned subsidiary of the Company. Mr. Zhang graduated from Zhejiang University (浙江大學) majoring in information and electronic engineering. Mr. Zhang had been the chairman of the board and the general manager of Hangzhou New Century Technology Development Co., Ltd.*(杭州新世紀科技發展有限公司), the president of Zhejiang Insigma Software Industry Group Co., Ltd.* (浙江浙大網新軟件產業集團有限公司) and the general manager of Zhejiang Insigma Increator Technology Co., Ltd.*(浙江網新創建科技有限公司). Mr. Zhang had also been employed as an informatisation expert advisor to many city governments such as Hangzhou City, Tieling City and Jiangyin City. Mr. Zhang has over twenty years of research and development and operation management experience in the field of information technology and was named as the Zhejiang Province Software Industry Outstanding Entrepreneurs (浙江省軟件行業優秀企業家) and the Zhejiang Province Top Ten "Twelve-Five" New Urbanisation Figure (浙江省「十二五」新型城市化十佳人物). Various researches and engineering projects held by Mr. Zhang had won the Technological Advancement First Grade Award of Zhejiang Province (浙江省科技進步一等獎), the National Golden Card Engineering Innovation Award (國家金卡工程自主創新獎), Best Software Platform Award (最佳軟件平台獎), the Best Software Development Award (最佳軟件開發獎), the Excellence Award of Software Products and Solutions of China Software Association (中國軟件協會優秀軟件產品與解決方案獎), and the Technological Advancement Award of General Logistics Department of the People's Liberation Army (解放軍總後勤部科技進步獎), and etc.. The Hangzhou Citizen Card Engineering Project (杭州市民卡工程) designed by Mr. Zhang obtained the Best Application Results Award of National Golden Card Project (國家金卡工程優秀應用成果獎). Mr. Zhang joined the Group since February 2018.

Mr. Wu Benlin (吳本林), aged 45, is the president of Increator Technology, a wholly-owned subsidiary of the Company. Mr. Wu graduated from He Fei University of Technology(合肥工業大學) with a bachelor's degree in communication engineering. Mr. Wu has devoted to the development of computer software application system, especially the development of application in industry such as social security, city card (城市一卡通), smart city based on J2EE structure, and has extensive experience in the field of city informatisation and smart city. Mr. Wu was awarded the Technological Advancement Award of Zhejiang Province (浙江省科技進步一等獎) in 2008, and qualification certification of Information System Project Management Professional (信息系統項目管理師), OCP, Microsoft Senior Project Management Training (高級項目經理培訓)and Senior Software Development Supervisor Training Program (高級軟件研發主管研修計劃) and honoured with the qualification such as IBM Certified Structuralist (認證架構師). Mr. Wu joined the Group since February 2018.

Mr. Luo An (羅安), aged 56, is the vice president of the Company. Mr. Luo is an engineer and the general manager of Hangzhou Huaguang Computer Engineering Co., Ltd.*(杭州華光計算機工程有限公司), a wholly-owned subsidiary of the Company. Mr. Luo is a graduate of master in software computing and theoretical science of Zhejiang University (浙江大學). Mr. Luo had worked at management positions in Zhejiang Tian Cheng Group High-Tech Development Company* (浙江天昌集團高科技開發公司) and Huzhou Jun Pu Computer Company* (湖州軍普電腦公司), respectively. Mr. Luo has over twenty years of management experience in the field of information technology. Mr. Luo joined the Company since September 2009.

Mr. Gao Zhan (高瞻), aged 49, is the vice president of the Company and the general manager of Zhejiangh Lan Chuang Communication Co., Ltd.* (浙江蘭創通信有限公司), a 85% owned subsidiary of the Company. Mr. Gao graduated from the Department of Electronic Engineering of Hanzhou Institute of Electronic (杭州電子工業學院) with a bachelor's degree in radio technology. Mr. Gao has been in the areas of data business and telecommunication value-added services for many years and has extensive experiences in planning, operation, management and market operation of broadband data business and value-added business. Mr. Gao joined the Company since April 2005.

Mr. Fork Siu Lun Tommy (霍兆麟), aged 57, is the company secretary (the "**Company Secretary**") of the Company and the Authorised Representative. Mr. Fork graduated from the University of Hong Kong with a bachelor's degree in science in November 1984. He has been a member of the Hong Kong Institute of Certified Public Accountants since September 1987 and a fellow member of The Chartered Association of Certified Accountants since October 1992. Mr. Fork joined the Company since May 2017.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of achieving and monitoring the high standard of corporate governance in realising the need and requirements of its business and the best interest of all Shareholders. The Group is fully committed to doing so. Throughout the year ended 31 December 2019, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from CG Code Provision A.2.1 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code Provision A.2.1 stipulates that the roles of the chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Qi Jinsong is both the Chairman and Chief Executive Officer who is responsible for managing the Board and Group's business. The Board considers that, with the current Board structure and scope of business of the Group, vesting the roles of the Chairman and Chief Executive Officer in the same person enables more effective and efficient planning and implementation of business plans and the Board believes that the balance of power and rights is adequately ensured. However, the Board will continue to review regularly the effectiveness of the Group's corporate governance structure to assess whether the separation of the positions of the Chairman and Chief Executive Officer is necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 December 2019. Having made specific enquiry with all Directors, the Company confirmed that all Directors had complied with the required standard of dealings and code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

During the year and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Mr. Qi Jinsong
Mr. Chen Ping
Mr. Guan Zilong
Mr. Xu Jianfeng

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms. Huang Lianxi
Mr. Shen Haiying

The biographical details of the Directors are set out on pages 15 to 19 of this annual report.

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, oversee the management of the Group, evaluate the performance of the Group and enhance long-term Shareholder value. The management of the Group is responsible for executing the strategies adopted by the Board and managing the day-to-day activities of the Group.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Group.

During the year, the Board complied at all times with the requirement of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise.

During the year, the Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company considered the diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All future Board appointments will be based on meritocracy, and the candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The list of Directors and their roles and function are published on the GEM website.

Each Director has ensured that he/she could give sufficient time, commitments and attention to the affairs of the Group for the year.

The Board has been provided with monthly financial summaries which contain year-to-date key figures of the Group. The monthly financial summaries have given a balanced and understandable assessment of the Group's performance, financial position and prospects in sufficient detail.

Pursuant to the CG Code, the Directors shall participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board is made with thorough and necessary information. The Company provided introduction and information to newly appointed Directors on their legal and other responsibilities as directors and their functions. As part of an ongoing process of directors' training, the Directors were updated with latest developments regarding the GEM Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors have been encouraged to attend external and internal forums or training courses on relevant topics which may count towards continuous professional development training. The Company has devised a training record to assist the Directors in recording the training they have undertaken. During the year, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Group's business or Directors' duties and responsibilities.

The following table shows the attendance of individual Directors at the meetings of the Board, the Board committees and the Shareholders held during the year:

			Meeting attended		
Director	**Board**	**Audit committee**	**Remuneration committee**	**Nomination committee**	**Shareholders**
Executive Directors					
Mr. Qi Jinsong	5/5	–	1/1	2/2	1/1
Mr. Chen Ping	5/5	–	–	–	1/1
Mr. Guan Zilong	5/5	–	–	–	1/1
Mr. Xu Jianfeng	5/5	–	–	–	1/1
Independent Non-Executive Directors					
Mr. Cai Jiamei	5/5	4/4	1/1	2/2	1/1
Ms. Huang Lianxi	5/5	4/4	–	2/2	1/1
Mr. Shen Haiying	5/5	4/4	1/1	–	–/1

In addition, the Company has maintained a procedure for the Directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

Moreover, the Company Secretary prepares minutes and kept records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also kept the Board minutes, which were open for inspection at any reasonable time on reasonable notice by any Director.

Appointment and re-election of Directors shall be approved by meetings of the Shareholders. The term of each Director is three years and can be re-elected in succession. According to the stipulations of its articles of association (the "**Articles of Association**"), the Company cannot terminate the office of a Director without course.

The resignation and termination of a Director should need a reasonable explanation. The Articles of Association stipulates that the terms of all Directors are three years and can continue to hold office when re-elected. Any Director to be appointed for replacing in vacancy must be thereafter elected in the next meeting of the Shareholders. The Company does not require the rotation of Directors in three years. Instead, Directors are re-elected by a meeting of the Shareholders upon the expiry of their three years terms, and can be re-appointed.

BOARD COMMITTEES

To maintain a high level of corporate governance standard, the Board has set up three committees as follows:

- **Audit Committee**

  The Company has the Audit Committee with written terms of reference in compliance with the requirements as set out in the CG Code. The Audit Committee is currently composed of three independent non-executive Directors, namely, Mr. Shen Haiying, Mr. Cai Jiamei and Ms. Huang Lianxi, and is chaired by Mr. Shen Haiying.

  The primary duties of the Audit Committee were to review the Company's annual report, audited consolidated financial statements and annual results, half-yearly report and quarterly reports and to advise and comment thereon to the Board. The Audit Committee was also responsible for reviewing and supervising the financial reporting process and risk management and internal control systems of the Group. In the course of doing so, the Audit Committee has had detailed discussions with the management and external auditor during the year ended 31 December 2019. The Audit Committee has reviewed, among other things, the audited financial results and annual report of the Group for the year ended 31 December 2019.

- **Remuneration Committee**

  The Company has the Remuneration Committee with written terms of reference in alignment with the provisions as set out in the CG Code. The Remuneration Committee currently comprises two independent non-executive Directors, namely, Mr. Cai Jiamei and Mr. Shen Haiying, and one executive Director, Mr. Qi Jinsong, the Chairman and Chief Executive Officer; and is chaired by Mr. Cai Jiamei.

  The main responsibilities of the Remuneration Committee were to review and endorse the remuneration policies of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. During the year, the Remuneration Committee discussed with the Chief Executive Officer on the performance of the executive Directors and its proposals relating to the remuneration of the Directors and senior management and has ensured that no Director was involved in deciding his/her own remuneration.

- **Nomination Committee**

  The Company has the Nomination Committee with written terms of reference in alignment with the provisions as set out in the CG Code. The Nomination Committee currently comprises two independent non-executive Directors, namely, Ms. Huang Lianxi and Mr. Cai Jiamei, and one executive Director, Mr. Qi Jinsong, the Chairman and Chief Executive Officer; and is chaired by Ms. Huang Lianxi.

  The responsibilities of the Nomination Committee included reviewing the structure, composition and diversity of the Board; identifying individuals, in accordance with the Board diversity and nomination policy of the Company, suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individual nominated for directorships; assessing the independence of the independent non-executive Directors; making recommendations to the Board on the appointment or reappointment of the Directors and succession planning for the Directors, in particular, the Chairman and Chief Executive Officer; setting out relevant information in the general meeting circular and/or documents relating to any proposed resolution to elect an independent non-executive Director at the general meeting; and determining the policy for the nomination of the Directors, which involving the consideration on the past performance, qualification and general market conditions in selecting and recommending prospective candidates for directorship.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function was carried out by the Board pursuant to a set of terms of reference adopted by the Board in compliance with the CG Code, which included: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. During the year, the Board has reviewed the corporate governance policy of the Company and duties of the Board and its committees. The Board has also reviewed the corporate governance report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board had the overall responsibility for maintaining sound risk management and internal control systems and reviewing their effectiveness.

