ZHI SHENG GROUP HOLDINGS LIMITED
智昇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8370

2020 Annual Report

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

This report, for which the Directors (the "Directors") of Zhi Sheng Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries (together the "Group"). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

REGISTERED OFFICE

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, 222 Tianren Road
Gaoxin District
Chengdu City
Sichuan Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 747, 7/F
Star House
3 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

EXECUTIVE DIRECTORS

Mr. Yi Cong *(Chief Executive Officer)*
Mr. Liang Xing Jun

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

AUTHORISED REPRESENTATIVES

Mr. Yi Cong
Ms. Leung Yuk Yi

COMPLIANCE OFFICER

Mr. Yi Cong

COMPANY SECRETARY

Ms. Leung Yuk Yi (HKICPA)

AUDIT COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

REMUNERATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

NOMINATION COMMITTEE

Mr. Chan Wing Kit *(Chairman)*
Ms. Cao Shao Mu
Mr. Kwok Sui Hung

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Citic Bank
China Minsheng Bank
China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE ADDRESS

www.qtbgjj.com

STOCK CODE

8370

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I am pleased to present the annual results of the Group for the year ended 31 December 2020.

In 2020, the global macro economy faced downward pressure and uncertainty due to the dual impact of the global coronavirus pandemic and the US-China trade war, which may significantly hinder the business prospect and growth of our customers, thus they may become more cautious in spending on purchasing and/or replacement of office furniture.

In view of this, the Company, on the one hand, renegotiated the terms of the major furniture sale and purchase agreements with the relevant customers to adjust the sale amount and delivery schedule, with a view to minimize the negative economic impact on both parties, and on the other hand, worked closely with the suppliers to expedite the delivery of raw materials to ensure the normal production order of the Company and to meet the delivery needs of the customers.

Meanwhile, as to our furniture business, the Company has firmly implemented its established operation strategy, i.e. to suspend the development of markets outside the five provinces in Southwest China; to focus its resources on consolidating its market share in the traditional advantageous provinces such as Sichuan Province and Chongqing City; to enhance its competitiveness by lowering the gross profit of the items; and to compete for more orders with lower product prices to maintain effective operation, in order to tide over the difficulties in the adverse market.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020, thereby introducing the data centre business and expanding the Group's revenue stream to support the development of the furniture business, which will enable the Group to withstand market fluctuations at different stages of the business and economic cycles in the long run.

On 14 October 2020, Polyqueue Limited entered into a non-legally binding term sheet with the other parties in relation to the proposed establishment of a joint venture, in order to establish, operate and/or invest in a data centre business in the PRC. The term sheet is not legally binding and may not result in execution of a formal agreement. Currently, the above matter is still under negotiation, and the Company will publish an update announcement when any new information is available.

According to iResearch, the demand for carrier-neutral data centre services in China is expected to grow at a compound annual growth rate of 31.8% in the next four years. The Group's data centre business currently covers an area of less than 1,000 square meters, and is expected to expand to over 150,000 square meters in three years. The data centre business can be capital intensive, and the Group will endeavour to maintain the balance sheet with an optimistic attitude. The Group will cooperate with banks, investment funds and other investors to minimize investment costs. The Group will primarily assume the management role in all projects, its responsibilities will include planning and identifying new data centres, developing websites, uphold commitments to the customers, providing organization and management services to customers, and maintaining a high level of service and customer satisfaction, so as to develop and maintain long-term relationships with customers.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Looking ahead, although the coronavirus outbreak is basically under control in China, the situation remains grim overseas and the furniture market as a whole is still weak heretofore. In order to ensure effective operation, the Group will continue to compete for more orders with lower product prices in the coming year. Although the Group's performance in the past two years has dropped significantly, coupled with the fact that the impact of the coronavirus pandemic around the world is more serious and far-reaching than expected, the Group will still face greater challenges and pressure in the next one to two years. Nonetheless, the Group has no intention to reduce the scale of its furniture business, and will continue to focus on the furniture market as its main development direction. The Group is confident to leverage its strengths to further consolidate the Southwest China market, actively participate in various office furniture tenders, and expand beyond the southwestern market when the conditions are appropriate. Meanwhile, the Group has also increased its investment in product technology research and development year by year to diversify its product design and keep pace with the market trend, in order to attract new customers and retain long-term customers, so as to enhance the Group's competitiveness in tender and biddings and expand its market share. In addition, the Group will further implement more stringent cost control measures to reduce unnecessary energy consumption, and strive to achieve the profit target set by the Group.

ACKNOWLEDGEMENTS

We foresee that the office furniture market will become more competitive in the future, which will put pressure on the profit margins. The biggest challenge for the Board and the management is to adapt to the environment and adjust the business strategy accordingly, as well as to diversify and broaden our revenue sources, so as to overcome the recent difficulties in business operations and bring positive cash flow to the Group. The Group is committed to strengthening its competitiveness in the market, to generate sustainable returns and to maximize shareholders' wealth. I am confident to meet the challenges in 2021.

On behalf of the Board, I would like to express my heartfelt gratitude to the Group's valuable customers, business partners and shareholders for their continued support and trust. I would also like to take this opportunity to thank our fellow colleagues of the Board, the senior management team and all our staff for their unremitting efforts, team spirit and contributions to the Group.

Yours faithfully
Yi Cong
Chief Executive Officer

Hong Kong, 24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland Furniture Co., Limited ("Sichuan Greenland"), in Chengdu city and a branch office, Chongqing Branch Office ("Chongqing Branch Office") of Sichuan Greenland, in Chongqing city.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Manufacture and sale of furniture business

In 2020, due to the novel coronavirus pneumonia epidemic situation, various furniture biddings almost came to a halt in the first quarter. Although the business resumed gradually from the second half of March, the resumption of production was delayed and the stockpile at the supply chain was rugged. In order to ensure that the customer orders are delivered as scheduled, Sichuan Greenland allocated resources in all aspects, and at the cost of higher staff costs, travel expenses, installation and handling fees and cargo charges, it finally overcame many difficulties and achieved relatively considerable sales performance.

Data Centre Business

The Group completed the acquisition of Polyqueue Limited on 15 January 2020. Financial results of Polyqueue Limited were consolidated into the consolidated financial statements of the Group from the date of completion of the acquisition. The company's financial results are relatively unaffected by the novel coronavirus pneumonia epidemic as its current revenue is mainly from the rental income from server rack letting, and the signed leases is continued until expiry. The company is actively seeking measures to source new customers in order to improve its performance. From the acquisition date up to 31 December 2020, Data Centre business has contributed approximately RMB24.7 million to the Group's revenue and approximately RMB1.7 million to the Group's profit before income tax, and amortisation of intangible asset of RMB5.4 million.

During the year ended 31 December 2020 (the "Reporting Period"), the Group recorded a revenue of approximately RMB82.4 million, representing an increase of approximately RMB33.8 million or approximately 69.6% as compared to the same period last year. During the Reporting Period, the Group recorded a loss of approximately RMB27.0 million, as compared to the loss of approximately RMB16.5 million for the same period last year.

The significant increase in loss was mainly attributable to the lowered gross profit of projects since the end of 2019 to improve the Group's competitiveness. Meanwhile, due to the spread of novel coronavirus pneumonia epidemic in the year, the Group secured more orders at lower product prices to maintain effective operations, and the losses in inventories disposal and the provision for inventory losses increased. As a result, gross profit from furniture decreased by approximately RMB6.4 million or 59.4% compared to the same period last year, despite the 18.7% increase in the furniture revenue for the Reporting Period when compared with the same period last year. The Group amortized the intangible assets of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited was also reflected in the cost of sales, which further lowered the Group's gross profit margin; the administrative and other expenses of the Group increased by approximately 18.2% as compared to the same period last year, mainly attributable to: the increase in administrative and other expenses, losses in write off of bad debt on trade and other receivables and expected credit loss incurred by the newly acquired Polyqueue Limited; and increase in the Company's spending on purchase of epidemic prevention materials and staff welfare expenses; meanwhile, the Group's financing costs also increased significantly compared to the same period last year, mainly due to the interest expenses incurred for the new working capital bank loan of RMB30 million, and the interest expenses for the new convertible bonds.

FINANCIAL REVIEW

Revenue

The Group achieved revenue of approximately RMB82.4 million for the Reporting Period, representing an increase of approximately RMB33.8 million or approximately 69.6% over the same period last year.

Upon completion of the acquisition on 15 January 2020, Polyqueue Limited became a wholly-owned subsidiary of the Company, and its financial results were consolidated into the Group's consolidated financial statements from the date of acquisition. The company and its subsidiaries were principally engaged in the data centre business in the PRC, and generated revenue of approximately RMB24.7 million from the acquisition date to 31 December 2020.

Excluding the above acquisition, the Group achieved a revenue from sales of furniture products of approximately RMB57.7 million during the Reporting Period, representing an increase of approximately RMB9.1 million or approximately 18.7% as compared with the same period of last year, which was mainly attributable to the facts that:

(i) the Group started to improve its competitiveness and secure its market share in traditional sales provinces such as Sichuan province, Chongqing city and Guizhou province by lowering gross profit of projects since the end of last year. Meanwhile, due to the novel coronavirus epidemic, the Group obtain more orders at lowered product prices and maintain effective operations. The implementation of the above strategy achieved certain results, leading to an increase in revenue of approximately RMB4.3 million or 10.7% in the five Southwest China provinces over the same period last year, including Sichuan Province, Chongqing City and Yunnan Province, with significant growth of 24.0%, 42.1% and 32.1%, respectively; while in Guizhou Province and Tibet Region, due to the novel coronavirus pneumonia epidemic and a larger base from last year, revenue decreased by 35.2% and 82.7% respectively over the same period last year and offset the growth of the five Southwest China provinces;

(ii) Revenue in Guangdong Province increased by approximately RMB4.0 million or 471.8% over the same period last year, mainly attributed to the revenue of approximately RMB4.8 million from a newly contracted financial institution customer in Guangdong province; and

(iii) the revenue of Chongqing Branch Office was approximately RMB7.7 million during the Reporting Period, representing an increase of approximately RMB0.7 million or 9.9% as compared to the same period of last year.

Cost of sales

Cost of sales mainly comprised (i) raw materials used for production; (ii) cost of goods purchased; (iii) labour costs; and (iv) production or operation overheads such as depreciation, amortization of intangible assets, utilities bills, maintenance fee and rent. The Group's cost of sales for the Reporting Period was approximately RMB76.5 million, representing an increase of approximately RMB38.6 million or 101.9% over that of approximately RMB37.9 million for the same period last year. Of which, the Group's newly acquired Polyqueue Limited incurred costs of approximately RMB17.8 million from the acquisition date up to 31 December 2020, and intangible asset from the acquisition of Polyqueue Limited of approximately RMB5.4 million were amortized. Excluding the above factors, the cost of sales of the furniture business for the Reporting Period was approximately RMB53.3 million, representing an increase of approximately 40.7% as compared to the same period last year. Increase in cost of sales was driven by the increase in sales volume, but the increase in cost of sales far exceeded the increase in revenue, resulting in a significant decrease in gross profit margin. Based on the composition analysis of cost of sales, of which: (i) the cost of raw materials used and products purchased increased by approximately RMB16.5 million (including the increase in the Group's losses of inventories disposal and provision for loss of inventories by approximately RMB4.3 million as compared to the same period last year); (ii) wages of production staff decreased by approximately RMB0.3 million; and (iii) other production expenses decreased by approximately RMB0.8 million.