Measures have been established to provide an effective risk management system to identify, evaluate and manage significant risks, which include a defined organisational structure with clear lines of responsibility and authority; an appropriate management reporting system; and a periodic risk self-assessment conducted by major business units to ensure the proper monitoring of significant risks and the adequacy of relevant risk mitigation plans. The aforementioned measures also ensured the proper handling and dissemination of inside information.

Risk management and internal control systems have been designed for managing the Group's significant risks; safeguarding the Group's assets; maintaining proper accounting records; ensuring compliance with relevant laws and regulations; and providing reasonable assurance against material misstatement, loss or fraud. The purpose of the Group's risk management and internal control systems was to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risks of failure in operational system in order to achieve the Group's business objectives.

The Board has employed an ongoing process to review the effectiveness of the risk management and internal control systems, which consisted mainly of enquiry, discussion, and validation through observation and inspection. During the reporting year, the Board held one meeting to appraise the validity of the Group's risk management and internal control systems in an all-round way, with Supervisors and part of the senior executives seated in the meeting. The Board's annual review for the year ended 31 December 2019 as aforementioned has satisfactorily covered the adequacy of resources, qualifications and experience, training programs and budget of the Group's accounting and financial reporting functions. The Board was of the view that the risk management and internal control systems were effective and adequate; and there were no irregularities, improprieties, fraud or other deficiencies that suggested a material deficiency in the Group's risk management and internal control systems.

The Board has established an internal audit function, which has effecxively carried out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is the independent auditor's responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion to the Shareholders. The responsibilities of the independent auditor are set out in the independent auditor's report on pages 35 to 38 of this annual report.

AUDITOR'S REMUNERATION

During the year, the Group incurred approximately RMB647,000 (2018: RMB628,000) for remunerations in respect of audit services provided by the Company's auditor.

COMPANY SECRETARY

Mr. Fork Siu Lun Tommy is the Company Secretary and he is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants. He reported to the Board and assisted the Board in functioning effectively and efficiently. During the year, Mr. Fork undertook not less than fifteen hours of professional training to update his skill and knowledge.

CHANGE IN ARTICLES OF ASSOCIATION

Pursuant to the special resolution passed by the Shareholders at their annual general meeting held on 6 May 2019, the Articles of Association was amended to reflect the actual conditions of the Company. Details of the amendments in the Articles of Association were set out in the circular of the Company dated 21 March 2019.

INVESTOR RELATIONS

The Company disclosed all necessary information to the Shareholders in compliance with the GEM Listing Rules. The Company also replied to enquires from the Shareholders timely. The Directors hosted the annual general meeting held duning the reporting year to meet the Shareholders and answered to their enquiries.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**") as set out below:

When the Board recommends or declares dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future business growth.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Company and its subsidiaries when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, distributable profit and reserves, any restrictions on the payment of dividends and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and declared by the Board for a financial year or period as interim dividend, final dividend, and any distribution of dividend that the Board may deem appropriate.

The Company may declare and pay dividends by way of cash or scrip or cash combined stock or by other means that the Board considers appropriate.

Any declaration and payment of dividends will be subject to Shareholders' approval and in compliance with the law of the PRC and the Articles of Association.

The Board will review the Dividend Policy as appropriate from time to time, and there is no guarantee that any particular amount of dividends will be proposed or declared in any particular period in the future.

SHAREHOLDERS' RIGHTS

I. Convene an extraordinary general meeting and make proposals at general meetings

Two or more Shareholders (the "**Eligible Shareholders**") holding at the date of deposit of the requisition an aggregate of 10% or more of the shares (the "**Shares**") carrying the right of voting of the Company shall at all times have the right, by written requisition to the Company, to convene an extraordinary general meeting of the Shareholders.

The written requisition signed by the Eligible Shareholders should be deposited at (i) the principal place of business of the Company in the PRC at 17/F., Deqing Shanghui Building, No. 70 Wulipai Road, Deqing County, Huzhou City, Zhejiang Province, the PRC for the attention of the secretary of the Board (for the holders of the Domestic Shares); or (ii) the principal place of business of the Company in Hong Kong at Room 1505, 15/F., Fullerton Centre, 19 Hung To Road, KwunTong, Kowloon, Hong Kong for the attention of the Company Secretary (for the holders of the H Shares).

The requisition must state clearly the name of the Eligible Shareholders concerned, their shareholding, the reason to convene an extraordinary general meeting, the agenda proposed to be included as well as the details of the business proposed to be transacted in the extraordinary general meeting.

II. Send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board to (i) the principal place of business of the Company in the PRC for the attention of the secretary of the Board (for the holders of the Domestic Shares); or (ii) the principal place of business of the Company in Hong Kong for the attention of the Company Secretary (for the holders of the H Shares), at the addresses set out in the paragraph above. In addition, the Company's website provides the fax number and telephone number by which enquiries may be put to the Board.

On behalf of the Board
Qi Jinsong
Chairman

20 March 2020
Huzhou City, the PRC

ENVIRONMENTAL, SOCIAL AND GOVERANCE REPORT

The Board is pleased to present the environmental and social responsibilities report of the Group for the year ended 31 December 2019, which covers the Company and its principal subsidiaries as set out in note 41 to the consolidated financial statements. The information on the governance aspect of the Group is set out in the section headed "Corporate Governance Report" on pages 20 to 25 of this annual report.

For the year ended 31 December 2019, the Group has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide contained in Appendix 20 to the GEM Listing Rules and the relevant information is set out below.

ENVIRONMENTAL

1. Emissions

The Group is principally engaged in the trading of hardware and computer software, provision of smart city solutions, provision of e-commerce supply chain services, provision of telecommunication value-added services and provision of telecommunication solutions. The Group's business has not directly involved any natural resource emissions.

2. Use of resources

The key environmental impacts from the Group's operations mainly related to paper and energy consumption and related emissions. To achieve environmental protection, the Group encouraged its employees to reduce paper, electricity and other energy consumption throughout all its operations.

The actual numerical results for the Group's paper and energy consumption for the year under review are set out below:

	2019	2018
Paper consumption:	**approximately 185,000 pieces**	approximately 247,000 pieces
Energy consumption:	**approximately 220,000 kWh**	approximately 211,000 kWh

The paper consumption of the Group for the year ended 31 December 2019 decreased compared with last year, mainly due to the Group strengthened paper use restrictions and encouraged paperless office.

3. The environment and natural resources

The Group is committed to environmental responsibility through minimising adverse effects on the community, environment and natural resources while safeguarding the health and safety of the public. Although the Group's business did not involve any direct nature resource emissions, the Group executed practices that minimise its indirect impact on its environment and the natural resources, such as emissions associated with the production of papers and the generation of energy. The Group raised environmental awareness for its employee and encouraged its employees to reduce paper, electricity and other energy consumption by shifting to e-statement or scanning; rationalising the daily use of all computers and office equipment, electrical lighting and air-conditioners; and switching them off when the office is closed at the end of the day. The Group also promoted related solution products, promoted convenience services for cities, and enhanced government service capabilities, thereby improving social operation efficiency and reducing resource consumption and emissions.

SOCIAL

1. Employment and labour practices

(i) Employment

The Group considers that employees are valuable assets of the Group and is committed to building an amicable and rewarding relationship with its employees. The Group has also actively effected the bonding and lubrication role of the union between the employees and the Company.

Employees were remunerated with salary packages commensurate with their job nature, qualification, experience and performance. A brief description of the Group's remuneration policy is set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 14 of this annual report.

(ii) Working conditions, health and safety

The Group also worked its best to cultivate a harmonious workplace, provided free physical health check-ups for the employees and bought accidental and health insurance for the employees. In addition, the Group strived to provide a safe and healthy work environment which enhanced employee performance and company-employee relationship. During the year under review, no serious work-related injuries on staff members resulted from the Group's operation (2018: Nil).

(iii) Development and training

Training was provided to employees to enhance job performance and progression within the Group. A brief description of the Group's staff development and training policy is set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 14 of this annual report.

(iv) Labour standards

During the year under review, the Group has complied with labour laws and other related government regulations in the PRC. The Group had not employed staff who are below eighteen years of age. No employee has been paid less than the minimum wage or had been required to work over the maximum working hour specified by the government regulations. Details of the retirement benefit schemes of the Group are set out in note 39 to the consolidated financial statements.

2. Operating practices

(i) Supply chain management

The Group strived to be the national strategic business partners of its customers by providing products and services that meet or exceed customers' requirements for quality, reliability and value. In accomplishing this goal, the Group endeavoured to build long-term and mutually beneficial relationships with its suppliers, which has played a crucial role in providing high-quality products and ensuring reliable delivery to its customers.

(ii) Product responsibility

The Group is principally engaged in the trading of hardware and computer software, provision of smart city solutions, provision of e-commerce supply chain services, provision of telecommunication value-added services and provision of telecommunication solutions. As such, the Group has not had significant impacts in relation to product responsibility. During the year under review, the Group has not been involved in any significant claims or litigations relating to its business, operation and products (2018: Nil).

(iii) Anti-corruption

The Group commits to maintain a high standard of business ethics and has implemented policies and practices to prohibiting bribery and corruption. During the year under review, no bribery or corruption cases were reported relating to the business and operation of the Group (2018: Nil).

(iv) Community

The Group takes pride in participating in community events and volunteer activities as a key component of its commitment to corporate responsibility. The Group encouraged its employees to involve in relevant engagements and organised charitable donation activities, which provided opportunities for the Group and its employees to contribute to improving local communities.

On behalf of the Board
Qi Jinsong
Chairman

20 March 2020
Huzhou City, the PRC

REPORT OF THE DIRECTORS

The Board is pleased to present its annual report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the trading of hardware and computer software, provision of e-commence supply chain services and investment holding. The businesses of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

An analysis of the Group's revenue and profit before tax for the year on business segment activities basis has been set out in note 10 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 has been set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 and 4 and pages 5 to 14 of this annual report, respectively.

RESULTS AND APPROPRIATIONS

The Group's results for each of the two years ended 31 December 2019 and its state of affairs as at 31 December 2019 and 2018 are set out in the consolidated financial statements on pages 39 to 95 of this annual report.

The Board does not recommend the payment of a final dividend and other appropriations for the year (2018: Nil).

RESERVES AVAILABLE FOR DISTRIBUTION

At 31 December 2019, the Group did not have reserves available for distribution to owners of the Company (2018: Nil).

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during each of the two years ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

BORROWINGS

Details of the Group's bank borrowings at the end of the each of two years ended 31 December 2019 has been set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital at the end of each of the two years ended 31 December 2019 are set out in note 32 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during each of the two years ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 41 of this annual report.

RETIREMENT PLAN

Details of the retirement benefit schemes of the Group are set out in note 39 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group in aggregate accounted for approximately 41.03% (2018: 36.10%) of the Group's revenue and the largest customer of the Group accounted for approximately 20.02% (2018: 23.86%) of the Group's revenue for the year.

The five largest suppliers of the Group in aggregate accounted for approximately 57.19% (2018: 66.93%) of the Group's direct purchases and the largest supplier of the Group accounted for approximately 19.24% (2018; 23.61%) of the Group's direct purchases for the year.

None of the Directors, their respective associates, or any Shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and five largest suppliers of the Group for each of the two years ended 31 December 2019.