Gross Profit

Gross profit decreased to approximately RMB5.9 million for the Reporting Period from approximately RMB10.7 million for the same period last year. Of which: the Group's newly acquired Polyqueue Limited generated gross profit of approximately RMB6.9 million from the acquisition date to 31 December 2020. Excluding the amortization of intangible asset of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited, actual increase in gross profit was approximately RMB1.5 million. Excluding the above factors, gross profit decreased by approximately 59.4% over the same period last year. The gross profit margin of the furniture business decreased from approximately 22.0% for the same period last year to approximately 7.5% for the Reporting Period. The decrease in gross profit margin was mainly attributable to: (i) the Group's efforts to improve its competitiveness by reducing the gross profit of projects in response to the weakening of the overall demand in the furniture business and the intensification of competition in the market, as well as the impact of the novel coronavirus pneumonia epidemic, which also led to product prices reduction to secure more orders and maintain effective operations; and (ii) the increase in write off of the Group's losses in inventories and provision for loss of inventories by approximately RMB4.3 million as compared to the same period last year.

Other income

The Group's other income for the Reporting Period amounted to approximately RMB3.8 million, representing an increase of approximately 320.6% over that of approximately RMB2.9 million for the same period last year. Such increase was mainly attributable to the increase in interest income from other receivables of approximately RMB2.2 million for the year as compared to the same period last year, the increase in government employment subsidies income of approximately RMB0.2 million, the increase in rental reduction income and the increase in income from early termination of leases.

Selling and Distribution Expenses

Sales and distribution expenses of the Group for the Reporting Period amounted to approximately RMB8.7 million, representing an increase of approximately 0.3% as compared to approximately RMB8.6 million for the same period last year, of which: the Group's newly acquired Polyqueue Limited did not incur any sales expenses from the acquisition date to 31 December 2020. The slight increase in sales and distribution expenses over the same period last year was mainly attributable to the follows: despite the impact of the novel coronavirus pneumonia epidemic, in order to ensure the timely delivery of customer orders, the Company incurred higher installation and handling expenses, cargo charges and travelling expenses during the Reporting Period as compared to last year; however, sales and distribution expenses essentially stayed level for both years as orders were delivered to more dispersed customers in remote areas in the second half of last year, resulting in higher installation and transportation expenses.

Administrative and Other Expenses

The Group's administrative and other expenses for the Reporting Period amounted to approximately RMB24.1 million, representing an increase of approximately 18.2% as compared to approximately RMB20.4 million for the same period last year, of which: the Group's newly acquired Polyqueue Limited incurred administrative and other expenses of approximately RMB3.4 million from the acquisition date to 31 December 2020. Excluding the above factors, administrative and other expenses increased by approximately 1.6% over the same period last year. Such increase was mainly attributable to (i) the increase of approximately RMB1.5 million on the losses in write off of bad debts on trade and other receivables and provision for expected credit losses by the Group as compared to the same period last year; (ii) the increase in the Group's spending on purchase of epidemic prevention materials and staff welfare expenses by approximately RMB2.3 million as compared to the same period last year due to the novel coronavirus pneumonia epidemic; (iii) the Group provided for the impairment loss on fixed assets and right-of-use assets of approximately RMB0.9 million; (iv) the innovation, research and development expenses decreased by approximately RMB2.1 million as compared to the same period last year, the legal professional fees for the acquisition of Polyqueue Limited decreased by approximately RMB1.2 million as compared to the same period last year, and the significant decrease in rent and social pension insurance expenses compared with the same period last year, offset the increase in management fees.

Finance Costs

The Group incurred finance costs of approximately RMB4.6 million for the Reporting Period, compared to finance costs of approximately RMB0.1 million for the same period last year. Of which: the Group's newly acquired Polyqueue Limited incurred finance costs of approximately RMB2.0 million from the acquisition date to 31 December 2020, mainly due to the adoption of the new HKFRS 16 on leases, which recognizes lease commitments as liabilities and amortized as interest expense over the lease term. Excluding the above factors, the increase in finance costs of the Group was mainly attributable to the interest incurred on the working capital loan obtained from CITIC Bank on 10 January 2020 of approximately RMB1.6 million, and the interest incurred on the convertible bonds payable issued by the Group of approximately RMB0.9 million.

Income Tax Credit

The Group's income tax credit for the Reporting Period was approximately RMB0.7 million, compared to the income tax credit of approximately RMB1.1 million for the same period last year. The Group's income tax credit arose from: (i) the Group incurred losses in the corresponding period and was not subject to income tax; and (ii) deferred tax credit arose from the fair value adjustment of assets from the newly acquired Polyqueue Limited during the Reporting Period and subsidiaries acquired in prior years.

Loss for the Year Attributable to Owners of the Company

Loss for the year attributable to owners of the Company for the Reporting Period was approximately RMB27.0 million, compared to loss for the year attributable to owners of the Company of approximately RMB16.5 million for the same period last year. The substantial increase in loss was mainly attributable to: (i) As the Group reduced the gross profit of projects to improve its competitiveness since the end of 2019, meanwhile due to the impact of the novel coronavirus pneumonia epidemic this year, the Group lowered product prices to compete for more orders and maintain effective operation, and the increase in loss on write off of inventories and provision for loss on inventories for the year further lowered the gross profit margin. As a result, although the furniture revenue for the Reporting Period increased by 18.7% as compared to the same period last year, the gross profit realized from furniture still decreased by approximately RMB6.4 million or 59.4% as compared to the same period last year; (ii) administrative and other expenses and finance costs for the year increased by approximately RMB3.7 million and RMB4.4 million respectively as compared to the same period in 2019, which are the key factors of decrease in profit; (iii) the Group's newly acquired Polyqueue Limited generated gross profit of approximately RMB6.9 million from the acquisition date to 31 December 2020. Excluding the amortization of intangible asset of approximately RMB5.4 million arising from the acquisition of Polyqueue Limited, actual increase in gross profit was approximately RMB1.5 million; and (iv) the significant increase in other income of the Group contributed significantly to the Company's loss reduction.

Contract assets, trade, lease and other receivables

Contract assets, trade, lease and other receivables increased from approximately RMB48.3 million as at 31 December 2019 to approximately RMB61.5 million as at 31 December 2020. These increases were mainly attributable to (i) the increase in contract assets, trade, lease and other receivables of approximately RMB5.4 million due to the Group's new acquisition of Polyqueue Limited, (ii) the increase in prepayments and other receivables due to Sichuan Greenland and Chongqing Branch Office of approximately RMB8.0 million; and (iii) the increase in losses on write off of bad debts and losses on expected credit losses during the year offset by the increase in contract assets and trade receivables

Contract Liabilities, Trade and Other Payables

Contract liabilities, trade and other payables increased from approximately RMB15.1 million as at 31 December 2019 to approximately RMB24.0 million as at 31 December 2020. The increase was mainly attributable to the increase in contract liabilities, trade and other payables for the Group's new acquisition of Polyqueue Limited, which exceeded the decrease in contract liabilities for Sichuan Greenland due to the decrease in undelivered orders in 2020.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 25 June 2019, pursuant to the terms and conditions of the placing agreements dated 6 June 2019 and 10 June 2019, the Company has placed a total of 134,000,000 ordinary shares to no less than six placees, who are independent third parties, at a price of HK$0.235 per share (the "Placing of New Shares Under General Mandate") (equivalent to approximately 16.67% of the issued share capital of the Company as enlarged by the 2019 Placing of New Shares Under General Mandate).

During the Reporting Period, the Group has used the above net proceeds from the Placing of New Shares Under General Mandate for the following purposes:

	Use of proceeds in the same manner and proportion as stated in the announcement dated 25 June 2019 HK$ million	Actual use of proceeds as of 31 December 2020 HK$ million
Procurement of raw materials required for production	12.92	12.92
Increase in liquidity of the Group to provide customers with a longer credit period	7.07	7.07
Used as working capital of the Group to fulfill its obligations such as paying professional fees	10.77	7.72
	30.76	27.71

As at the date of this report, the above net proceeds have not been utilized and have been deposited as interest-bearing deposits in licensed banks in Hong Kong and the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

During the Reporting Period, the Group financed its operations by internally generated cash flow and net proceeds from the Placing of New Shares Under General Mandate. As at 31 December 2020, the net current assets of the Group amounted to approximately RMB72.8 million (31 December 2019: approximately RMB107.2 million), including bank balances and cash of approximately RMB64.6 million (31 December 2019: approximately RMB49.1 million). As at 31 December 2020, the Group has outstanding interest-bearing bank loans of approximately RMB30.0 million (31 December 2019: Nil). As at 31 December 2020, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.1 (31 December 2019: 7.7).

CAPITAL STRUCTURE

As at 31 December 2020, the Group's total equity attributable to owners of the Company amounted to approximately RMB172.2 million (31 December 2019: approximately RMB168.4 million). The Group's equity attributable to owners of the Company included share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

As the Group's business transactions are mainly conducted in RMB, the exposure of the Group to foreign exchange fluctuations was not significant. As at 31 December 2020, the Group was not a party of any foreign currency hedging instruments. However, the Group will review and monitor foreign exchange exposure risks from time to time.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

GEARING RATIO

The gearing ratio as at 31 December 2020 (defined as total debt divided by total equity, total debt represents all liabilities excluding contract liabilities, trade payables, tax payable, deferred tax liabilities and provision (if any)) was approximately 0.42 (31 December 2019: approximately 0.03).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments.

PLEDGE OF ASSETS

As at the date of this report, the land use rights and property of the Group's production facilities in Chengdu City were pledged as security for the working capital loans from China Citic Bank on 10 January 2020 in the amount of RMB30.0 million for the term of one year. As the abovementioned loan was settled on 4 January 2021, the pledged security was released simultaneously. Other than that, the Group had no asset pledge agreement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 14 October 2020, Polyqueue Limited entered into a non-legally binding term sheet with the other parties in relation to the proposed establishment of a joint venture, in order to establish, operate and/or invest in a data centre business in the PRC. The term sheet is not legally binding and may not result in execution of a formal agreement. As at the date of this report, the above matter is still under negotiation, and the Company will publish an update announcement when any new information is available.

Save for the abovementioned matters, the Group did not have other future plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at the date of this report, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group engaged a total of 203 employees (2019: 197) including the Directors. During the Reporting Period, total staff costs amounted to approximately RMB14.9 million (2019: approximately RMB10.8 million). Remuneration (including employees' benefits) is maintained at an attractive level and reviewed on a periodic basis. Employees' salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group's business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by PRC environmental laws and regulations including the Environment Protection Law of the PRC. These laws and regulations cover a broad range of environmental issues, including air pollution, noise emissions, discharge of sewage and waste residues.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources. The Group will continue to monitor the production process in order to ensure that it does not have significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current local and national PRC regulations.

As at the date of this report, no administrative sanction, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

The environment, social and governance report of the Group for the Reporting Period will be issued on the website of the Stock Exchange and the Company on or before 31 May 2021.

EVENTS AFTER THE REPORTING PERIOD

On 4 January 2021, the Group had settled the working capital loan of RMB30.0 million (loan term: one year) obtained from CITIC Bank.

Except for the events mentioned on the above, the Group has no discloseable matters which are yet to be disclosed as of the date of this report

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group completed the acquisition of Polyqueue Limited on 15 January 2020, which has become a wholly-owned direct subsidiary of the Company, and the relevant financial results have been consolidated in the financial statements of the enlarged group for the Reporting Period.

Save for the above, the Group did not have any material disposals and acquisitions of subsidiaries and affiliated companies.

CORPORATE GOVERNANCE REPORT

The Group is committed to ensuring high standards of corporate governance and business practices. The Group's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the period from 20 January 2017 (the "Listing Date") to the date of this report (the "Period"), the Group has complied with the applicable code provisions ("Code Provisions") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and oversees the management of the business and affairs of the Group. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors. The independent non-executive Directors are responsible for participating in Board meetings and to take the lead where potential conflicts of interest arise and for serving on the audit, remuneration, nomination and any other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Group's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (especially those involving any conflict of interest), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board composition

Up to the date of this report, the Board comprised six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Yi Cong *(Chief Executive Officer and compliance officer)* (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)

Non-executive Director

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (appointed on 17 December 2016)

The details of Directors are set out in the section headed "Biographies of Board of Directors and Senior Management" on pages 40 to 42 of this report. The wife of Mr. Yi Cong is the sister of the wife of Mr. Liang Xing Jun. Other than that, there are no family or other material relationships among members of the Board.

The Group is governed by the Board which has the responsibility for leadership and monitoring of the Group. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

As the Group became listed on 20 January 2017, the Board will conduct at least 4 regular meetings a year. At least a 14-day notice will be given to all Directors before convening any Board meeting. All related information will be submitted to the Directors at least 3 days in advance. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's amended and restated articles of association (the "Articles").

During the Reporting Period, the Group held five Board meetings, two audit committee (the "Audit Committee") meetings, one remuneration committee (the "Remuneration Committee") meeting and one nomination committee (the "Nomination Committee") meeting. All minutes of the Board meetings and meetings of Board committees recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

	Attendance/Number of meetings				
Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors:					
Mr. Yi Cong	5/5	–	–	–	1/1
Mr. Liang Xing Jun	5/5	–	–	–	1/1
Non-executive Director:					
Mr. Luo Guoqiang	5/5	–	–	–	1/1
Independent Non-executive Directors:					
Mr. Chan Wing Kit	5/5	2/2	1/1	1/1	1/1
Ms. Cao Shao Mu	5/5	2/2	1/1	1/1	1/1
Mr. Kwok Sui Hung	5/5	2/2	1/1	1/1	1/1

The company secretary of the Company ("Company Secretary") attended all the scheduled Board meetings to report on matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice will be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest

Appointment and Re-election of Directors

The Articles provide that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement at an annual general meeting at least once every three years

The non-executive Directors should be appointed for a specific term and subject to re-election. Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company. The appointment letter of each of the non-executive Director and independent non-executive Directors is for a term of three years commencing from the Listing Date, which would be renewed yearly when expired and may be terminated by not less than three months' notice in writing served by either party on the other. The aforesaid appointment letters are subject to termination provisions therein and the retirement and re-election provisions in the Articles. Details of the appointment letters are summarised in the Report of the Board of Directors on pages 30 to 31 of this report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Group recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations. Records of the training received by the respective Directors are kept and updated by the Company Secretary.

Independent non-executive Directors

Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung were appointed as the independent non-executive Directors with effect from 17 December 2016.

The Company has received from each of its independent non-executive Directors written confirmation of his/her independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Non-executive Directors

Mr. Luo Guoqiang was appointed as the non-executive Director with effect from 28 September 2018.

Mr. Yi Cong was appointed as the Chief Executive Officer and an executive Director of the Company on 19 May 2016 and, by the order of the Board, is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group.

BOARD COMMITTEE

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Group's internal control and risk management system, overseeing the balance, transparency and integrity of the Group's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Group's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the Reporting Period. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this report.

Remuneration Committee

The Remuneration Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals, and ensure none of the Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company. Details of the number of Remuneration Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this report.

Senior Management's remuneration

Remuneration of the senior management of the Group (excluding Directors) for the Reporting Period falls within the following band:

RMB	Number of individuals
Nil to RMB1,000,000	3

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Nomination Committee

The Nomination Committee comprised three independent non-executive Directors, namely Mr. Chan Wing Kit, Ms. Cao Shao Mu and Mr. Kwok Sui Hung. Mr. Chan Wing Kit is the chairman of the Nomination Committee.

The policy for the nomination of Directors, including the nomination procedure and process, are to invite nominations from Board members or Nomination Committee members. After undertaking adequate due diligence in respect of any such nominee, the Nomination Committee makes recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee makes recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

The Nomination Committee considers the following criteria in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the relevant industry and other relevant sectors;

(c) commitment in respect of sufficient time, interest and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

ACCOUNTABILITY AND AUDIT

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Period, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Group's auditor, BDO Limited, are set out in the Independent Auditor's Report on pages 43 to 48 of this report.

AUDITOR'S REMUNERATION

During the Reporting Period, the remuneration paid or payable to the Group's auditor was as follows:

Services rendered	HK$'000
Annual audit service for the Reporting Period	800
Total	800

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Group's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in this corporate governance report.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy in accordance with the requirement as set out in the CG Code, which is summarized as below:

The Board Diversity Policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the objectives of the Board Diversity Policy.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Group has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the Reporting Period and up to the date of this report.

COMMUNICATION WITH SHAREHOLDERS

The Group endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Group will ensure that there are separate resolutions for separate issues proposed at the general meetings. The Group will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Significant Changes in the Constitutional Documents

During the Period, there has been no significant changes in the constitutional documents of the Group. The Articles are available on the websites of the Stock Exchange and the Company.

General Meetings with Shareholders

The Group's annual general meeting will be held on 28 June 2021.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 64 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Group carrying the right of voting at general meetings of the Group shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Group.

(b) Procedures for putting forward proposals at shareholders' meetings

Pursuant to the Articles, shareholders who wish to move a resolution may requisition the Company to convene an extraordinary general meeting following the procedures set out above.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Group in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.qtbgjj.com) has provided an effective communication platform to the public and the shareholders.

COMPANY SECRETARY

The Company engages Ms. Leung Yuk Yi, the director of Merrytime Corporate Services Limited, which is an external service provider, as the Company Secretary. Her primary contact at the Company is Mr. Yi Cong, the Chief Executive Officer.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

The Company Secretary confirmed that she has taken no less than 15 hours of relevant professional training during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Currently, the Group does not have an internal audit department. In 2020, through an external professional consultant ("External Consultant") and the Audit Committee, the Board had reviewed the design and implementation effectiveness of the Group's risk management and internal control system, covering all material control measures, including the financial, operational and compliance controls, to ensure that the Group's accounting, internal audit and financial reporting functions have adequate resources, staff qualifications and experience, training programmes and budget. In this regard, the Audit Committee would inform the Board of any significant matters.

As at the end of year 2020, the External Consultant conducted a series of routine audits, surveys and interviews to assist in the identification and assessment of the Group's risks. In addition, specific internal control reviews are carried out to assess the effectiveness of the Group's risk management and internal control system.

The results of the specific review and assessment were reported to the Audit Committee and the Board. Moreover, proposed improvements in internal control and risk management measures as recommended by the external adviser to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of the external adviser as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Principal Risks

In 2020, the following principal risks of the Group were identified and classified into strategic risks, operational risks and financial risks.

Risk Areas	Principal Risks
Strategic Risks	Market shrinkage due to pandemic outbreak and intense competition within the industry
Operational Risks	Internal information technology system risks
Financial Risks	Cashflow risks

Our Risk Control Mechanism

The Group adopts a "three lines of defense" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by external adviser. The Group maintains a risk register to keep track of all identified major risks of the Group, which is updated at least once annually by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The risk management activities of the Group are performed by management on an ongoing process. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

By the engagement of the external adviser, the Company will consistently review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of any individual. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of Stock Exchange and the Company in due course.

The Directors of the Company are pleased to present their report and the audited consolidated financial statements of the Group for the Reporting Period.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of office furniture products. The products are sold to the domestic PRC market with a large proportion of its sales derived from Sichuan Province, Chongqing City and Guizhou Province etc. The Group sells its products to its customers mainly through two major sales channels, namely participating in tenders and direct sales. The Group operates a sales office, Sichuan Greenland in Chengdu city and a branch office, Chongqing Branch Office in Chongqing city.

In addition, the Group completed the acquisition of Polyqueue Limited on 15 January 2020 and started to engage in data centre business in the PRC. It aims to establish diversified operations and strive for stable revenue, which is a strategic deployment to strengthen the Group's ability to overcome the economic difficulties.

Due to the dual impact of the global coronavirus epidemic and the US-China trade war, although the Group's revenue in 2020 increased by 69.6% over the same period last year, the loss for the year attributable to owners of the Company still increased by 63.6% over the same period last year. Looking ahead, the situation remains grim overseas and the furniture market as a whole is still weak heretofore, the Company will continue to compete for more orders with lower product prices in the coming year with the view to ensure effective operation. Meanwhile, the Company will continue to focus its resources to further consolidate the Southwest provinces that enjoy traditional advantages, in order to tide over the difficulties in the adverse market. The Group will also increase its investment in the technology research and development of its products year-on-year, so as to diversify its product design and keep pace with the market trend in order to attract new customers and retain long-term customers, in order to enhance the Group's competitiveness in tendering and expand its market share. At the same time, the Group will further implement more stringent cost control measures to reduce unnecessary energy consumption, and strive to achieve the profit target set by the Group. In addition, through Polyqueue Limited, the Group will work with banks, investment funds and other investors to actively develop the data centre business. Polyqueue Limited will primarily assume the management role in all projects, its responsibilities will include planning and identifying new data centres, developing websites, uphold commitments to the customers, providing organization and management services to customers, and maintaining a high level of service and customer satisfaction, so as to develop and maintain long-term relationships with customers. We firmly believe that entering the data centre business will enable the Group to exert its corporate value for the benefit of the shareholders.

Key Performance Indicators

The Group's tender sales of furniture were approximately RMB40.9 million, which represented approximately 71.0% of its sale volume of the furniture business for the Reporting Period, and approximately 49.7% of the total revenue of the year. The following table sets out the breakdown of submitted tenders to potential customers for the Reporting Period:

	2020
Number of tenders submitted	**223**
Value of total tenders submitted	**RMB72.7 million**
Number of tenders won	**184**
Success rate (by number of tenders submitted)	**82.5%**
Success rate (by value of tenders submitted)	**61.8%**

Future Developments and Prospects

Details of the future development of the business of the Group are set out in the section headed "Chief Executive Officer's Statement" of this report.

Principal Risks and Uncertainties

The Board believes major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the Prospectus. The analysis of other principal risks and uncertainties of the Group are summarised in the section headed "Principal Risks" of this report.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated with limited liability in the Cayman Islands on 4 March 2016.

The companies comprising the Group underwent a reorganisation ("Reorganisation") to rationalise the structure of the Group in preparation for the initial public offering of the shares at par value of HK$0.01 each of the Company on GEM. Pursuant to the Reorganisation, the Group became the holding company of the subsidiaries comprising the Group on 19 December 2016. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

The shares of the Company were listed on GEM of the Stock Exchange on 20 January 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Group is investment holding. The principal activities of the Group's subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Dividend Policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account, inter alia:

(i) the general financial condition of the Group;

(ii) capital and debt level of the Group;

(iii) future cash requirements and availability for business operations, business strategies and future development needs;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions; and

(vi) any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and the Articles. The dividend policy of the Company will be reviewed by the Board from time to time and there can be no assurance that a dividend will be proposed or declared in any specific period.

The financial performance of the Group for the Reporting Period and the financial position of the Group as at that date are set out in the financial statements on pages 49 to 123 of this report.