FINANCIAL SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2019 and the Group's assets and liabilities as at 31 December 2015, 2016, 2017, 2018 and 2019 is set out on page 96 of this annual report.

DIRECTORS AND SUPERVISORS

The Directors and the Supervisors during the year and up to the date of this report were:

Executive Directors

Mr. Qi Jinsong
Mr. Chen Ping
Mr. Guan Zilong
Mr. Xu Jianfeng

Independent Non-Executive Directors

Mr. Cai Jiamei
Ms. Huang Lianxi
Mr. Shen Haiying

Supervisors

Mr. Lu Weifeng *(appointed on 6 May 2019)*
Ms. Shen Xiaofen *(appointed on 6 May 2019)*
Ms. Shen Rujia *(appointed on 1 August 2019)*
Mr. Chen Jian *(resigned on 6 May 2019)*
Mr. Yu Hui *(resigned on 6 May 2019)*
Ms. Yao Yajuan *(resigned on 1 August 2019)*

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to the GEM Listing Rules and the Company considers all independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each Director and Supervisor has entered into a service agreement (with a term of not more than 3 years) with the Company expiring on 7 May 2020. All appointments were subject to termination in certain circumstances as stipulated in the relevant service agreements.

Saved as disclosed above, none of the Directors or Supervisors has a service contract with the Company or any of its subsidiaries which was not determinable by the Group within one year without payment other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 15 to 19 of this annual report.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND HIGHEST PAID EMPLOYEES

The Group has adopted an emolument policy as set out in the sub-section headed "Review of Operations" under the section headed "Management Discussion and Analysis" on pages 5 to 14 of this annual report. The Directors', Supervisors' and senior management's emoluments were determined by the Board with reference to their duties, responsibilities, performance and recommendations by the Remuneration Committee.

Details of the remuneration of the Directors and Supervisors and that of the highest paid employees are set out in notes 11 and 12 to the consolidated financial statements, respectively.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2019, none of the Directors, Supervisors or Company's chief executives had an interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future ordinance (the "**SFO**")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

Long position in Shares

Name	Capacity and nature of interest	Number of Shares held	Percentage of beneficial interests in the Company's share capital
Director and Vice Chairman			
Mr. Chen Ping	Beneficial owner	27,294,240 Domestic Shares	5.39%

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2019, none of the Directors, Supervisors or Company's chief executives was granted options to subscribe for the Shares (2018: Nil). As at 31 December 2019, none of the Directors, Supervisors or Company's chief executives or any of their spouses and children under 18 years of age had any interest in, or had been granted any interest in, or had been granted, or exercised, had any rights to subscribe for the Shares (or warrants or debentures, if applicable) or to acquire the Shares (2018: Nil).

COMPETING INTERESTS

None of the Directors or management Shareholders and their respective associates (as defined under the GEM Listing rules) had any interest in a business which competes or may compete with the business of the Group.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, so far as was known to any Directors, Supervisors or the Company's chief executives, as at 31 December 2019, there were no persons or companies (other than the interests as disclosed above in respect of the Directors) who had equity interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO; or who were deemed to be directly or indirectly interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company; or who were Shareholders as recorded in the register maintained under section 336 of the SFO:

Long position in Shares

Name	Capacity and nature of interest	Number of Shares held	Percentage of beneficial interests in the Company's share capital
Substantial Shareholders			
Zhejiang Shenghua	Beneficial owner and interest of a controlled corporation	217,126,930 Domestic Shares (Note1) and 49,000,000 H Shares (Note 2)	52.54%
Rise Sea Limited ("**Rise Sea**")	Beneficial owner	49,000,000 H Shares (Note 2)	9.67%
Deqing Huisheng Investment Company Limited* (德清匯升投資有限公司) ("**Deqing Huisheng**")	Interest of a controlled corporation	217,126,930 Domestic Shares (Note1) and 49,000,000 H Shares (Note 2)	52.54%
Mr. Xia Shilin	Interest of a controlled corporation	217,126,930 Domestic Shares (Note 1) and 49,000,000 H Shares (Note 2)	52.54%
Ms. Qian Xiaomei	Interest of spouse	217,126,930 Domestic Shares and 49,000,000 H Shares (Note 3)	52.24%
Other persons			
Mr. Wong Nga Chi	Beneficial owner	47,000,000 H Shares	9.28%

Name	Capacity and nature of interest	Number of Shares held	Percentage of beneficial interests in the Company's share capital
Ms. Yin Cailian	Interest of spouse	47,000,000 H Shares (Note 4)	9.28%
Ms. Ko Chiu Yu	Beneficial owner	23,700,000 H Shares	4.68%
Mr. Fong For	Beneficial owner	16,560,000 H Shares	3.27%

Notes:

(1) Zhejiang Shenghua, a limited company established in the PRC, is directly interested in these 217,126,930 Domestic Shares. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, a limited liability company established in the PRC, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in these 217,126,930 Domestic Shares.

(2) These 49,000,000 H Shares are beneficially owned by Rise Sea. Rise Sea is a limited liability company incorporated in Hong Kong and is wholly-owned by Zhejiang Shenghua. Zhejiang Shenghua is owned as to approximately 69.54% by Deqing Huisheng, which in turn is owned as to 75% by Mr. Xia Shilin. For the purposes of the SFO, Zhejiang Shenghua, Deqing Huisheng and Mr. Xia Shilin are each deemed to be interested in the 49,000,000 H Shares owned by Rise Sea.

(3) Ms. Qian Xiaomei is the spouse of Mr. Xia Shilin and therefore she and Mr. Xia Shilin are deemed to be interested in each other's Shares under the SFO.

(4) Ms. Yin Cailian is the spouse of Mr. Wong Nga Chi and therefore she and Mr. Wong Nga Chi are deemed to be interested in each other's H Shares under the SFO.

RELATED AND CONNECTED PARTY TRANSACTIONS

Except otherwise disclosed in note 38 to the consolidated financial statements, the Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules during each of the two years ended 31 December 2019.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") conditionally approved by a resolution of the Shareholders dated 20 April 2002 expired on 20 April 2012. No options had been granted by the Company under the Share Option Scheme.

COMPLIANCE OFFICER AND COMPANY SECRETARY

Mr. Chen Ping is the Compliance Officer. Mr. Fork Siu Lun Tommy is the Company Secretary and he is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2019 (2018: Nil).

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association.

AUDIT COMMITTEE

The Company established the Audit Committee in November 2001 with written terms of reference in compliance with the requirements as set out in the GEM Listing Rules. The primary duties of the Audit Committee are to review the Group's annual report and audited consolidated financial statements, annual results, half-year report and quarterly reports and provide advice and comments thereon to the Board and to review and to provide supervision over the financial reporting process and risk management and internal control systems of the Group. The current Audit Committee comprises three independent non-executive Directors, Mr. Shen Haiying, Mr.Cai Jiamei and Ms. Huang Lianxi, whereas Mr. Shen Haiying is the chairman. During the year, the Audit Committee reviewed the first quarterly report, the half-year report, the third quarterly report of the Group for the year 2019 and the annual report of the Group for the year 2018. The Audit Committee also has reviewed the annual report of the Group for the year 2019.

AUDITOR

During the year, SHINEWING (HK) CPA Limited was re-appointed as the auditor of the Company. The consolidated financial statements of the Group for each of the three years ended 31 December 2019 were audited by SHINEWING (HK) CPA Limited.

On behalf of the Board
Qi Jinsong
Chairman

20 March 2020
Huzhou City, the PRC

* *For identification purposes only*

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is pleased to present its annual report for the year ended 31 December 2019.

SUPERVISORY COMMITTEE OPERATION REVIEW

With effect from 6 May 2019, Mr. Lu Weifeng and Ms. Shen Xiaofen were appointed as the Supervisors. With effect from 1 August 2019, Ms. Shen Rujia was appointed as the Supervisor. With effect from 6 May 2019, Mr. Chen Jian and Mr. Yu Hui resigned as the Supervisors. With effect from 1 August 2019, Ms. Yao Yajuan resigned as the Supervisor.

During the reporting year, five meetings of the Supervisory Committee were held to review, among other things, the operating results of the Group. During the year, the Supervisory Committee has examined the legitimacy and validity, pursuant to the investiture of the Shareholders' meeting and the Articles of Association, upon the convocation and the voting procedures of meetings of the Board. We inspected whether the resolutions passed by the Board corresponded with the PRC laws and the stipulations of the Articles of Association or not, and adduced feasible proposals. The Supervisory Committee considered that the convocation and the voting procedures of meetings of the Board corresponded with the PRC laws and the Articles of Association. The resolutions passed by the meetings of the Shareholders have been executed effectively. The Supervisory Committee has obtained the respect and its suggestions have been accepted.

FINANCIAL POSITION OF THE GROUP

During the reporting year, the Supervisory Committee has supervised and inspected the operating results of the Group. It is considered that the report issued by the auditor of the Company presented truly, precisely and fairly the operating results of the Group. The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards and has compiled with the PRC statutory regulations correlated with accounting matters.

ETHICS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

During the reporting year, the Supervisory Committee executed its obligations and supervised on the ethics of the Directors and senior management, in order to raise the Directors' and senior management's onus to perform their duties with good faith and due diligence and avoid the operational risk incurable to the Group or damages to the interest of the Shareholders because of personal fault.

During the reporting year, the Supervisory Committee inspected and found that the Directors and managers had not violated the PRC laws, regulations, and Articles of Association when executing their duties. The Directors and senior management have performed their duties and there was no occurrence of impairment to the interest of the Shareholders either.

On behalf of the Supervisory Committee
Lu Weifeng
Chairman of the Supervisory Committee

20 March 2020
Huzhou City, the PRC

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

TO THE MEMBERS OF SHENGHUA LANDE SCITECH LIMITED
浙江升華蘭德科技股份有限公司
(established as a joint stock limited company in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shenghua Lande Scitech Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 39 to 95, 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 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 International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. This 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 those matters.

KEY AUDIT MATTERS (Continued)

Impairment assessment of trade receivables

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 58 to 61.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had trade receivables of approximately RMB52,560,000 representing approximately 35% of the Group's total current assets. Expected credit loss model using the provision matrix has been adopted for estimating the impairment loss on trade receivables, which involved significant management judgement on the key inputs and assumptions including the historical loss rates and forward-looking information taking into account both current and forecast general economic conditions. We have identified the impairment assessment of trade receivables as a key audit matter because the loss allowance involves significant degree of management estimation.	Our procedures were designed to review the management's process of determination of historical loss rates and forward-looking information in assessing the loss allowance and challenge the reasonableness of the methods and assumptions used to estimate the loss allowance. We have assessed, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items in the report with the relevant sales invoices; tested the accuracy of the historical default data by evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and tested the subsequent settlements of trade receivables as at 31 December 2019.

OTHER INFORMATION

The directors of the Company (the "Directors") 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 this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee of the Company ("Audit Committee") is 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 our agreed terms of engagement, 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 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 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. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

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	**291,488**	217,107
Cost of sales		**(253,973)**	(179,305)
Gross profit		**37,515**	37,802
Other operating income, net gains or losses	8	**6,514**	3,564
Distribution and selling expenses		**(10,556)**	(9,129)
General and administrative expenses		**(23,990)**	(19,102)
Research and development expenditure		**(4,907)**	(4,700)
Share of result of an associate	20	**34**	–
Finance costs	9	**(737)**	(212)
Profit before tax		**3,873**	8,223
Income tax expenses	13	**(118)**	(286)
Profit and total comprehensive income for the year	14	**3,755**	7,937
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**4,614**	8,393
Non-controlling interests		**(859)**	(456)
		3,755	7,937
Earnings per share			
Basic and diluted (RMB)	16	**0.91 cents**	1.66 cents

CONSOLIDATED STATMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment	17	**729**	1,088
Right-of-use assets	18	**1,287**	–
Intangible assets	19	**925**	1,225
Interest in an associate	20	**6,634**	–
Deferred tax assets	31	**362**	264
Goodwill	21	**1,856**	1,856
Other receivables	24	**1,463**	1,844
		13,256	6,277
Current assets			
Inventories	22	**20,892**	9,100
Trade receivables	23	**52,560**	31,283
Prepayments and other receivables	24	**23,147**	29,243
Contract assets	25	**5,331**	1,583
Financial assets at fair value through profit or loss	26	**15,601**	27,300
Bank balances and cash	27	**32,337**	35,172
		149,868	133,681
Current liabilities			
Trade and other payables	28	**41,405**	21,508
Contract liabilities	29	**2,433**	3,303
Bank borrowings	30	**8,000**	10,000
Income tax payable		**154**	56
Lease liabilities	18	**1,685**	–
		53,677	34,867
Net current assets		**96,191**	98,814
Total assets less current liabilities		**109,447**	105,091
Non-current liability			
Lease liabilities	18	**601**	–
		108,846	105,091
Capital and reserves			
Paid-in capital	32	**50,655**	50,655
Reserves	33	**56,837**	52,223
Equity attributable to owners of the Company		**107,492**	102,878
Non-controlling interests		**1,354**	2,213
Total equity		**108,846**	105,091

The consolidated financial statements on pages 39 to 95 were approved and authorised for issue by the board of directors on 20 March 2020 and are signed on its behalf by:

Mr. QI Jinsong
Director

Mr. GUAN Zilong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Paid-in capital RMB'000	**Share premium** RMB'000	**Statutory surplus reserve** RMB'000 (note 33)	**Accumulated losses** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2018	50,655	101,336	10,567	(68,073)	94,485	2,755	97,240
Profit (loss) and total comprehensive income (expenses) for the year	–	–	–	8,393	8,393	(456)	7,937
Deregistration of a subsidiary	–	–	(39)	39	–	(86)	(86)
Transfer to statutory reserve	–	–	987	(987)	–	–	–
At 31 December 2018 and at 1 January 2019	50,655	101,336	11,515	(60,628)	102,878	2,213	105,091
Profit (loss) and total comprehensive income (expenses) for the year	–	–	–	4,614	4,614	(859)	3,755
Transfer to statutory reserve	–	–	1,117	(1,117)	–	–	–
At 31 December 2019	50,655	101,336	12,632	(57,131)	107,492	1,354	108,846

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**3,873**	8,223
Adjustments for:		
Share of result of an associate	**(34)**	–
Amortisation of intangible assets	**300**	1,100
Write-back of other payables	**(1,097)**	(100)
Government grants	**(7,079)**	(687)
Interest income from banks	**(824)**	(501)
Other interest income	**–**	(267)
Finance costs	**737**	212
Depreciation of plant and equipment	**527**	670
Depreciation of right-of-use assets	**1,589**	–
Loss on written off of plant and equipment	**3**	13
Gain on disposal of plant and equipment	**(11)**	–
Gain on disposal of a intangible asset	**–**	(712)
Impairment loss on right-of-use assets	**1,039**	–
Impairment loss on inventories	**364**	–
Impairment loss on other receivables	**281**	24
Impairment loss on trade receivables	**2,118**	367
Reversal on provision of trade receivables	**(10)**	(388)
Operating cash flows before movements in working capital	**1,776**	7,954
Increase in inventories	**(12,156)**	(5,957)
(Increase) decrease in trade receivables	**(23,385)**	16,825
Decrease (increase) in prepayments and other receivables	**6,161**	(19,199)
Increase in contract assets	**(3,748)**	(733)
Increase in trade and other payables	**20,994**	6,282
(Decrease) increase in contract liabilities	**(870)**	1,942
Cash (used in) generated from operations	**(11,228)**	7,114
Income tax paid	**(118)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(11,346)**	7,114

	Note	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Proceeds on financial assets at fair value through profit or loss		**33,300**	–
Interests received		**824**	768
Proceeds from disposal of plant and equipment		**42**	–
Investment in an associate		**(6,600)**	–
Purchases of financial assets at fair value through profit or loss		**(21,601)**	(7,800)
Purchase of plant and equipment		**(202)**	(481)
Net cash outflow from acquisition of a subsidiary	35	**–**	(23,400)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**5,763**	(30,913)
FINANCING ACTIVITIES			
New borrowings raised		**15,000**	10,000
Government grants received		**7,079**	687
Repayment of borrowings		**(17,000)**	–
Repayment of principal on lease liabilities		**(1,594)**	–
Repayment of interest on lease liabilities		**(96)**	–
Interests paid		**(641)**	(212)
Distribution to non-controlling interests		**–**	(86)
NET CASH FROM FINANCING ACTIVITIES		**2,748**	10,389
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,835)**	(13,410)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**35,172**	48,582
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**32,337**	35,172

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") as a joint stock company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in the trading of hardware and computer software, provision of e-commerce supply chain services and investment holding. The principal activities of its subsidiaries are set out in note 41.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current year, the Group has applied the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and new interpretations ("Int(s)") issued by the International Accounting Standards Board (the "IASB").

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

The impacts of the adoption of IFRS 16 Leases resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below. The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of IFRS 16 Leases

IFRS 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 IFRS 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. Comparative information has not been restated and continues to be reported under IAS 17 Leases.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") (Continued)

Impacts on adoption of IFRS 16 Leases (Continued)

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.15%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of IFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	a	–	3,403	3,403
Lease liabilities	a	–	3,368	3,368
Prepayments and other receivables	b	29,243	(35)	29,208

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB3,368,000 as if IFRS 16 had been applied since the commencement date.

(b) The prepaid rental of approximately RMB35,000 as at 31 December 2018 were reclassified to right-of-use assets.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. The total cash flows are unaffected. The adoption of IFRS 16 has resulted in a significant change in presentation of cash flows within the cash flow statement.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

Impacts on adoption of IFRS 16 Leases (Continued)

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitments as at 31 December 2018	3,818
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(567)
Add: Extension options reasonably certain to be exercised	239
	3,490
Discounting effect using the incremental borrowing rate as at 1 January 2019	(122)
Lease liabilities recognised as at 1 January 2019	3,368
Analysed as:	
Current portion	1,456
Non-current portion	1,912
	3,368

Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 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 anticipate that, the application of the new and amendments to IFRSs 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 IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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 at the end of each reporting period.

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

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 (i.e. its subsidiaries).

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.

The Company reassesses 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 of 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 component 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 entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 Income Taxes.

- lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "intersests in an associate" below.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of the net investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- 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 entity satisfies a performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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 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 and enhances an asset that the customer controls as the asset is created and 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.

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities (Continued)

The Group recognised revenue from the following major sources:

- Trading of hardware and computer software
- Provision of telecommunication value-added services
- Provision of smart city solutions
- Provision of e-commerce supply chain services

(i) Trading of hardware and computer software

Revenue is recognised at a point in time when the control of goods is transferred to the customers, generally on delivery of goods to the customer's specified location, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits from these products.

Advance payment from customers on revenue recognition is recognised as contract liabilities in the consolidated statement of financial position.

(ii) Provision of telecommunication value-added services

The performance obligation of provision of telecommunication value-added services, such as business cards sharing and precise marketing through telecommunication channel, is satisfied at a point in time. Revenue from the service rendered is recognised at a point in time when service rendered to the customers.

(iii) Provision of smart city solutions

Revenue from provision of smart city solutions is recognised over time.

The provision of smart city solutions included a comprehensive set of professional services namely system maintenance service, system enhancement service and software development, sourcing and system installation service.

For the system maintenance services, the customer simultaneously receives and consumes the benefits provided by the Group's performance. Revenue from provision of such services is recognised over time on a straight-line basis over the period of the service.

For the system enhancement services and software development, sourcing and system installation services, the Group provides system upgrading and modification services to the customer's existing system. Revenue from provision of such services is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the system is created and enhanced.

The progress towards complete satisfaction of a performance obligation is measured based on output method on achievement of a specified milestone.

The Group's contracts with customers include payment schedules which require stage payments over the contract period once milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 50% of total contract sum as part of its credit risk management policies and this has resulted in a contract liability at early stages. The Group also typically provides warranty to ensure that services performed comply with agreed-upon specifications for a specified period and, therefore agrees to a retention money of certain percentage of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing the warranty period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities (Continued)

(iv) Provision of e-commerce supply chain services

The provision of e-commerce supply chain services included supplying and trading of goods through e-commerce platforms owned and managed by third parties.

Revenue is recognised at a point in time when the control of goods is transferred to end customers through e-commerce platforms.

For certain transactions, based on the terms of the agreements entered into between the customers, vendors and the Group, the Group does not obtain control of goods before the goods are sold to e-commerce platforms. As such, the Group recognises revenue in such arrangements on a net basis.

Leasing

Accounting Policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 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 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 straightline 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.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Accounting Policy applicable prior to 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

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

Short-term 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.

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 tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the 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 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 disposal or retirement of an item of 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured on the same basis as intangible assets acquired separately.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and deposits with an original maturity of within three months.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 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 ("FVTPL")) 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 FVTPL 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 at initial recognition. The Group's financial assets are classified as financial assets at amortised cost and financial assets at 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.

Financial assets at amortised cost (debt instruments)

Debt instruments that meet the following conditions (including trade receivables, other receivables and bank balances and cash) are subsequently measured at amortised cost:

- 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 asset 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, 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 expected credit losses, 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.

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 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.

Interest income is recognised in profit or loss and is included in the "other operating income, net gains or losses" line item.

Financial assets at FVTPL

The Group's wealth management products are classified as financial assets at FVTPL as they do not meet the criteria for being measured at amortised cost or financial assets at fair value through other comprehensive income.

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 to the extent they are not part of a designated hedging relationship.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and contract assets. The amount of expected credit losses 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 trade receivables and contract assets. The expected credit losses 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 instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been 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 increases 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

- 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; and
- 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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, 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 fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

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).

The Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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, or in the case of trade receivables, when the amounts are over 36 months past due, whichever occurs sooner. 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.

Generally, the ECL 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 effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade, other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised 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 entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 a CGU) in prior years. A reversal of impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value, except for the net realisable value of inventories and value-in-use of plant and equipment, goodwill and intangible asset 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.

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 minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make, estimates and assumptions about 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 on-going 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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimates (see below), that the Directors 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.

Principal versus agent consideration

The Group engages in provision of e-commerce supply chain services of which involved trading of goods. The Group assessed whether the Group should recognise revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions if it controls the specified good before it is transferred to the customer after taking into consideration indicators.