The Board has resolved not to recommend the declaration of any interim or final dividend during the year ended 31 December 2020 (2019: Nil). No shareholder has agreed to waive dividends.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five years ended 31 December 2020 is set out on page 124 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

BANK BORROWING

As of 31 December 2020, the Group has outstanding bank loans of RMB30.0 million. The above bank loans were settled on 4 January 2021.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Reporting Period.

SHARE CAPITAL

Details of movements in the share capital of the Group during the Reporting Period are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of the Company amounted to approximately RMB164.2 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the GEM of the Stock Exchange on 20 January 2017. During the period from the Listing Date to 31 December 2020, the Company did not redeem any of its shares, and neither the Company nor any of its subsidiaries have bought or sold any shares in the Company.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS

The Directors of the Group during the Reporting Period and up to the date of this report were:

Executive Directors:

Mr. Yi Cong (appointed on 19 May 2016)
Mr. Liang Xing Jun (appointed on 19 May 2016)

Non-executive Director:

Mr. Luo Guoqiang (appointed on 28 September 2018)

Independent Non-executive Directors:

Mr. Chan Wing Kit (appointed on 17 December 2016)
Ms. Cao Shao Mu (appointed on 17 December 2016)
Mr. Kwok Sui Hung (appointed on 17 December 2016)

Confirmation of Independence

Each independent non-executive Director has given the Group an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Group considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 40 to 42 of this report.

DIRECTORS' SERVICE CONTRACTS

(a) Executive Directors

Each of the executive Directors has entered into a service contract with the Group which became effective from the Listing Date and shall continue unless terminated in accordance with the terms therein. Under the terms of each service contract, the service contract may be terminated by not less than six months' notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Director and the independent non-executive Directors has signed an appointment letter with the Group. Under the terms of the appointment letter, the appointment shall be for a term of three years commencing from the Listing Date, or in the case of Mr. Luo Guoqiang, 28 September 2018, and which would be renewed yearly thereafter and may be terminated by not less than three months' notice served by either party on the other. The term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Group or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

EMOLUMENT POLICY

The emoluments of the Directors are recommended by the Remuneration Committee by reference to the benchmarks in the market. The Group also looks into each individual Director's competence, duties, responsibilities and performance. Details of the Directors' remuneration and the five highest paid individuals are set out in note 11 to the consolidated financial statements.

PERMITTED INDEMNITY

The Articles provides that the Directors shall be indemnified and made harmless out of the assets and profits of the Group from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no transaction, arrangement or contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director or any entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

Save as disclosed, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Reporting Period.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors were as follows:

Name of Director	Capacity/Nature of interest	Number of shares held/ Interested	Percentage of shareholdings
Mr. Yi Cong	Interest of spouse *(Note 1)*	116,580,000 (Long position)	12.85%

Notes:

1. Mr. Yi Cong is the spouse of Ms. Zhang Gui Hong. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang Gui Hong is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this report, none of the Directors and the chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or (ii) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to the required standard of dealings by Directors.

(b) Interest and short positions of the substantial shareholders in the shares and underlying shares

As at 31 December 2020, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules:

Name of Director	Capacity/Nature of interest	Number of shares held/ Interested	Percentage of shareholdings
Sun Universal Limited	Beneficial owner	245,300,400 (Long position)	27.04%
Mr. Ma Gary Ming Fai ("Mr. Ma")	Interest in a controlled corporation *(Note 1)*	245,300,400 (Long position)	27.04%
Ms. Hung Fung King Margaret	Interest of spouse *(Note 2)*	245,300,400 (Long position)	27.04%
Brilliant Talent Global Limited	Beneficial owner *(Note 3)*	116,580,000 (Long position)	12.85%
Ms. Zhang Gui Hong	Interest in a controlled corporation *(Note 3)*	116,580,000 (Long position)	12.85%

Notes:

1. The entire issued share capital of Sun Universal Limited is legally and beneficially owned by Mr. Ma. Accordingly, Mr. Ma is deemed to be interested in the shares held by Sun Universal Limited for the purpose of Part XV of the SFO.

2. Ms. Hung Fung King Margaret is the spouse of Mr. Ma. Accordingly, Ms. Hung Fung King Margaret is deemed to be interested in the shares held by Mr. Ma for the purpose of Part XV of the SFO.

3. The entire issued share capital of Brilliant Talent Global Limited is owned by Ms. Zhang Gui Hong. Accordingly, Ms. Zhang Gui Hong is deemed to be interested in all the shares held by Brilliant Talent Global Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, the Directors have not been notified by any person who had interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was approved and conditionally adopted by the Board and shareholders of the Company by way of written resolutions on 19 December 2016. As of 31 December 2020, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Board may, at its absolute discretion, invite any person belonging to the following classes of participants, to take up options to subscribe for Shares:

(i) any eligible employee;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;

(iii) any supplier of goods or services to any member of the Group or any invested entity;

(iv) any customer of the Group or any invested entity;

(v) any person or entity that provides research, development or other technological support to the Group or any invested entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any invested entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; and

(viii) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of the Group,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust;

Subject to the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled at any time and from time to time within the period of the Share Option Scheme to offer to grant to any participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of shares as the Board may determine at a price calculated in accordance with sub-paragraph (f) below.

(c) Total number of shares to be issued

(i) The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date (and subsequently, if refreshed, it must not exceed 10% of the issued share capital as at the date of such shareholders' approval of the refreshed limit).

(ii) The Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options and any other share option schemes of the Company, in aggregate, must not exceed 10% of the total number of Shares in issue as at the date of such shareholders' approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

(iii) The Company may also grant options beyond the 10% limit by seeking shareholders' approval in a general meeting, provided that the grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. In such event, the Company shall send a circular to its shareholders containing a generic description of the specified grantees who may be granted such options, the number and terms of such options to be granted, the purpose of granting such options, an explanation as to how the terms of the options serve such purpose and the information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, the Company must not grant any options if the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company, exceed 30% of the shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

As at the date of this report, there was no share option granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

(d) Granting of option to a Director, chief executive of the Company or substantial shareholder or any of their associates

No Participant shall be granted options which if exercised in full would result in the total number of shares already issued under all the options granted to him which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period would exceed 1% of the total number of shares in issue, provided that if approved by shareholders in general meeting with such participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, the Company may make further grant of options to such participant (the "Further Grant") notwithstanding that the Further Grant would result in the total number of shares already issued under all the options granted to such participant which have been exercised and issuable under all the options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of shares in issue.

Where options are proposed to be granted to a Director, chief executive of the Company or substantial shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent nonexecutive Directors (excluding any independent non-executive Director who is the grantee of the options).

If a grant of options to a substantial shareholder or an independent non-executive Director or their respective associates will result in the shares issued and to be issued upon exercise of all options granted and to be granted (whether exercised, cancelled or and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5.0 million,

then the proposed grant of options must be approved by the shareholders in a general meeting. At such general meeting, the grantee, his associates and all core connected persons of the Company must abstain from voting, unless they intend to vote against the proposed grant and provided that this intention to do so has been stated in the circular. The Company will send a circular to its shareholders containing all the information required under the GEM Listing Rules, including (i) details of the number and terms of the options (including the option period, performance targets (if any), basis of determination of subscription price and the rights attached to the shares or the option) to be granted to each substantial shareholder or independent non-executive Director, or any of their respective associates, which must be fixed before the shareholders meeting, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee of the options) to the independent shareholders as to voting; and (iii) all other information as required by the GEM Listing Rules.

In addition, any change in the terms of the option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of the Company set out in Rules 23.04(1), (2) and (3) shall not apply where the proposed grantee is only a proposed Director or chief executive of the Company.

(e) Minimum period of holding option and performance target

Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Basis for determining exercise price

The subscription price for the Shares subject to any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share.

For the purpose of determining the relevant subscription price where the shares have been listed on the Stock Exchange for less than five trading days preceding the date of the grant of the option, the issue price of the shares shall be deemed to be the closing price of the shares on the Listing Date for any trading day falling within the period before the shares are listed on the Stock Exchange.

(g) Time of acceptance and amount of payable upon acceptance of option

Upon acceptance of an offer for grant of option(s), the Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 21 days from the date of the grant.

(h) Period of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board absolutely, provided that such period shall not be more than ten years from the date upon which the option is deemed to be granted and accepted in accordance with the Share Option Scheme. The Board may, at its discretion, determine the minimum period for which the option has to be held before the option can be exercised. As at the date of this report, no share option has been granted or agreed to be granted under the Share Option Scheme by the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 10.2% and 39.2% (2019: 22.8% and 39.5%) of the total revenue of the Group, respectively. The Group's purchase from the largest and the five largest suppliers accounted for 17.4% and 48.9% (2019: 30.4% and 56.6%) of the total purchases of the Group, respectively. At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers.

CONNECTED/RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had not entered into any connected transaction or continuing connected transaction that is not exempted under Rule 20.71 of the GEM Listing Rules.

Remuneration to Directors described in note 11 to the Group's consolidated financial statements are continuing connected transactions exempt from the connected transaction requirements under Rule 20.93 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 15 to 25 of this report.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, as of 31 December 2020, the Company has maintained the public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021, both days inclusive, during which no transfer of shares of the Company will be effected. In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 22 June 2021.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by BDO Limited, who will, being eligible, offer itself for reappointment as the auditor of the Company at the forthcoming annual general meeting. There has been no change in auditor since the date of the Listing.

By order of the Board of
Zhi Sheng Group Holdings Limited
Executive Director
Yi Cong

Hong Kong, 24 March 2021

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yi Cong (易聰), aged 57, is an executive Director, one of the founders of Sichuan Greenland, the Chief Executive Officer and the compliance officer of the Company. Mr. Yi was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. Mr. Yi joined the Group in September 1996 and is currently also a director and general manager of Sichuan Greenland. He is primarily responsible for the overall business strategies, planning and development of the Group, managing key customer relationships and overseeing sales and marketing of the Group. Mr. Yi graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (電子科技大學)) in September 1989 with a college diploma* (專科) majoring in wireless electronics. Mr. Yi was recognised by the Chengdu Chamber of Commerce for Furniture Industry* (成都市傢俱行業商會) as the "Person of the Year"* (年度風雲人物) in 2010 and an "Influential Entrepreneur in China Furniture Industry"* (影響中國行業傑出企業家) in 2012. Mr. Yi Cong's wife, Ms. Zhang Gui Hong ("Ms. Zhang"), is the sister of Mr. Liang Xing Jun's wife. Ms. Zhang is the sole shareholder of Brilliant Talent Global Limited, one of the substantial shareholders of the Group, which owns 116,580,000 shares of the Group. Accordingly, Mr. Yi Cong is deemed to be interested in all the shares which Ms. Zhang is interested for the purpose of Part XV of the SFO.

Mr. Liang Xing Jun (梁興軍), aged 57, was appointed as a Director on 19 May 2016 and re-designated as an executive Director on 19 December 2016. He is primarily responsible for the overall production management. Mr. Liang joined the Group in 1996 and has over 20 years of experience in the furniture industry. Mr. Liang is currently the head of the production department at Sichuan Greenland. Mr. Liang graduated from Chengdu Institute of Radio Engineering (成都電訊工程學院) (now known as the University of Electronic Science and Technology of China (中國電子科技大學)) in July 1984 with a college diploma* (專科) in vacuum electronic technology* (真空電子技術). Mr. Liang Xing Jun's wife is the sister of Mr. Yi Cong's wife.

NON-EXECUTIVE DIRECTOR

Mr. Luo Guoqiang (羅國強), aged 49, was appointed as a non-executive Director on 28 September 2018. He worked as a credit department officer during July 1991 to August 2003 before resigning from the Qiaotou branch of Industrial and Commercial Bank of China in Dongguan (中國工商銀行東莞橋頭支行). Since August 2003, Mr. Luo was appointed as a financial manager in a furniture company at Dongguan, mainly responsible for finance.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Kit (陳永傑), aged 49, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Chan obtained a Bachelor of Commerce degree from Monash University in February 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia.

From March 2016 to August 2019, Mr. Chan was an executive director of Royale Furniture Holdings Limited (Stock Code: 1198, "Royale Furniture"). The principal business activities of Royale Furniture include manufacturing, trading and retailing home furniture in the PRC. Mr. Chan has been appointed as a chief financial officer of Royale Furniture since August 2019.

Ms. Cao Shao Mu (曹少慕), aged 59, was appointed as the independent non-executive Director of the Company on 17 December 2016. She was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Ms. Cao completed a selected on-job executive master of business administration course* (在職經理工商管理碩士(EMBA)精選課程研修班) in November 2004 at Yiyuan College, Sun Yat-Sen University. Ms. Cao worked in the sales department of Guangzhou Pepsi-Cola Beverage Co., Ltd from 2001 to 2014 and retired holding the position of senior district development manager.

Mr. Kwok Sui Hung (郭瑞雄), aged 60, was appointed as the independent non-executive Director of the Company on 17 December 2016. He was appointed as a member of Audit Committee, Nomination Committee and Remuneration Committee on 19 December 2016. Mr. Kwok completed a certificate programme in marketing management from the Hong Kong Management Association in June 1994. Since 1996, Mr. Kwok has been the general manager of Sun Champion Trading Limited, responsible for monitoring the operation of Hong Kong and China divisions of that company.

BIOGRAPHIES OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Fei (陳飛), aged 43, is the vice general manager responsible for the sales function of the Group and the general manager of the Chengdu sales office. He joined the Group in June 1998 as a sales staff and was promoted in December 2011 as the sales director responsible for, inter alia, managing the sales operation of Sichuan Greenland. Since June 2013, Mr. Chen has been the vice general manager responsible for overseeing the sales department. From June 2013 to November 2014, he also acted as the general manager of Chongqing Branch Office.

In December 2014, he was re-designated as the general manager of Sichuan Greenland. Mr. Chen received his college diploma* (專科) in international trade from Sichuan Radio and TV University (四川廣播電視大學) in July 1998 and later obtained a bachelor degree in business administration from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)) in January 2012.

Ms. He Lu Ming (何鹿鳴), aged 44, is the head of the administration department. Ms. He received her master degree from Communist Party of China of Sichuan Province College* (中共四川省委黨校) majoring in regional economics in June 2011. She joined the Group in May 2002 and acted as the administration manager responsible for human resources, administrative and back-office matters. Since October 2010, Ms. He has been in charge of the administration department and has been the chairman of the labour union since October 2015.

Ms. Leung Yuk Yi (梁玉宜), aged 50, is the Company secretary of the Company. She is responsible for overall company secretarial matters of the Group. She obtained her bachelor of business degree majoring in marketing in July 1993 and later a master of practising accounting degree in October 1998 from Monash University in Australia. Ms. Leung was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 2003. She was a senior manager at the tax department of Ernst & Young from November 1999 to November 2013.

* For identification purpose only

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZHI SHENG GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhi Sheng Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 49 to 123, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment of trade receivables

As at 31 December 2020, the Group had gross trade receivables of approximately RMB13,476,000 and loss allowance of approximately RMB3,679,000. Loss allowance provided for trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

We identified impairment assessment of trade receivables as a key audit matter because the recognition of loss allowance for trade receivables is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.

The accounting policies and disclosure for estimation of impairment of trade receivables are included in Notes 4(g)(ii), 5(b)(i) and 23(a) to the consolidated financial statements.

Our response:

Our procedures in relation to the management's impairment assessment of trade receivables included:

- reviewing and assessing the Group's accounting policy for estimating of expected credit losses;

- discussing with management for the recoverability of significant trade receivables that are past due as at year end and corroborating explanations from management with supporting evidences, such as understanding on-going business relationship with the customers based on trade records and checking customers' settlement records; and

- evaluating management's calculation of loss allowance by reviewing the inputs and information used by management in the expected credit loss models, including testing the accuracy of the trade receivables ageing report, evaluating whether the expected credit loss rates applied with historical loss rates appropriately adjusted based on current economic conditions and forward-looking information.

Impairment assessment of goodwill and other non-financial assets attributable to the cash generating units ("CGUs")

As at 31 December 2020, the Group had goodwill of approximately RMB30,827,000, intangible asset of approximately RMB8,251,000, property, plant and equipment of approximately RMB46,899,000 and right-of-use assets of approximately RMB37,613,000 allocated to CGUs of office furniture and data centre.

The Company's directors have concluded that there was impairment losses on property, plant and equipment of RMB822,000 and on right-of-use assets of RMB38,000 for the CGU of office furniture and no impairment loss recognised for the CGU of data centre. This conclusion was based on the impairment testing carried out by the management for the CGUs in accordance with the Group's accounting policy stated in Note 4(n).

As set out in Note 5(b)(ii) to the consolidated financial statements, the impairment assessment of goodwill and other non-financial assets is dependent on certain significant inputs and estimations that involve the management's judgments, including the calculations of value in use and fair value less costs of disposal of the CGUs.

We identified the impairment testing of goodwill and other assets of the relevant CGUs as a key audit matter because of its significance to the consolidated financial statements and because the impairment testing involved significant management judgement and estimates as explained above.

The accounting policies and disclosure for the estimation of impairment of goodwill and other assets are included in Notes 4(c), 4(d), 4(e), 4(f), 4(n), 5(b)(ii), 15, 16, 17, 18 and 19 to the consolidated financial statements.

Our response:

Our procedures in relation to the management's impairment assessment of above included:

- assessing the appropriateness of the management's identification of CGUs based on our understanding of the Group's business;
- assessing the reasonableness of discount rates and growth rates applied in value in use calculations;
- challenging the reasonableness of other key assumptions based on our knowledge of the CGUs and checking input data to support evidence, such as approved budget and considering the reasonableness of the budget;
- assessing the appropriateness of the methodologies and the reasonableness of the assumptions and estimations adopted in the valuation for estimating the fair value of property, plant and equipment and right-of-use assets; and
- evaluating of the competence, capabilities and objectivity of management's expert and auditor's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES 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 HKFRSs issued by the HKICPA 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate no. P06262

Hong Kong, 24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**82,419**	48,610
Cost of sales		**(76,528)**	(37,897)
Gross profit		**5,891**	10,713
Other income	8	**3,808**	905
Selling and distribution expenses		**(8,675)**	(8,645)
Administrative and other expenses		**(22,589)**	(17,989)
Impairment loss on trade and other receivables		**(1,515)**	(2,398)
Finance costs	9	**(4,576)**	(130)
Loss before income tax	10	**(27,656)**	(17,544)
Income tax credit	12	**703**	1,073
Loss for the year attributable to the owners of the Company		**(26,953)**	(16,471)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(824)**	392
Total comprehensive expense for the year attributable to the owners of the Company		**(27,777)**	(16,079)
Loss per share			
— Basic and diluted (RMB cents)	14	**(2.98)**	(2.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**46,899**	51,570
Right-of-use assets	*16*	**37,613**	15,993
Intangible asset	*17*	**8,251**	–
Goodwill	*18*	**30,827**	–
Total non-current assets		**123,590**	67,563
Current assets			
Financial assets at fair value through profit or loss	*20*	**–**	4,115
Inventories	*21*	**15,667**	21,611
Contract assets	*22*	**2,668**	3,432
Trade, lease and other receivables	*23*	**58,820**	44,917
Cash and cash equivalents	*24*	**64,552**	49,079
Total current assets		**141,707**	123,154
Total assets		**265,297**	190,717
Current liabilities			
Contract liabilities	*22*	**2,882**	3,810
Trade and other payables	*25*	**21,156**	11,279
Bank borrowing	*26*	**30,000**	–
Lease liabilities	*27*	**14,861**	901
Tax payable		**2**	–
Total current liabilities		**68,901**	15,990
Net current assets		**72,806**	107,164
Total assets less current liabilities		**196,396**	174,727
Non-current liabilities			
Lease liabilities	*27*	**10,088**	1,131
Convertible bonds	*28*	**7,041**	–
Deferred tax liabilities	*29*	**7,044**	5,219
Total non-current liabilities		**24,173**	6,350
Total liabilities		**93,074**	22,340
NET ASSETS		**172,223**	168,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*30*	**8,016**	7,100
Reserves	*31*	**164,207**	161,277
TOTAL EQUITY		**172,223**	168,377

On behalf of the directors

Yi Cong	**Luo Guoqiang**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital RMB'000	Share premium *(Note 31(a))* RMB'000	Convertible bonds equity reserve *(Note 31(b))* RMB'000	Other reserve *(Note 31(c))* RMB'000	Statutory reserve *(Note 31(d))* RMB'000	Foreign exchange reserve *(Note 31(e))* RMB'000	Retained earnings/ (accumulated losses) *(Note 31(f))* RMB'000	Total RMB'000
As at 1 January 2019	5,923	137,989	–	(11,131)	4,158	(8,971)	29,474	157,442
Loss for the year	–	–	–	–	–	–	(16,471)	(16,471)
Other comprehensive income: Exchange difference arising on translating of foreign operations	–	–	–	–	–	392	–	392
Total comprehensive expense for the year	–	–	–	–	–	392	(16,471)	(16,079)
Issue of shares upon the Placing (Note 30(a))	1,177	25,837	–	–	–	–	–	27,014
As at 31 December 2019	**7,100**	**163,826**	**–**	**(11,131)**	**4,158**	**(8,579)**	**13,003**	**168,377**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(26,953)**	**(26,953)**
Other comprehensive income: Exchange difference arising on translating of foreign operations	**–**	**–**	**–**	**–**	**–**	**(824)**	**–**	**(824)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(824)**	**(26,953)**	**(27,777)**
Issue of Consideration Shares (Note 30(b))	**916**	**23,370**	**–**	**–**	**–**	**–**	**–**	**24,286**
Issue of Convertible Bonds (Note 28)	**–**	**–**	**7,337**	**–**	**–**	**–**	**–**	**7,337**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**340**	**–**	**(340)**	**–**
As at 31 December 2020	**8,016**	**187,196**	**7,337**	**(11,131)**	**4,498**	**(9,403)**	**(14,290)**	**172,223**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flow from operating activities			
Loss before income tax		**(27,656)**	(17,544)
Adjustments for:			
Depreciation of right-of-use assets	*10*	**14,533**	1,502
Depreciation of property, plant and equipment	*10*	**3,896**	3,998
Amortisation of intangible asset	*10*	**5,373**	–
Loss on written off and disposal of property, plant and equipment	*10*	**2**	8
Write-down of inventories to net realisable value	*10*	**4,756**	437
Impairment loss on trade receivables and other receivables	*10*	**1,515**	2,398
Write-off of trade and other receivables	*10*	**3,036**	117
Impairment loss on property, plant and equipment	*10*	**822**	–
Impairment loss on right-of-use assets	*10*	**38**	–
Bank interest income	*8*	**(23)**	(26)
Covid-19 related rent concession	*8*	**(172)**	–
Fair value changes on financial assets at fair value through profit or loss	*8*	**–**	(29)
Dividend income from financial assets at fair value through profit or loss	*8*	**(395)**	(463)
Interest income from other receivables	*8*	**(2,302)**	(63)
Interest income arising from unwinding contract assets with significant financing component	*8*	**(232)**	(154)
Gain on lease termination	*8*	**(116)**	–
Finance costs	*9*	**4,576**	130
Operating before working capital changes		**7,651**	(9,689)
Decrease/(increase) in inventories		**1,188**	(4,416)
Decrease in contract assets		**996**	1,488
Increase in trade and other receivables		**(14,576)**	(5,899)
(Decrease)/increase in contract liabilities		**(928)**	2,736
Decrease in trade and other payables		**(2,970)**	(1,658)
Cash used in operations		**(8,639)**	(17,438)
Income tax paid		**–**	(557)
Bank interest received		**23**	26
Net cash used in operating activities		**(8,616)**	(17,969)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		–	(24,000)
Redemption of financial assets at fair value through profit or loss		**4,115**	20,377
Net cash inflow from acquisition of a subsidiary	*34*	**948**	–
(Decrease)/increase in loan receivables		**(731)**	2,417
Purchase of debt instruments at amortised cost		**(14,000)**	5,000
Redemption of debt instruments at amortised cost		**19,000**	–
Interest received		**2,697**	63
Purchases of property, plant and equipment		**(53)**	(493)
Proceeds from disposal of property, plant and equipment		**4**	21
Net cash generated from investing activities		**11,980**	3,385
Cash flows from financing activities			
Proceeds from issue of shares upon the Placing, net of transaction costs		–	27,014
Proceed from bank borrowing		**30,000**	–
Interest paid on bank borrowing		**(1,630)**	–
Repayment of principal portion of lease liabilities		**(12,986)**	(1,096)
Interest paid on lease liabilities		**(2,074)**	(130)
Net cash from financing activities		**13,310**	25,788
Net increase in cash and cash equivalents		**16,674**	11,204
Cash and cash equivalents at beginning of year		**49,079**	37,438
Effect of foreign exchange rate changes on cash and cash equivalents		**(1,201)**	437
Cash and cash equivalents at end of year		**64,552**	49,079
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**64,552**	49,079