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Impairment of goodwill and intangible asset

Determining whether goodwill and intangible asset are impaired requires an estimation of the recoverable amount of the CGU to which goodwill and intangible asset have been allocated. Recoverable amount is the higher of the value-in-use and fair value less cost of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill and intangible assets are approximately RMB1,856,000 and RMB925,000 respectively (2018: RMB1,856,000 and RMB1,225,000). No impairment loss has been recognised on goodwill and intangible assets during year ended 31 December 2019. Details of the recoverable amount calculation for intangible assets and goodwill are disclosed in note 19 and note 21 respectively.

Impairment of plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for all plant and equipment and right-of-use assets at the end of each reporting period. Plant and equipment and right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management may significantly affect the Group's impairment evaluation and hence results. As at 31 December 2019, the carrying amount of plant and equipment and right-of-use assets are approximately RMB729,000 (2018: RMB1,088,000) and RMB1,287,000 (2018: Nil) respectively, net of accumulated impairment losses of approximately RMB222,000 (2018: RMB222,000) and RMB1,039,000 (2018: Nil) respectively.

Provision of ECL for trade receivables

Starting from 1 January 2018, the Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. 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.

As at 31 December 2019, the carrying amount of trade receivables was approximately RMB52,560,000 (2018: RMB31,283,000), net of accumulated impairment of approximately RMB1,937,000 (2018: RMB532,000). During the year ended 31 December 2019, impairment loss of approximately RMB2,118,000 (2018: RMB367,000) has been recognised for the year ended 31 December 2019.

Allowance for inventories

The management of the Group reviews ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving inventory items identified. The management also estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions which involve judgement in respect of the expectation about the market condition and the future demand for such items in inventory. As at 31 December 2019, the carrying amount of inventories was approximately RMB20,892,000 (2018: RMB9,100,000), net of accumulated allowance of approximately RMB370,000 (2018: RMB6,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising paid in capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**98,025**	74,714
Financial assets mandatorily measured at FVTPL	**15,601**	27,300
	113,626	102,014
Financial liabilities		
At amortised cost	**49,405**	31,508

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, contract assets, financial assets at FVTPL, bank balances and cash, trade and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

(i) Market risk

Currency risk

The Group's exposure to foreign currency risk relates principally to its bank balances, trade receivables, other receivables, contract assets and trade and other payables denominated in foreign currencies other than the functional currency of relevant group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019 **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
Hong Kong Dollar ("HKD")	**209**	5,537	**–**	–
United States Dollar ("USD")	**22,007**	9,948	**3,936**	69
Euro ("EUR")	**1,249**	7,080	**191**	–

The Group currently does not have a foreign currency hedging policy. However, the Directors continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective group entity's functional currency. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates.

A positive number below indicates an increase (2018: increase) in post-tax profit (2018: post-tax profit) where the respective functional currencies of the group entity weaken 5% (2018: 5%) against the relevant foreign currencies. For a 5% (2018: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2019 **RMB'000**	2018 RMB'000
Impact on post-tax profit for the year		
HKD	**8**	208
USD	**678**	370
EUR	**40**	266

Interest rate risk

The Group's exposure to cash flow interest rate risk is through the impact of rate changes on interest-bearing financial assets. Interest bearing financial assets is mainly balances with banks which are all short-term in nature. The management monitors the movement in market interest rates and reviews such impact on the Group on a continuous basis to ensure that any future variations in interest rate will not have a significant adverse impact on the results of the Group.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and financial assets at FVTPL at the end of reporting period. The analysis is prepared assuming bank balances and financial assets at FVTPL outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point (2018: 50 basis point) 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 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit (2018: post-tax profit) for the year ended 31 December 2019 would increase/decrease (2018: increase/decrease) by approximately RMB180,000 (2018: RMB234,000). This is mainly attributable to the Group's exposure to interest rates on bank balances.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk

As at 31 December 2019 and 2018, 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 the Group mainly arises from bank balances and cash, trade and other receivables, contract assets and financial assets at FVTPL. The carrying amounts of these balances represent 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. In addition, the Group reviews the recoverability of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. During the year ended 31 December 2019, the Group negotiated the payment term of an overdue balance with a trade debtor and charged interests on the overdue balance. The balance together with interests were subsequently fully recovered in 2019. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Starting from 1 January 2018, for trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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 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 drawn from 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.

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

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

As at 31 December 2019	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount RMB'000	2019 Loss allowance RMB'000	2019 Net carrying amount RMB'000	2018 Gross carrying amount RMB'000	2018 Loss allowance RMB'000	2018 Net carrying amount RMB'000
Trade receivables	Note	Lifetime ECL (simplified approach)	54,497	(1,937)	52,560	31,815	(532)	31,283
Contract assets	Note	Lifetime ECL (simplified approach)	5,331	–	5,331	1,583	–	1,583
Other receivables	Performing	12-month ECL	7,797	–	7,797	6,676	–	6,676
Other receivables	Default	Lifetime ECL (credit-impaired)	132	(132)	–	24	(24)	–
				(2,069)			(556)	

Note: For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. No loss allowance has been made on contract assets as the amount involved is insignificant.

The Group's concentration of credit risk by geographical location is solely in the PRC, which accounted for 100% of trade receivables as at 31 December 2019 and 2018. As at 31 December 2019, the Group had concentration of credit risk as 16% (2018: 11%) and 41% (2018: 35%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

While bank balances are also subject to impairment assessment under IFRS 9, no loss allowance is made as the credit risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Directors are satisfied that the Group will be able to meet in full its financial obligations as and when fall due in the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

	Weighted average interest rate %	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019					
Trade and other payables	**–**	**41,405**	**–**	**41,405**	**41,405**
Bank borrowings	**4.15%**	**8,332**	**–**	**8,332**	**8,000**
		49,737	**–**	**49,737**	**49,405**
Lease liabilities	**4.15%**	**1,723**	**604**	**2,327**	**2,286**

	Weighted average interest rate %	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2018				
Trade and other payables	–	21,508	–	21,508
Bank borrowings	3.8%	10,380	10,380	10,000
		31,888	10,380	31,508

The Group's contractual maturity for all its financial liabilities, based on the agreed repayment terms and the undiscounted cash flows on the earliest date the Group can be required to pay, is within one year.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair values of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	Fair value hierarchy	Valuation techniques and key inputs	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Financial assets at FVTPL				
Wealth management products	Level 3	Discounted cash flow method with estimated yield rate as the key input	**15,601**	27,300

During the years ended 31 December 2019 and 2018, the Group purchased and redeemed the wealth management products with approximately RMB21,601,000 (2018: RMB7,800,000) and RMB33,300,000 (2018: nil) respectively.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements as at 31 December 2019 and 2018 are not materially different from their fair values due to their short maturities.

7. REVENUE

Revenue comprises income from trading of hardware and computer software, provision of telecommunication value-added services, provision of smart city solutions and provision of e-commerce supply chain services, net of discounts during the year.

	2019 RMB'000	2018 RMB'000
Trading of hardware and computer software	**138,725**	166,303
Provision of telecommunication value-added services	**6,371**	10,271
Provision of smart city solutions	**41,333**	36,278
Provision of e-commerce supply chain services	**105,059**	4,255
	291,488	217,107

Disaggregation of revenue by timing of recognition:

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
At a point in time	**250,155**	180,829
Overtime	**41,333**	36,278
Total revenue from contracts with customers	**291,488**	217,107

As at 31 December 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately RMB20,438,000 (2018: RMB22,344,000). The amount represents revenue expected to be recognised in the future from the provision of smart city solutions. The Group will recognise this revenue as the service is completed, which is expected to occur over the next 12-18 months as at years ended 31 December 2019 and 2018.

8. OTHER OPERATING INCOME, NET GAINS OR LOSSES

	2019 RMB'000	2018 RMB'000
Government grants (Note)	**7,079**	687
Write back of other payables	**1,097**	100
Interest income from banks	**824**	501
Other interest income	**–**	267
Gain on disposal of plant and equipment	**11**	–
Exchange loss (gain), net	**(390)**	1,162
Net (impairment loss) reversal on provision of trade receivables	**(2,108)**	21
Gain on disposal on intangible assets	**–**	712
Rental income	**–**	99
Others	**1**	15
	6,514	3,564

Note: Government grants received during the years ended 31 December 2019 and 2018 relate to rebate of value-added tax and government subsidies. There are no unfulfilled conditions or contingencies relating to those grants.

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interests on:		
Bank borrowings	**641**	212
Lease liabilities	**96**	–
	737	212

10. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, being the executive directors of the Company, are for the purpose of resource allocation and performance assessment. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Specifically, the Group's reportable segments are as follows:

1. Provision of smart city solutions
2. Trading of hardware and computer software
3. Provision of e-commerce supply chain services
4. Provision of telecommunication value-added services

(a) Segment revenue and results

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
For the year ended 31 December										
Segment revenue – external customers	**41,333**	36,278	**138,725**	166,303	**105,059**	4,255	**6,371**	10,271	**291,488**	217,107
Segment results	**5,509**	9,146	**407**	4,247	**745**	913	**577**	433	**7,238**	14,739
Unallocated other operating income, net gains or losses									**6,161**	2,225
Unallocated expenses									**(9,526)**	(8,741)
Profit before tax									**3,873**	8,223

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit from each segment without allocation of central administration costs, Directors' emoluments and certain other operating income, net gains or losses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

10. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
As at 31 December										
Segment assets	**39,965**	24,035	**55,592**	40,875	**9,644**	4,739	**100**	188	**105,301**	69,837
Unallocated assets									**57,823**	70,121
Total assets									**163,124**	139,958
Segment liabilities	**14,448**	13,377	**24,429**	9,596	**4,673**	372	**288**	237	**43,838**	23,582
Unallocated liabilities									**10,440**	11,285
Total liabilities									**54,278**	34,867

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

- all assets are allocated to reportable segments other than certain plant and equipment, right-of-use assets, bank balances and cash, financial assets at FVTPL, certain prepayments and other receivables and deferred tax assets which are unable to allocate to reportable segments; and
- all liabilities are allocated to reportable segments other than certain other payables, bank borrowings, income tax payable and lease liabilities.