1. GENERAL INFORMATION

Zhi Sheng Group Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 4 March 2016. The address of its registered office is Windward 3, Regatta Office Park, P.O. BOX 1350 Grand Cayman KY1-1108, the Cayman Islands. Its principal place of business is at Room 747, 7/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Hong Kong and its headquarter is at 3/F, 222 Tianren Road, Gaoxin District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in manufacture and sales of office furniture products in the PRC; and started to engage in data centre business in the PRC after completion of the acquisition of the entire issued share capital of Polyqueue Limited on 15 January 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7, and HKFRS 9	Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of this amended HKFRS is summarised below.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new or amended HKFRSs (continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new and amendments to HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the conceptual Framework[2]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Company (the "Directors") concluded that the adoption of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis. The measurement bases are fully described in the Note 4 below.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HK$"). However, the financial statements are presented in Renminbi ("RMB") instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (continued)

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (continued)

In the Company's statement of financial position, investments in subsidiaries are carried at cost less impairment loss, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is first allocated 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 on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal ("FVLCD") (if measurable) or its value in use ("VIU") (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used for calculating depreciation are as follows:

Motor vehicles	10%–20%
Plant and machinery	10%–20%
Furniture and equipment	10%–20%
Leasehold improvements	20% or the lease term, whichever is shorter
Buildings	3.3%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise:

(i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

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

(iii) any initial direct costs incurred by the lessee; and

(iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model.

Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. All of the Group's right-of-use assets are carried at depreciated cost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The Group as a lessee (continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable;

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

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

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

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The Group as a lessee (continued)

Lease liability (continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies (see note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as a lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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 the straight-line basis over the lease term.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible asset (other than goodwill)

(i) Intangible asset acquired in a business combination

The cost of intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible asset with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful life and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over its useful life from date of acquisition as follows:

Operation permit	2.5 years

(ii) Derecognition of intangible asset

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, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iii) Impairment of intangible asset

Intangible asset with finite life is tested for impairment when there is an indication that an asset may be impaired. Intangible asset is tested for impairment by comparing their carrying amounts with their recoverable amounts.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Financial assets at amortised cost are assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. They are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVTOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on contract assets, trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for contract assets and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group calculates the lifetime ECLs on certain trade receivables by establishing a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group calculated the lifetime ECLs on contract assets certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For other financial assets at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past, unless the Group has reasonable and supportable information demonstrates otherwise.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

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

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

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

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. 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.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iv) Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (continued)

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of office furniture products

Customers obtain control of the office furniture products when the goods are delivered to, installed and have been accepted by customers according to the contract terms. Revenue is thus recognised at the point in time when the customers accepted the office furniture products. There is generally only one performance obligation and the considerations include no variable amount. Invoices are usually payable within 30 days or up to 180 days.

Renting server racks

The Group rents server racks in data centre to the customers.

Rental income from rental of server racks is recognised on a straight-line basis over the terms of the relevant leases in accordance to HKFRS 16.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (continued)

Information technology management service

Revenue from information technology management service is recognised over time when the agreed IT service has been performed by the Group.

Internet access connection services

The Group sets up internet access connection for the customers. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Data centre operating and security service

The Group provides data centre operating and security service outsourced by the customer. Such services are transferred over time and revenue is recognised when the customers simultaneously receive and consume the benefits from the Group's performance of providing such services.

Interest income

Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

Contract assets and 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. 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.

Contract asset is recognised when the customers retain quality assurance deposits ("QADs") to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the end of quality assurance period.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contractual liabilities are recognised as revenue when the Group performs under the contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (continued)

Interest income (continued)

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries 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 liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes (continued)

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of the Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of the Company and certain subsidiaries are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) Defined contribution retirement plan

The employees of the Group which operate in the PRC are required to participate in a central defined contribution pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(ii) Other employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible asset;
- goodwill and
- other non-financial assets

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (other than financial assets) (continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of FVLCD and VIU. 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 assessment of time value of money and the risk specific to the asset or CGU.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(p) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in consolidated statement of financial position and consequently are effectively recognised in profit or loss over the useful life of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgments in applying accounting policies

(i) Control over 北京萬諾通科技有限公司 (Beijing Wannuotong Technology Company Limited) ("Beijing Wannuotong")

Beijing Wannuotong is mainly engaged in the data centre business in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

Certain structured contracts (the "Structured Contracts") were effectuated among ITO Express Limited, 北京萬諾馳科技有限公司 (Beijing Wannuochi Technology Company Limited) ("Beijing Wannuochi"), Beijing Wannuotong, and the registered owner of Beijing Wannuotong, pursuant to which the entire economic benefits and the risks of the business of Beijing Wannuotong flow into Beijing Wannuochi and enable the Beijing Wannuochi to gain 100% effective control over the Beijing Wannuotong.

The Company considers that it controls Beijing Wannuotong, notwithstanding the fact that it holds 50% equity interest in Beijing Wannuotong, as it has power over the financial and operating policies of Beijing Wannuotong and receives substantially all of the economic benefits from the business activities of Beijing Wannuotong through the Structured Contracts. Accordingly, Beijing Wannuotong is accounted for as a subsidiary of the Company for accounting purpose.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Allowance on impairment of financial assets

At each reporting date, the Group uses a provision matrix to calculate ECLs for certain trade receivables. The provision rate is initially based on the Group's historical observed default rates. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The Group calculated the lifetime ECLs on contract assets certain trade receivables and lease receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit losses individually.

At each reporting date, the Group assesses other financial asset at amortised cost whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(ii) Impairment of goodwill, intangible asset, right-of-use assets and property, plant and equipment

Intangible asset with finite useful life, right-of-use assets and property, plant and equipment are tested for impairment when indicators exist. Further, irrespective of whether there is any indication of impairment, goodwill are required to be tested annually for impairment.

The recoverable amounts of the CGUs have been determined based on VIU or FVLCD, whichever is higher. The VIU calculations require the use of judgement and estimates of the future cash flows expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill and non-financial assets within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD may involve the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgement. Details in impairment assessment of CGUs are set out in Note 19 to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(iii) Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives of five to thirty years, starting from the date on which the assets are placed into productive use. The Group depreciated the right-of-use assets on straight-line basis over the shorter of estimated useful life or the lease term ranged from one to fifty-three years, starting from the commencement date of lease. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and right-of-use assets.

(iv) Inventory provision

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

(v) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market yield of property) when available and is required to make certain adjustments.

6. SEGMENT REPORTING

The operating segments are determined with reference to the reports and financial information reviewed by the Company's executive directors who are responsible for financial and accounting matters (the "Chief Operating Decision Makers") for the purpose of assessment of performance and resource allocation.

For the year ended 31 December 2019, the Group has only one reportable segment, which is manufacture and sale of office furniture products. For the year ended 31 December 2020, the Group started to have one more reportable segment, which is to conduct data centre business by acquiring Polyqueue Limited, a subsidiary with major business of data centre. The following summarises the operation of each reportable segment of the Group:

- Office furniture segment — manufacture and sale of office furniture products in the PRC; and
- Data centre segment — data centre business in the PRC and provision of information technology management service in Hong Kong.

(a) Reportable segments revenue and results

	Office Furniture		Data Centre		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Sale of office furniture products	**57,692**	48,610	**–**	–	**57,692**	48,610
Information technology management service	**–**	–	**294**	–	**294**	–
Internet access connection service	**–**	–	**574**	–	**574**	–
Data centre operating and security service	**–**	–	**2,625**	–	**2,625**	–
Rental of server racks	**–**	–	**21,234**	–	**21,234**	–
	57,692	48,610	**24,727**	–	**82,419**	48,610
Segment results	**(20,087)**	(13,359)	**(3,655)**	–	**(23,742)**	(13,359)
Unallocated expenses					**(3,048)**	(4,185)
Interest income					**6**	–
Interest expense of Convertible Bonds					**(872)**	–
Loss before income tax					**(27,656)**	(17,544)

The Group had no inter-segment transactions during the year ended 31 December 2020.

Unallocated expenses comprised mainly of the expenses of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

6. SEGMENT REPORTING (CONTINUED)

(b) Reportable segments assets and liabilities

	Office Furniture		Data Centre		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**176,296**	169,425	**78,057**	–	**254,353**	169,425
Cash and cash equivalents					**10,756**	21,096
Unallocated corporate assets					**188**	196
					265,297	190,717
Segment liabilities	**(46,726)**	(20,907)	**(38,654)**	–	**(85,380)**	(20,907)
Convertible Bonds					**(7,041)**	–
Unallocated corporate liabilities					**(653)**	(1,433)
					(93,074)	(22,340)

Segment assets exclude cash and cash equivalents which are held as general working capital of the Group as a whole and unallocated corporate assets representing corporate assets of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

Segment liabilities exclude Convertible Bonds and unallocated corporate liabilities representing the liabilities of the Group's office in Hong Kong which were not directly attributable to the business activities of any operating segment.

6. SEGMENT REPORTING (CONTINUED)

(c) Other segment information

	Office furniture		Data Centre		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Bank interest income	**4**	26	**15**	–	**4**	–	**23**	26
Interest income from other receivables	**2,302**	63	**–**	–	**–**	–	**2,302**	63
Interest income arising from unwinding contract assets with significant financing component	**232**	154	**–**	–	**–**	–	**232**	154
Interest expense on bank borrowing	**1,630**	–	**–**	–	**–**	–	**1,630**	–
Interest expense on lease liabilities	**41**	130	**2,033**	–	**–**	–	**2,074**	130
Interest expense on Convertible Bonds	**–**	–	**–**	–	**872**	–	**872**	–
Amortisation of intangible asset	**–**	–	**5,373**	–	**–**	–	**5,373**	–
Depreciation of right-of-use assets	**711**	1,502	**13,822**	–	**–**	–	**14,533**	1,502
Depreciation of property, plant and equipment	**3,896**	3,998	**–**	–	**–**	–	**3,896**	3,998
Loss on written off and disposal of property, plant and equipment	**2**	8	**–**	–	**–**	–	**2**	8
Impairment loss on property, plant and equipment	**822**	–	**–**	–	**–**	–	**822**	–
Impairment loss on right-of-use assets	**38**	–	**–**	–	**–**	–	**38**	–
Impairment loss on trade and other receivables	**1,475**	1,238	**40**	–	**–**	–	**1,515**	1,238
Write-off of trade and other receivables	**3,036**	117	**–**	–	**–**	–	**3,036**	117
Addition to intangible asset through business combination	**–**	–	**13,624**	–	**–**	–	**13,624**	–
Additions to property, plant and equipment	**53**	493	**–**	–	**–**	–	**53**	493
Additions to right-of-use assets	**865**	138	**–**	–	**–**	–	**865**	138
Additions to right-of-use assets through business combination	**–**	–	**36,343**	–	**–**	–	**36,343**	–

6. SEGMENT REPORTING (CONTINUED)

(d) Geographical information

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operations is the PRC. Accordingly, the management determines the Group is domiciled in the PRC.

	2020 **RMB'000**	2019 RMB'000
Revenue from external customers		
The PRC	**82,125**	48,610
Hong Kong	**294**	–
	82,419	48,610

The geographical location of revenue allocated is based on the location at which the goods were delivered and the service were rendered.

No geographical location of non-current assets is presented as all of the Group's non-current assets are physically based in the PRC.

(e) Information about major customer

The Group's customer base is diversified and includes only the following customer with whom transactions have exceeded 10% of the Group's revenue. During the year, revenue derived from the customer from office furniture segment is as follows:

	2020 **RMB'000**	2019 RMB'000
Customer A	**8,395**	11,089

7. REVENUE

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of office furniture products	**57,692**	48,610
Information technology management service	**294**	–
Internet access connection service	**574**	–
Data centre operating and security service	**2,625**	–
	61,185	48,610
Revenue from other sources		
Rental of server racks	**21,234**	–
	82,419	48,610

(a) Disaggregation of revenue

The Group's revenue from contracts with customer within the scope of HKFRS 15 disaggregated by the timing of revenue recognition is as follows:

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point in time	**57,692**	48,610
Overtime	**3,493**	–
	61,185	48,610

The Group's revenue derived from sale of office furniture products disaggregated by the type of customers is as follows:

	2020 RMB'000	2019 RMB'000
Type of customers		
PRC governmental departments	**11,064**	9,903
Financial institutions	**15,179**	12,736
Other entities	**31,449**	25,971
	57,692	48,610

7. REVENUE (CONTINUED)

(b) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

(i) Contract with customers within in the scope of HKFRS 15

The Group's contracts with customers within in the scope of HKFRS 15 usually have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The Group has applied the practical expedient and therefore does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

The Group's contracts with customers for sales of office furniture products have duration of one year or less from date of contract inception to date of satisfaction of performance obligation. The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to data centre business services, of which the performance obligations are to be satisfied within two to three years. The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 are as follows:

	RMB'000
Within one year	**178**

(ii) Operating leases

The Group sub-leases its server racks and classifies these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be recovered after the reporting date.

As at 31 December 2020	RMB'000
Year 1	**12,319**
Year 2	**7,742**
Year 3	**1,838**
	21,899

8. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Bank interest income	**23**	26
Exchange gain, net	**1**	–
Interest income from other receivables	**2,302**	63
Interest income arising from unwinding contract assets with significant financing component	**232**	154
Dividend income from financial assets at fair value through profit or loss	**395**	463
Fair value changes on financial assets at fair value through profit or loss	**–**	29
Subsidy income	**404**	161
Covid-19 related rent concession	**172**	–
Gain on lease termination	**116**	–
Others	**163**	9
	3,808	905

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expense on bank borrowing	**1,630**	–
Interest expense on lease liabilities	**2,074**	130
Interest expense on Convertible Bonds	**872**	–
	4,576	130

10. LOSS BEFORE INCOME TAX

Loss before income tax expense is arrived at after charging:

	2020 RMB'000	2019 RMB'000
Auditor's remuneration	**712**	635
Cost of inventories recognised as expense, including	**53,193**	37,897
— Write-down of inventories to net realisable value	**4,756**	437
Depreciation of right-of-use assets	**14,533**	1,502
Depreciation of property, plant and equipment	**3,896**	3,998
Amortisation of intangible assets	**5,373**	–
Loss on written off and disposal of property, plant and equipment	**2**	8
Impairment loss on trade and other receivables	**1,515**	2,398
Write-off of trade and other receivables	**3,036**	117
Impairment loss on property, plant and equipment	**822**	–
Impairment loss on right-of-use assets	**38**	–
Short term lease with application of recognition exemption under HKFRS 16	**331**	90
Staff costs (including directors' remuneration (Note 11))		
— Salaries, allowances and benefits in kind	**13,726**	8,516
— Retirement benefit scheme contribution	**1,208**	2,275
	14,934	10,791

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration is disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2020					
Executive directors:					
Mr. Yi Cong	–	1,427	–	29	1,456
Mr. Liang Xing Jun	–	270	–	8	278
Non-executive director:					
Mr. Luo Guoqiang	107	–	–	–	107
Independent non-executive directors:					
Mr. Chan Wing Kit	107	–	–	–	107
Ms. Cao Shao Mu	107	–	–	–	107
Mr. Kwok Sui Hung	107	–	–	–	107
	428	1,687	–	37	2,162
For the year ended 31 December 2019					
Executive directors:					
Mr. Yi Cong	–	480	–	63	543
Mr. Liang Xing Jun	–	60	–	19	79
Non-executive director:					
Mr. Luo Guoqiang	106	–	–	–	106
Independent non-executive directors:					
Mr. Chan Wing Kit	106	–	–	–	106
Ms. Cao Shao Mu	106	–	–	–	106
Mr. Kwok Sui Hung	106	–	–	–	106
	424	540	–	82	1,046

Note:

Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals consist of 2 director of the Company for the year ended 31 December 2020 (2019: 5 directors). Details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 highest paid individuals for the year ended 31 December 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,307	–
Retirement benefits scheme contributions	113	–
	1,420	–

Their emoluments were within the following band:

	2020 Number of individual	2019 Number of individual
Nil to HK$1,000,000	3	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2020 (2019: nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	3	3

12. INCOME TAX CREDIT

	2020 **RMB'000**	2019 RMB'000
Current tax		
— tax for the year	**1**	–
— over-provision in respect of prior years	**–**	(834)
	1	(834)
Deferred tax (Note 29)	**(704)**	(239)
Income tax credit	**(703)**	(1,073)

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is not subject to income tax.

No Hong Kong profits tax was provided in the consolidated financial statements as the Group has no estimated assessable profit derived from and earned in Hong Kong during the years ended 31 December 2020 and 2019.

Provision for the enterprise income tax in the PRC is calculated using the a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax laws in the PRC.

In accordance with the "Notice on implementing Generalised Preferential Tax Treatment for Small Low-profit Enterprises" (Caishui 2019 No. 13), the Group's PRC entities which are qualified as small and thin profit enterprises with an annual taxable profits of RMB1 million or less entitled a tax concession for 20% of its taxable profits.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of approximately RMB20,073,000 (2019: RMB33,402,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

12. INCOME TAX CREDIT (CONTINUED)

The income tax expense for the years ended 31 December 2020 and 2019 can be reconciled to the accounting loss at applicable tax rate as follows:

	2020 RMB'000	2019 RMB'000
Loss before income tax	(27,656)	(17,544)
Tax calculated at tax rate of 25%	(6,914)	(4,386)
Tax effect of expenses not deductible for tax purposes	1,537	1,188
Tax effect of deductible temporary differences not recognised	1,787	281
Tax effect of tax losses not recognised	2,895	2,678
Tax concession	(8)	–
Over-provision in respect of prior years	–	(834)
Income tax credit	(703)	(1,073)

As at 31 December 2020, certain subsidiaries of the Group have unused tax losses of RMB23,204,000 (2019: RMB10,724,000) available to offset against future profits that will be expired in five years. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of profit streams in the future.

13. DIVIDENDS

No dividend has been paid or declared during the years ended 31 December 2020 and 2019 nor has any dividend been declared since the end of the reporting period.

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the year ended 31 December 2020 of approximately RMB26,953,000 (2019: RMB16,471,000), and the basis of weighted average number of 903,086,758 ordinary shares of the Company in issue (2019: 739,019,178).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2020 and 2019. Accordingly, the diluted loss per share presented are the same as basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Total RMB'000
Cost						
At 1 January 2019	854	6,522	531	5,493	55,270	68,670
Additions	–	–	–	493	–	493
Disposals	(193)	–	–	–	–	(193)
Written off	–	–	(2)	–	–	(2)
At 31 December 2019 and 1 January 2020	661	6,522	529	5,986	55,270	68,968
Additions	–	–	53	–	–	53
Disposals	(91)	–	(2)	–	–	(93)
Written off	–	(26)	–	(1,325)	–	(1,351)
At 31 December 2020	570	6,496	580	4,661	55,270	67,577
Accumulated depreciation						
At 1 January 2019	(331)	(1,740)	(341)	(2,095)	(9,059)	(13,566)
Provided for the year	(150)	(713)	(54)	(816)	(2,265)	(3,998)
Disposals	164	–	–	–	–	164
Written off	–	–	2	–	–	2
At 31 December 2019 and 1 January 2020	(317)	(2,453)	(393)	(2,911)	(11,324)	(17,398)
Provided for the year	(110)	(572)	(35)	(914)	(2,265)	(3,896)
Disposals	86	–	2	–	–	88
Written off	–	25	–	1,325	–	1,350
At 31 December 2020	(341)	(3,000)	(426)	(2,500)	(13,589)	(19,856)
Accumulated impairment						
At 1 January 2019, 31 December 2019 and 1 January 2020	–	–	–	–	–	–
Provided for the year	(26)	(479)	(21)	(296)	–	(822)
At 31 December 2020	(26)	(479)	(21)	(296)	–	(822)
Net Book Value						
At 31 December 2020	203	3,017	133	1,865	41,681	46,899
At 31 December 2019	344	4,069	136	3,075	43,946	51,570

As at 31 December 2020, the Group's buildings of RMB41,681,000 is pledged to secure the Group's bank borrowing (Note 26).

16. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Office premises RMB'000	Warehouse RMB'000	Server racks RMB'000	Total RMB'000
Cost					
At 1 January 2019	17,408	4,089	–	–	21,497
Addition	–	–	138	–	138
At 31 December 2019 and 1 January 2020	17,408	4,089	138	–	21,635
Acquired through business combination (Note 34)	–	49	–	36,294	36,343
Additions	–	1,142	–	–	1,142
Lease modification	–	534	–	–	534
Lease termination	–	(3,251)	–	–	(3,251)
At 31 December 2020	17,408	2,563	138	36,294	56,403
Accumulated depreciation					
At 1 January 2019	(2,972)	(1,168)	–	–	(4,140)
Provided for the year	(341)	(1,092)	(69)	–	(1,502)
At 31 December 2019 and 1 January 2020	(3,313)	(2,260)	(69)	–	(5,642)
Provided for the year	(341)	(525)	(52)	(13,615)	(14,533)
Lease termination	–	1,423	–	–	1,423
At 31 December 2020	(3,654)	(1,362)	(121)	(13,615)	(18,752)
Accumulated impairment					
At 1 January 2019, 31 December 2019 and 1 January 2020	–	–	–	–	–
Provided for the year	–	(38)	–	–	(38)
At 31 December 2020	–	(38)	–	–	(38)
Carrying Value					
At 31 December 2020	13,754	1,163	17	22,679	37,613
At 31 December 2019	14,095	1,829	69	–	15,993

The Group's right-of-use assets comprise of leasehold interests in a land in the PRC and held under long-term lease.