10. SEGMENT INFORMATION (Continued)

(c) Other segment information

	Provision of smart city solutions		Trading of hardware and computer software		Provision of e-commerce supply chain services		Provision of telecommunication value-added services		Unallocated		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts included in the measure of segment profit or loss or segment assets:												
Addition to plant and equipment	**23**	222	**18**	14	**8**	64	**103**	76	**50**	301	**202**	677
Addition to intangible asset	**-**	10,500	**-**	–	**-**	–	**-**	–	**-**	–	**-**	10,500
Impairment loss on inventories	**-**	–	**364**	–	**-**	–	**-**	–	**-**	–	**364**	–
Depreciation of plant and equipment	**69**	65	**21**	42	**24**	2	**93**	143	**320**	418	**527**	670
Amortisation of intangible assets	**300**	1,100	**-**	–	**-**	–	**-**	–	**-**	–	**300**	1,100
Gain on disposal of intangible assets	**-**	(712)	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(712)
Reversal on provision of trade receivables	**(10)**	–	**-**	(388)	**-**	–	**-**	–	**-**	–	**(10)**	(388)
Impairment loss on trade receivables	**1,644**	367	**460**	–	**-**	–	**14**	–	**-**	–	**2,118**	367
Impairment loss on other receivables	**226**	24	**-**	–	**-**	–	**55**	–	**-**	–	**281**	24
Share of result in associate	**34**	–	**-**	–	**-**	–	**-**	–	**-**	–	**34**	–
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:												
Gain on disposal of plant and equipment	**-**	–	**-**	–	**-**	–	**(11)**	–	**-**	–	**(11)**	–
Written off of plant and equipment	**-**	–	**-**	–	**-**	–	**3**	13	**-**	–	**3**	13
Addition to right-of-use assets	**-**	–	**-**	–	**-**	–	**-**	–	**512**	–	**512**	–
Depreciation of right-of-use assets	**-**	–	**-**	–	**-**	–	**-**	–	**1,589**	–	**1,589**	–
Impairment loss on right-of-use assets	**-**	–	**-**	–	**-**	–	**-**	–	**1,039**	–	**1,039**	–
Write-back of other payables	**(821)**	–	**(276)**	(100)	**-**	–	**-**	–	**-**	–	**(1,097)**	(100)
Interest income	**-**	–	**-**	–	**-**	–	**-**	–	**(824)**	(501)	**(824)**	(501)
Finance costs	**-**	–	**-**	–	**-**	–	**-**	–	**737**	212	**737**	212

(d) Geographical information

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

(e) Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2019	2018
	RMB'000	RMB'000
Customer A[1]	**Nil**	51,806
Customer B[1]	**58,352**	N/A

1 Customer to the trading of hardware and computer software segment.

2 Customer to the provision of e-commerce supply chain services segment.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

The details of emoluments of each of seven (2018: seven) directors, including chief executive, Mr Qi Jinsong, and three (2018: three) supervisors for the years ended 31 December 2019 and 2018 are set out below:

	Executive directors				Independent non-executive directors			
For the year ended 31 December 2019	Mr. Chen Ping RMB'000	Mr. Qi Jinsong RMB'000	Mr. Guan Zilong RMB'000	Mr. Xu Jianfeng RMB'000	Mr. Cai Jiamei RMB'000	Ms. Huang Lianxi RMB'000	Mr. Shen Haiying RMB'000	Sub-total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking								
Fees	–	–	–	–	50	50	50	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking								
Salaries and other benefits	120	319	90	77	–	–	–	606
Contributions to retirement benefits scheme	–	49	35	21	–	–	–	105
Discretionary bonus	–	225	79	36	–	–	–	340
	120	593	204	134	50	50	50	1,201

	Supervisors							
For the year ended 31 December 2019	Ms. Shen Xiaofen RMB'000 (Note a)	Mr. Lu Weifeng RMB'000 (Note a)	Ms. Shen Rujia RMB'000 (Note a)	Mr. Chen Jian RMB'000 (Note a)	Mr. Yu Hui RMB'000 (Note a)	Ms. Yao Yajuan RMB'000 (Note a)	Sub-total RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking								
Fees	–	–	–	–	–	–	–	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking								
Salaries and other benefits	3	3	65	–	–	–	71	677
Contributions to retirement benefits scheme	–	–	12	–	–	–	12	117
Discretionary bonus	–	–	16	–	–	–	16	356
	3	3	93	–	–	–	99	1,300

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

	Executive directors				Independent non-executive directors			
For the year ended 31 December 2018	Mr. Chen Ping RMB'000	Mr. Qi Jinsong RMB'000	Mr. Guan Zilong RMB'000	Mr. Xu Jianfeng RMB'000	Mr. Cai Jiamei RMB'000	Ms. Huang Lianxi RMB'000	Mr. Shen Haiying RMB'000	Sub-total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking								
Fees	–	–	–	–	50	50	50	150
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking								
Salaries and other benefits	120	276	97	93	–	–	–	586
Contributions to retirement benefits scheme	–	36	31	17	–	–	–	84
Discretionary bonus	–	100	85	26	–	–	–	211
	120	412	213	136	50	50	50	1,031

	Supervisors				
For the year ended 31 December 2018	Mr. Chen Jian RMB'000	Mr. Yu Hui RMB'000	Ms. Yao Yajuan RMB'000	Sub-total RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director/supervisor, whether of the Company or its subsidiary undertaking					
Fees	3	3	7	13	163
Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertaking					
Salaries and other benefits	–	–	–	–	586
Contributions to retirement benefits scheme	–	–	–	–	84
Discretionary bonus	–	–	–	–	211
	3	3	7	13	1,044

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

(a) During the year ended 31 December 2019, Ms. Shen Xiaofen, Mr. Lu Weifeng and Ms. Shen Rujia were appointed as supervisors. Mr. Chen Jian, Mr. Yu Hui and Ms. Yao Yajuan resigned as supervisors.

(b) None of the directors or supervisors waived or agreed to waive any emoluments paid by the Group for the years ended 31 December 2019 and 2018.

(c) No emoluments were paid or payable to any directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2019 and 2018.

(d) The discretionary bonus is determined by the Remuneration Committee having regard to their performance and the Company's performance and profitability and the prevailing market conditions.

12. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals include one (2018: one) director, whose emoluments have been included in note 11 above. The emoluments of the remaining four (2018: four) individuals were as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other benefits	**1,873**	1,382
Contributions to retirement benefits scheme	**46**	30
	1,919	1,412

The emoluments of each of these individuals for both years were less than HK$1,000,000 (equivalent to approximately RMB894,855 (2018: RMB877,997)).

No emoluments were paid or payable to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2019 and 2018.

13. INCOME TAX EXPENSES

	2019 **RMB'000**	2018 RMB'000
Current tax expense		
PRC Enterprise Income Tax	**216**	56
Deferred tax (note 31)	**(98)**	230
	118	286

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC enterprises is 25% for the years ended 31 December 2019 and 2018. One of the subsidiaries was subject to EIT at a rate of 15% for the years ended 31 December 2019 and 2018 as it is classified as a High and New Technology Enterprise.

No provision for Hong Kong Profits Tax has been made for the subsidiary established in Hong Kong as the subsidiary did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2019 and 2018.

13. INCOME TAX EXPENSES (Continued)

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

	2019 RMB'000	2018 RMB'000
Profit before tax	**3,873**	8,223
Tax at the domestic income tax rate of 25% (2018: 25%) (note)	**968**	2,056
Income tax on concessionary tax rate	**(926)**	(766)
Tax effect of expenses not deductible for tax purpose	**1,197**	185
Tax effect of income not taxable for tax purpose	**(304)**	(122)
Tax effect of super deduction on research and development expense	**(1,169)**	(1,061)
Tax effect of tax losses not recognised	**477**	511
Utilisation of previously unrecognised tax losses	**(125)**	(517)
Income tax expense for the year	**118**	286

Note: The PRC EIT rate of 25% (2018: 25%) was used as it was the domestic tax rate where the results and operation of the Group is substantially derived from during the years ended 31 December 2019 and 2018.

14. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2019 RMB'000	2018 RMB'000
Salaries and other benefits (including directors', chief executive's and supervisors' emoluments)	**25,194**	24,343
Contributions to retirement benefits scheme	**3,427**	3,149
Total staff costs	**28,621**	27,492
Auditors' remuneration	**647**	628
Depreciation of plant and equipment	**527**	670
Depreciation of right-of-use assets	**1,589**	–
Loss on written off of plant and equipment	**3**	13
Amortisation of intangible assets	**300**	1,100
Impairment loss recognised on right-of-use assets	**1,039**	–
Impairment loss on trade receivables	**2,118**	367
Reversal on provision of trade receivables	**(10)**	(388)
Impairment loss on other receivables	**281**	24
Operating lease rental for office premises	**736**	2,544
Impairment loss on inventories (included in cost of sales)	**364**	–
Cost of inventories recognised as an expense	**230,835**	161,600

15. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS PER SHARE

The calculations of the basic earnings per share are based on profit for the year attributable to owners of the Company of approximately RMB4,614,000 (2018: RMB8,393,000) and of 506,546,000 (2018: 506,546,000) shares in issue during the year ended 31 December 2019.

Diluted earnings per share was the same as basic earnings per share for the years ended 31 December 2019 and 2018 as there were no potential ordinary shares existed during both years.

17. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office furniture, fixtures and other equipment RMB'000	Total RMB'000
COST				
At 1 January 2018	661	1,262	1,978	3,901
Additions	301	–	180	481
Acquisition of a subsidiary (note 35)	–	15	181	196
Written off	–	–	(453)	(453)
At 31 December 2018 and 1 January 2019	962	1,277	1,886	4,125
Additions	51	–	151	202
Written offs	–	–	(116)	(116)
Disposals	–	–	(985)	(985)
At 31 December 2019	**1,013**	**1,277**	**936**	**3,226**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2018	109	1,007	1,691	2,807
Provided for the year	368	51	251	670
Eliminated on written off	–	–	(440)	(440)
At 31 December 2018 and 1 January 2019	477	1,058	1,502	3,037
Provided for the year	269	51	207	527
Eliminated on written offs	–	–	(113)	(113)
Eliminated on disposals	–	–	(954)	(954)
At 31 December 2019	**746**	**1,109**	**642**	**2,497**
CARRYING VALUES				
At 31 December 2019	**267**	**168**	**294**	**729**
At 31 December 2018	485	219	384	1,088

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	Over the shorter of term of the lease or 3-6 years
Motor vehicles	5-8 years
Office furniture, fixtures and other equipment	3-5 years

18. LEASES

(i) Right-of-use assets

	31 December 2019 RMB'000	1 January 2019 RMB'000
Office premises	**1,287**	3,403

The Group has lease arrangements for office premises. The lease terms are generally ranged from one to five years.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to approximately RMB512,000, due to new leases of building.

(ii) Lease liabilities

	31 December 2019 RMB'000	1 January 2019 RMB'000
Non-current	**601**	1,456
Current	**1,685**	1,912
	2,286	3,368

Amounts payable under lease liabilities	31 December 2019 RMB'000
Within one year	**1,685**
After one year but within two years	**601**
	2,286
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,685)**
Amount due for settlement after 12 months	**601**

During the year ended 31 December 2019, the Group entered into a new lease agreement in respect of renting office and recognised lease liability of approximately RMB512,000.

(iii) Amounts recognised in profit or loss

	31 December 2019 RMB'000
Depreciation expense on right-of-use assets	**1,589**
Impairment loss recognised on right-of-use assets	**1,039**
Interest expense on lease liabilities	**96**
Expense relating to short-term leases	**736**

18. LEASES (Continued)

(iii) Amounts recognised in profit or loss (Continued)

During the year ended 31 December 2019, as a result of the continuous decline in the performance of the certain subsidiaries, the Directors carried out a review of amount of value-in-use of the certain subsidiaries' assets. The calculation uses cash flow projections approved by Directors and a pre-tax discount rate of 20%. The review led to the recognition of impairment losses of approximately RMB1,039,000, which have been recognised in consolidated statement of profit or loss and other comprehensive income.

(iv) Others

During the year ended 31 December 2019, the total cash outflow for leases amount to approximately RMB1,690,000.

19. INTANGIBLE ASSETS

	Patents RMB'000	Computer software RMB'000	Self-developed software RMB'000	Total RMB'000
COST				
At 1 January 2018	250	11,774	11,360	23,384
Acquisition of a subsidiary (note 35)	–	–	10,500	10,500
Disposal (note 36)	–	–	(9,000)	(9,000)
At 31 December 2018, 1 January 2019 and 31 December 2019	250	11,774	12,860	24,884
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2018	250	11,774	11,360	23,384
Provided for the year	–	–	1,100	1,100
Eliminated on disposal (note 36)	–	–	(825)	(825)
At 31 December 2018 and 1 January 2019	250	11,774	11,635	23,659
Provided for the year	–	–	300	300
At 31 December 2019	250	11,774	11,935	23,959
CARRYING VALUES				
At 31 December 2019	**–**	**–**	**925**	**925**
At 31 December 2018	–	–	1,225	1,225

The above intangible assets have finite useful lives. Such intangible assets are amortised on straight-line basis over their estimated useful lives as follows:

Patents	5 to 10 years
Computer software	3 to 10 years
Self-developed software	3 to 10 years

20. INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Cost of investment in an assoicate	**6,600**	–
Share of post-acquisition losses and other comprehensive income	**34**	–
	6,634	–

An associate was established on 12 August 2019. Principal activity principally engaged in the provision of smart city solutions. Registered capital amounted to RMB50,000,000 and the Group entitled RMB16,500,000 which represented 33% of shareholdings. Details of the capital commitment to the unpaid capital are set out in note 34.

There is no impact of IFRS 16 on interest in an associate.

Details of the associate as at 31 December 2019 and 2018 are as follows:

Name of entity	Form of entity	Place of incorporation establishment and operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group 2019	2018	Principal activity
貴服通網絡科技有限責任公司("貴服通")	Incorporated	PRC	Ordinary	**33%**	Nil	Provision of smart city solutions

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

The associate is accounted for using the equity method in these consolidated financial statements.

	2019 RMB'000	2018 RMB'000
Current assets	**39,087**	–
Non-current assets	**12,709**	–
Current liabilities	**31,695**	–

	2019 RMB'000	2018 RMB'000
Revenue	**2,153**	–
Profit for the year	**102**	–
Total comprehensive income for the year	**102**	–

20. INTERESTS IN AN ASSOCIATE (Continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	2019 RMB'000	2018 RMB'000
Net assets of the associate	20,102	–
Proportion of the Group's ownership interest in貴服通	33%	–
Carrying amount of the Group's interest in貴服通	6,634	–

21. GOODWILL

	RMB'000
COST	
At 1 January 2018	956
Arising on acquisition of a subsidiary (note 35)	1,856
At 31 December 2018, 1 January 2019 and 31 December 2019	2,812
ACCUMULATED IMPAIRMENT	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	956
CARRYING AMOUNTS	
At 31 December 2019	1,856
At 31 December 2018	1,856

For the purposes of impairment testing, the carrying value of goodwill set out above has been allocated to one CGU, comprising a subsidiary in the provision of smart city solutions.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this CGU has been determined based on a value-in-use calculation with reference to a valuation performed by the management. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5-years (2018: 5-years) period and a pre-tax discount rate of 20% (2018: 20%) per annum. Cash flows have been extrapolated using a steady growth rate of approximately 1.5% (2018: 1.5%). This growth rate is based on relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGU to exceed the aggregate recoverable amount of CGU. As a result, no impairment loss has been recognised during the years ended 31 December 2019 and 2018.

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Computer software and hardware	**20,623**	7,393
Finished goods held for resale under provision of e-commerce supply chain services	**269**	1,707
	20,892	9,100

23. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables at amortised cost	**54,497**	31,815
Less: allowance for impairment loss	**(1,937)**	(532)
	52,560	31,283

As at 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB54,497,000 (2018: RMB31,815,000).

There were no specific credit period granted to customers except for an average credit period of 30-90 days (2018: 30-90 days) to its trade customers under trading of hardware and computer software segment. Ageing analysis of the trade receivables net of allowance for impairment loss of trade receivables as at the end of reporting period, presented based on the invoice date which approximate to revenue recognition date is as follows:

	2019 RMB'000	2018 RMB'000
0 to 60 days	**37,260**	22,348
61 to 90 days	**5,546**	769
91 to 180 days	**1,224**	6,130
Over 180 days	**8,530**	2,036
	52,560	31,283

The Group does not hold any collateral over its trade receivables. Based on past experience, management considers the unimpaired balances are fully recoverable as relevant customers have a good track record and are of a good credit standing.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

23. TRADE RECEIVABLES (Continued)

As at 31 December 2019, gross amount of trade receivables amounting to approximately RMB166,000 arose from provision of telecommunication value-added services, of which approximately RMB58,000 are not past due or past due less than 1 year. For balances past due for more than 3 years amounting of RMB108,000, the Group recognised a loss allowance of approximately RMB108,000 based on a loss rate of 100%. No loss allowance was made on the balances not yet due, or overdue less than 3 years as the loss rate is close to zero.

As at 31 December 2018, gross amount of trade receivables amounting to approximately RMB11,164,000 arose from trading of computer software and hardware, which are not past due or past due less than 1 year. For balances past due for more than 2 months amounting of RMB234,000, the Group recognised a loss allowance of approximately RMB70,000 based on a loss rate of 30%. No loss allowance was made on the balances not yet due, or overdue less than 2 months as the loss rate is close to zero.

In respect of the remaining trade receivables, as the Group's historical credit loss experience and creditworthiness of the debtors 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.

The Group recognised lifetime ECL for the remaining trade receivables based on the ageing of customers as follows:

As at 31 December 2019	**Weighted average expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	*****	**28,827**	**–**
Within 1 year past due	*****	**21,440**	**–**
1 to 2 years past due	**45%**	**4,064**	**1,829**
		54,331	**1,829**

As at 31 December 2018	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	*	11,619	–
Within 1 year past due	*	8,186	–
1 to 2 years past due	30%	435	126
2 to 3 years past due	80%	411	336
		20,651	462

* The weighted average expected loss rate is close to zero and therefore no loss allowance is made.

23. TRADE RECEIVABLES (Continued)

Generally, trade receivables are written-off if past due for more than 36 months and are not subject to enforcement activity. The Group does not hold collateral as security.

The movement in the loss allowance of trade receivables is set out below:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**532**	978
Impairment loss recognised on trade receivables	**2,118**	367
Amount recovered during the year	**(10)**	(388)
Amounts written off as uncollectible	**(703)**	(425)
At the end of the year	**1,937**	532

24. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Non-current			
Other receivables	**1,463**	1,844	1,844
Current			
Prepayments to suppliers	**16,813**	24,411	24,411
Advances to employees	**545**	650	650
Other receivables	**5,921**	4,171	4,206
	23,279	29,232	29,267
Less: Impairment losses	**(132)**	(24)	(24)
Prepayments and other receivables	**23,147**	29,208	29,243

Included in prepayments and other receivables is an amount of approximately RMB4,788,000 (2018: RMB5,044,000) representing deposit paid to customers for securing the Group's due performance of contracts, of which an amount of approximately RMB1,463,000 (2018: RMB1,844,000) is expected to be recovered upon completion of contracts after one year from the end of the reporting period.

Upon adoption of IFRS 16, the carrying amount of prepaid rental of approximately RMB35,000 as at 31 December 2018 were reclassified to right-of-use assets.

24. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movement in the impairment losses on prepayments and other receivables:

	2019 RMB'000	2018 RMB'000
At the beginning of the financial year	**24**	120
Impairment loss recognised	**281**	24
Amounts written off as uncollectible	**(173)**	(120)
Balance at the end of the year	**132**	24

Note: During the year ended 31 December 2019, a lifetime ECL of approximately RMB281,000 (2018: RMB24,000) is made in respect of other receivables with gross carrying amount of approximately RMB281,000 (2018: RMB24,000) as they are determined to be credit impaired. For the remaining balance of other receivables, it has low risk of default or has not been a significant increase in credit risk since initial recognition and no impairment loss is recognised.

Amounts written off as uncollectible are as follows:

	2019 RMB'000	2018 RMB'000
Fund advances to employees	**173**	–
Prepayments to suppliers	**–**	120
Amounts written off as uncollectible	**173**	120

25. CONTRACT ASSETS

Contract assets are initially recognised for certain amount of revenue earned from provision of smart city solutions as receipt of consideration is conditional on successful completion of retention period ranging from 1-3 years. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of retention period, the amounts recognised as contract assets are reclassified to trade receivables.

At 31 December 2019, contract assets of approximately RMB2,540,000 (2018: RMB803,000) are expected to be recovered after one year from the end of reporting period. Impairment assessment of contract assets is set out in note 6(b)(ii).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2019 and 2018, financial assets at FVTPL represented wealth management products placed at a bank with no fixed maturity period. The deposit is non-guaranteed with expected return of around 2.80%-3.50% (2018: 2.00%-3.85%) per annum.

27. BANK BALANCES AND CASH

Bank balances carried interest rate at prevailing market rates for both years.

28. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**34,072**	14,277
Other tax payables	**1,750**	2,462
Accrued wages and salaries	**2,199**	2,047
Accrued expenses and other payables	**3,384**	2,722
	41,405	21,508

Ageing analysis of the trade payables presented based on the invoice date is as follows:

	2019 RMB'000	2018 RMB'000
Less than 1 year	**29,720**	6,778
Over 1 year but less than 2 years	**753**	5,259
Over 2 years but less than 3 years	**1,624**	285
More than 3 years	**1,975**	1,955
	34,072	14,277

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

29. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Current	**2,433**	3,303

The following table sets out the revenue recognised that was included in the contract liabilities balance at the beginning of the year/period.

	2019 RMB'000	2018 RMB'000
Provision of smart city solutions	**1,301**	–
Trading of hardware and computer software	**2,002**	557
	3,303	557

As at 31 December 2019, the balance represents (i) advance payment from customers of approximately RMB2,433,000 (2018: RMB2,002,000) for bulk purchase in respect of the trading of hardware and software segment; and (ii) upfront deposits of nil (2018: RMB1,301,000) in respect of smart city solution projects.

30. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
– Guaranteed borrowing repayable within one year	**8,000**	10,000

As at 31 December 2019, the bank borrowings carried at a fixed interest rate of 0.48% (2018: 0.48%) per month. The bank borrowings were guaranteed by an independent third party.

31. DEFERRED TAX

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

	Impairment loss on inventory RMB'000	Impairment loss on trade receivables and other receivables RMB'000	Fair value adjustments RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–	–
Acquisition of a subsidiary (note 35)	–	–	(1,575)	2,069	494
Credit (charged) to profit or loss (note 13)	–	–	1,391	(1,621)	(230)
At 31 December 2018 and 1 January 2019	–	–	(184)	448	264
Credit (charged) to profit or loss (note 13)	92	409	45	(448)	98
At 31 December 2019	**92**	**409**	**(139)**	**–**	**362**

As at acquisition date and 31 December 2018, the Group recognised deferred tax assets in respect of tax losses of approximately RMB13,793,000 and RMB2,987,000 respectively, as the realisation of the related tax benefit through future taxable profit is considered as probable.

At 31 December 2019, the Group had unused tax losses amounted to approximately RMB22,657,000 (2018: RMB31,039,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these remaining unused tax losses due to the unpredictability of future profit streams. During the year ended 31 December 2019, unrecognised tax losses of the Group decreased by approximately RMB1,000 (2018: RMB755,000) and RMB9,790,000 (2018: RMB3,972,000) due to deregistration of a subsidiary and expiry of tax losses. The entire tax losses can be carried forward for five years from the respective years in which the loss arose.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately RMB21,040,000 (2018: RMB9,706,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. PAID-IN CAPITAL

	Number of shares 2019 '000	2018 '000	Amount 2019 RMB'000	2018 RMB'000
Registered, issued and fully paid:				
Domestic shares with par value of RMB0.1 each				
At 1 January and 31 December	**244,421**	244,421	**24,442**	24,442
Overseas public shares ("H shares") with par value of RMB0.1 each				
At 1 January and 31 December	**262,125**	262,125	**26,213**	26,213
Total	**506,546**	506,546	**50,655**	50,655

33. RESERVES

Statutory surplus reserve

In accordance with the Company Law in the PRC and the Articles of Association of the Company and its subsidiaries, the Company and its subsidiaries are required to appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve.

When the balance of the statutory surplus reserve reaches 50% of the paid-in capital/share capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses, if any, or to increase capital after properly approved. However, except for offset prior years' losses, such statutory surplus reserve must be maintained at a minimum of 25% of paid-in capital/share capital after such usage.

The transfer to statutory reserve is based on the net profit under the financial statements prepared in accordance with the PRC accounting standards.

34. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging for less than one years (2018: from two to five years) and rentals are under fixed rate throughout the lease period.

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	1,985
In the second to fifth year inclusive	1,833
Within one year	3,818

34. COMMITMENTS (Continued)

(a) Operating lease commitments (Continued)

The Group as lessee (Continued)

The Group is the lessee in respect of number of office premises which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 18.

As at 31 December 2019, the Group had future minimum lease payments under non-cancellable short-term leases under IFRS 16 are as follows:

	2019 **RMB'000**
Committed and commenced	**20**

(b) Other commitment

At the end of the reporting period, the Group had the following contracted for but not provided other commitment:

	2019 **RMB'000**	2018 RMB'000
Investment in an associate	**9,900**	–

35. ACQUISITION OF A SUBSIDIARY

Pursuant to a sale and purchase agreement dated 29 September 2017, the Group acquired 100% equity interest in Increator Technology Co., Ltd ("Increator") for a cash consideration of RMB25,200,000 from Mr. Zhang Xuguang and Hangzhou Kameng Internet Technology Company Limited (the "Vendors"), independent third parties of the Group (the "Acquisition").

Details of the Acquisition are disclosed in the circular of the Company dated 15 December 2017.

The transaction was completed on 5 February 2018, at which time the Group obtained control over Increator.

Increator is engaged in the provision of smart city solutions in the PRC. The Group has acquired Increator so as to expand to this new market segment. The Acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB1,856,000.

35. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:	RMB'000
Intangible assets	10,500
Plant and equipment	196
Deferred tax assets	494
Trade receivables	4,717
Other receivables	5,551
Contract assets	850
Financial assets at FVTPL	19,500
Bank balances and cash	1,800
Trade payables and other payables	(19,460)
Contract liabilities	(804)
	23,344

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB10,268,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB9,426,000 and RMB11,906,000 respectively at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB4,709,000 and RMB6,355,000 respectively.

Goodwill arising on acquisition:	RMB'000
Consideration	25,200
Less: net assets acquired	(23,344)
Goodwill arising on acquisition	1,856

Net cash outflow on acquisition of Increator	RMB'000
Cash consideration paid	25,200
Less: bank balance and cash acquired	(1,800)
	23,400

Goodwill arose in the acquisition of Increator because the cost of the combination included a control premium. The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Acquisition-related costs amounting to approximately RMB91,000 had been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2018, within the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Included in the profit for the year is approximately RMB7,403,000 attributable to the additional business generated by Increator. Revenue for the year includes approximately RMB36,278,000 generated from Increator.

35. ACQUISITION OF A SUBSIDIARY (Continued)

Had the acquisition been completed on 1 January 2018, total revenue of the Group for the year would have been approximately RMB221,212,000, and profit for the year would have been approximately RMB9,712,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Increator been acquired at the beginning of the current year, the Directors have calculated depreciation and amortisation of plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, the Group entered into new arrangements in respect of a office premise. Right-of-use assets and lease liabilities of approximately RMB512,000 were recognised at the commencement of the leases.

During the year ended 31 December 2018, the Group disposed of an intangible assets with carrying amount of RMB8,175,000 at a cash consideration of RMB8,887,000 already received by Increator prior to the Acquisition (note 35), resulting in a gain on disposal of RMB712,000.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, 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.

			Non-cash changes		
	1 January 2019 RMB'000	**Financing cash flows RMB'000**	**New lease arrangements RMB'000**	**Finance costs incurred RMB'000**	**31 December 2019 RMB'000**
Bank borrowings (note 30)	**10,000**	**(2,000)**	**–**	**–**	**8,000**
Lease liabilities (note 18)	**3,368**	**(1,690)**	**512**	**96**	**2,286**
Interest payable	**–**	**(641)**	**–**	**641**	**–**
	13,368	**(4,331)**	**512**	**737**	**10,286**

	1 January 2018 RMB'000	Financing cash flows RMB'000	Finance costs incurred RMB'000	31 December 2018 RMB'000
Bank borrowings (note 30)	–	10,000	–	10,000
Interest payable	–	(212)	212	–
	–	9,788	212	10,000

38. RELATED PARTY TRANSACTIONS

(a) Transaction with a related party

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into transaction with a related party as follows:

Related party	Nature of transaction	2019 RMB'000	2018 RMB'000
浙江雲峰莫干山家居用品有限公司	Sales of goods	**143**	273

Notes:

(i) The above related company was held by the same beneficial shareholder.

(ii) The sales of goods was made at normal business term.

(b) Compensation of key management personnel

The remuneration of directors, chief executive, supervisors and other members of key management during the year were as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**3,015**	2,648
Post-employment benefits	**201**	130
	3,216	2,778

The remuneration of directors, supervisors and key management was determined by the remuneration committee having regard to the performance of individual and market trends.

39. RETIREMENT BENEFITS SCHEME

The employees of the Group are required to participate in a central pension scheme operated by the PRC local municipal governments. The companies in the Group are required to contribute a specified percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB3,427,000 (2018: RMB3,149,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment		389	498
Investments in subsidiaries	(a)	53,849	56,704
		54,238	57,202
Current assets			
Inventories		248	–
Trade receivables		663	46
Prepayments and other receivables		12,264	13,711
Amounts due from subsidiaries	(b)	42,616	34,286
Financial assets at fair value through profit or loss		–	2,800
Bank balances and cash		418	7,959
		56,209	58,802
Current liabilities			
Trade and other payables		1,045	1,443
Amounts due to subsidiaries	(b)	19,949	21,361
Bank borrowings		8,000	10,000
Lease liabilities		452	–
		29,446	32,804
Net current assets		26,763	25,998
Total assets less current liabilities		81,001	83,200
Non-current liability			
Lease liabilities		471	–
		80,530	83,200
Capital and reserves			
Paid-in capital		50,655	50,655
Reserves	(c)	29,875	32,545
Total equity		80,530	83,200

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Investments in subsidiaries

	2019 **RMB'000**	2018 RMB'000
Unlisted investments, at cost	**63,580**	65,080
Accumulated impairment losses	**(9,731)**	(8,376)
	53,849	56,704

(b) The amounts due from/to subsidiaries are unsecured, repayable on demand and interest income/expense charged according to the terms of the agreements entered into between the parties.

(c) Reserves

	Attributable to owners of the Company			
	Share premium RMB'000	**Statutory surplus reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2018	101,336	7,934	(74,951)	34,319
Loss and total comprehensive expense for the year	–	–	(1,774)	(1,774)
At 31 December 2018 and 1 January 2019	101,336	7,934	(76,725)	32,545
Loss and total comprehensive expense for the year	–	–	(2,670)	(2,670)
At 31 December 2019	**101,336**	**7,934**	**(79,395)**	**29,875**

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name	Form of business	Place of establishment/ operations	Issued share capital/ Paid up issued registered share capital	Proportion of ownership interest held by Company (2019)		Proportion of ownership interest held by Company (2018)		Principal activities
				Directly	Indirectly	Directly	Indirectly	
浙江蘭創通信有限公司	Private Limited	The PRC	Registered capital of RMB10,000,000	**85%**	**-**	85%	–	Provision of telecommunication related services
杭州華光計算機工程有限公司	Private Limited	The PRC	Registered capital of RMB10,000,000	**100%**	**-**	100%	–	Trading of hardware and computer software
升華科訊有限公司	Private Limited	Hong Kong	Issued capital of HKD800,000	**100%**	**-**	100%	–	Provision of e-commerce supply chain services
浙江創建科技有限公司	Private Limited	The PRC	Registered capital of RMB40,000,000	**100%**	**-**	100%	–	Provision of smart city solution
杭州創建智工科技有限公司	Private Limited	The PRC	Registered capital of RMB400,000	**-**	**100%**	–	100%	Provision of smart city solution
杭州華光軟件有限公司	Private Limited	The PRC	Registered capital of RMB500,000	**-**	**-**	–	(Note a)	Trading of hardware and computer software

Note:

(a) The subsidiary was deregistered on 11 April 2018.

All subsidiaries are limited liability companies.

The above table lists the major subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during both years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Incorporation place	Number of subsidiaries 2019*	2018
Inactive	The PRC	**1**	2

*: A subsidiary of the Company, 杭州英納特信息科技有限公司 that is not material to the Group was deregistered on 11 November 2019.

None of the subsidiaries have non-controlling interests that are material to the Group.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**291,488**	217,107	173,076	140,486	64,654
Cost of sales	**(253,973)**	(179,305)	(159,556)	(125,308)	(50,432)
Gross profit	**37,515**	37,802	13,520	15,178	14,222
Other operating income, net gains or losses	**6,514**	3,564	2,690	3,812	938
Distribution and selling expenses	**(10,556)**	(9,129)	(7,180)	(10,675)	(10,699)
General and administrative expenses	**(23,990)**	(19,102)	(15,216)	(12,388)	(14,910)
Research and development expenditure	**(4,907)**	(4,700)	–	–	–
Share of result of an associate	**34**	–	–	–	–
Finance costs	**(737)**	(212)	–	–	–
Profit (loss) before tax	**3,873**	8,223	(6,186)	(4,073)	(10,449)
Income tax (expenses) credit	**(118)**	(286)	1,615	140	–
Profit (loss) and total comprehensive income (expense) for the year	**3,755**	7,937	(4,571)	(3,933)	(10,449)
Attributable to:					
– Owners of the Company	**4,614**	8,393	(4,392)	(3,530)	(9,381)
– Non-controlling interests	**(859)**	(456)	(179)	(403)	(1,068)
	3,755	7,937	(4,571)	(3,933)	(10,449)
Earnings (loss) per share					
– Basic and diluted (RMB cents)	**0.91**	1.66	(0.87)	(0.70)	(2.54)

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**163,124**	139,958	102,550	112,354	116,591
Total liabilities	**(54,278)**	(34,867)	(5,310)	(10,543)	(10,847)
Non-controlling interests	**(1,354)**	(2,213)	(2,755)	(2,934)	(3,337)
Shareholders' equity	**107,492**	102,878	94,485	98,877	102,407