As at 31 December 2020, the Group's leasehold land of RMB13,754,000 is pledged to secure the Group's bank borrowing (Note 26).

17. INTANGIBLE ASSET

	Operation Permit RMB'000
Cost	
At 1 January 2020	–
Acquired through business combination (Note 34)	13,624
At 31 December 2020	13,624
Accumulated amortisation	
At 1 January 2020	–
Provided for the year	(5,373)
At 31 December 2020	(5,373)
Carrying Value	
At 31 December 2020	8,251

It represents the 增值電信業務經營許可證 (Value-added Telecommunications Business Operation Permit) ("Operation Permit") issued by the Ministry of Industry and Information of the People's Republic of China (中華人民共和國工業和信息化部) on 28 November 2017 which is valid until 20 June 2022.

The operation permit is recognised upon the acquisition of Polyqueue Limited. Its fair value at date of acquisition is based on valuation prepared by Valplus Consulting Limited ("Valplus"), an independent professional valuer, assessed under income approach using excess earnings method.

18. GOODWILL

	2020 RMB'000	2019 RMB'000
At beginning of year	–	–
Acquired through business combination (Note 34)	30,827	–
At end of year	30,827	–

19. IMPAIRMENT TESTING FOR CGUs

Office furniture segment suffered from operating loss during the year ended 31 December 2020 which is an impairment indicator for impairment testing for its CGU ("Office Furniture CGU"). Goodwill arising from acquisition of Polyqueue Limited is allocated to data centre CGU ("Data Centre CGU") for impairment testing.

During the year ended 31 December 2020, the Group's management has engaged Valplus to perform valuations for the purpose to assess the recoverable amounts of Office Furniture CGU and Data Centre CGU as at 31 December 2020.

Office Furniture CGU

The recoverable amount of Office Furniture CGU is based on FVLCD which comprise of mainly the fair value of leasehold land, industrial buildings and machinery determined under market comparison method and depreciated replacement cost method. The FVLCD of these assets are Level 3 recurring fair value measurement. Since the recoverable amount of Office Furniture CGU of RMB60,565,000 is lower than its carrying amount of RMB61,425,000, impairment loss of RMB860,000 has been recognised. Impairment loss attributable this CGU are allocated to property, plant and equipment and right-of-use assets on pro rata basis based on the carrying amount of each assets in this CGU. Each assets should be reduced only to the highest of its FVLCD, VIU and zero. As the result of such allocation, impairment loss on property, plant and equipment of RMB822,000 (Note 15) and right-of-use asset of RMB38,000 (Note 16) has been recognised for the year.

Data Centre CGU

The recoverable amount of Date Centre CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, followed by an extrapolation of expected cash flow at 3.00% growth rate which do not exceed the long-term growth rate for the business in which the CGU operates, and a discount rate of 18.38% per annum. The discount rate used is pre-tax and reflect specific risks relating to the CGU. Based on the assessment result, the recoverable amount of RMB62,353,000 is greater than the carrying amount of RMB60,349,000, no impairment loss on its goodwill has been recognised for the year.

The recoverable amount of Data Centre CGU is estimated to exceed the carrying amount of the CGU at 31 December 2020 by RMB2,004,000. The recoverable amount of this CGU would be equal its carrying amount if the long term growth rate decrease from 3.00% to 1.68% and the pre-tax discount rate increase from 18.38% to 19.11%. The directors believe that any reasonably possible changes in other key assumptions on which recoverable amount is based would not cause the carrying amount of Data Centre CGU to exceed its recoverable amount.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **RMB'000**	2019 RMB'000
Current:		
— Unlisted investment funds in the PRC	**–**	4,115

As at 31 December 2019, the unlisted investment funds are held for trading purpose, thus they are classified as current assets in the consolidated statement of financial position.

21. INVENTORIES

Inventories recognised at lower of cost or net realisable value are shown as follows:

	2020 **RMB'000**	2019 RMB'000
Raw materials	**2,975**	3,667
Work in progress	**3,024**	1,288
Finished goods	**9,668**	16,656
	15,667	21,611

During year ended 31 December 2020, the Group has written down RMB4,756,000 (2019: RMB437,000) of its finished goods. The written down has been included in cost of sales.

22. CONTRACT BALANCES

	2020 **RMB'000**	2019 RMB'000
Contract assets (Note (a))	**2,668**	3,432
Contract liabilities (Note (b))	**2,882**	3,810

As at reporting dates, the balances above represented the contract assets and contract liabilities from office furniture segment. The timing of revenue recognition and payments received from customers in respect of sales of office furniture are as follows:

A portion of contract sum is generally required from customer at contract inception or acceptance of sales order. The remainder of considerations is billed when the office furniture products are accepted by customers. Depends on the contract terms, payment of remainder consideration is generally due within 30 days or up to 180 days from invoice date.

For some contracts, a portion of contract sum, normally 5%, is withheld by some customers as QADs until the end of quality assurance period ranging from 6 months to 5 years depends on contract terms.

(a) Contract assets

The contract assets represented the QADs withheld by customers for quality assurance in respect of office furniture products sold. Contract assets are initially recognised when office furniture products are accepted by the customers after delivery and installation but entitlement to QADs is conditional on the satisfactory completion of quality assurance period. Contracts assets are transferred to trade receivables when quality assurance period are passed with satisfactory inspection result.

The Group discounted the QADs with quality assurance period of 5 years to present value to reflect the fair value of amount receivables as the contracts with long quality assurance period out of industry norm contains a financing component which provide the customers significant financing benefit due to deferred payments.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 and 2019 is as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**690**	988
More than one year	**1,978**	2,444
	2,668	3,432

22. CONTRACT BALANCES (CONTINUED)

(a) Contract assets (continued)

The movements in contract assets during the year are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**3,432**	4,766
Additions during the year	**452**	1,043
Transfer to trade receivables during the year	**(1,448)**	(2,531)
Unwinding QADs with significant financing component brought forward from prior years (Note 8)	**232**	154
At end of the year	**2,668**	3,432

As at 31 December 2020, the Group elected simplified approach to measure lifetime ECLs on contract assets using probability default model. Since the difference was immaterial to the financial statements, no impairment loss was provided for contract assets during the year ended 31 December 2020 and 2019.

(b) Contract liabilities

The Group's contract liabilities represent consideration received in advance from customers as at the reporting date.

The movements in the Group's contract liabilities are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of the year	**3,810**	1,074
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(3,713)**	(440)
Increase due to cash received, excluding amounts recognised during the year	**2,785**	3,176
At end of the year	**2,882**	3,810

The Group expects to deliver and install the office furniture products to satisfy the remaining performance obligations of these contract liabilities within one year or less.

23. TRADE, LEASE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables (Note (a))	**13,476**	11,713
Lease receivables (Note (b))	**2,010**	–
Other receivables (Note (c))	**15,490**	9,893
Deposits	**836**	1,695
Prepayments (Note (d))	**31,184**	24,277
	62,996	47,578
Less: Loss allowances	**(4,176)**	(2,661)
	58,820	44,917

(a) Trade receivables

	2020 RMB'000	2019 RMB'000
Trade receivables, gross	**13,476**	11,713
Less: Loss allowance	**(3,679)**	(2,661)
Trade receivables, net	**9,797**	9,052

Included in gross trade receivables are trade receivables of RMB11,615,000 and QAD receivables of RMB1,448,000 from office furniture segment. The credit periods on sales of goods for customers are normally within 30 days or up to 180 days from invoice date depends on contract terms.

Included in gross trade receivables are trade receivables of RMB413,000 from data centre segment. The credit periods on service contacts with customers are normally within 30 days or up to 90 days from invoice date depends on contract terms.

The ageing analysis of trade receivables as of the end of reporting period, based on invoice dates, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**7,545**	3,720
More than 3 months	**5,931**	7,993
	13,476	11,713

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

The ageing analysis of trade receivables as of the end of reporting period, based on past due dates and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Current (not past due)	**3,523**	3,030
Less than 1 month past due	**1,120**	378
1 to 3 months past due	**3,406**	1,276
More than 3 months but less than 6 months past due	**426**	775
More than 6 months past due	**1,322**	3,593
	9,797	9,052

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. Trade receivables that were past due related to a number of independent customers that have a good track record with the Group. The Group did not hold any collateral as security or other credit enhancements over the trade receivables.

The movements in loss allowance of trade receivables were as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**2,661**	263
Loss allowance recognised during the year (Note 10)	**1,018**	2,398
At end of year	**3,679**	2,661

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

As at 31 December 2020 and 2019, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for office furniture segment of RMB11,615,000 (2019: RMB11,713,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

As at 31 December 2020

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	**0.4**	**3,209**	**12**	**3,197**
Less than 1 month past due	**0.4**	**830**	**3**	**827**
1 to 3 months past due	**8.0**	**3,650**	**292**	**3,358**
More than 3 months but less than 6 months past due	**13.6**	**493**	**67**	**426**
More than 6 months past due	**73.5**	**3,433**	**2,523**	**910**
		11,615	**2,897**	**8,718**

As at 31 December 2019

	ECL rate %	Gross carrying amount RMB'000	Lifetime ECLs RMB'000	Net carrying amount RMB'000
Current (not past due)	0.1	3,036	6	3,030
Less than 1 month past due	0.5	380	2	378
1 to 3 months past due	4.0	1,325	49	1,276
More than 3 months but less than 6 months past due	20.0	969	194	775
More than 6 months past due	59.8	6,003	2,410	3,593
		11,713	2,661	9,052

As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's QAD receivables for office furniture segment of RMB1,448,000 using probability-default model. The ECL rate was 54.0% and the loss allowance as at year end was RMB782,000.

As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for data centre segment of RMB413,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the year.

23. TRADE, LEASE AND OTHER RECEIVABLES (CONTINUED)

(b) Lease receivables

The Group applied simplified approach to measure lifetime ECLs on the Group's lease receivables for data centre segment of RMB2,010,000 using probability-default model. Since ECLs is immaterial, no loss allowance is made during the year.

(c) Other receivables

(i) As at 31 December 2019, among the other receivables, loan of RMB2,417,000 was due from an independent third party. The loan balance was unsecured, interest-free and repayable in one year. The amount was subsequently paid in full after year ended 31 December 2019.

(ii) As at 31 December 2019, among the other receivables, a debt instrument at amortised cost of RMB5,000,000 and interest receivable of RMB63,000 was due from a financial institution in the PRC. The balance is unsecured, interest bearing at 7.5% per annum and repayable in one year.

(iii) As at 31 December 2020, among the other receivables, two debt instruments at amortised cost of RMB5,000,000 and RMB5,000,000 with respective interest receivables of RMB103,000 and RMB46,000 was due from two financial institutions in the PRC. The balances are unsecured, interest-bearing at 7.6% and 7.6% per annum and repayable in six months.

(iv) As at 31 December 2020, the Group applied general approach to measure ECLs on the Group's deposits and other receivables of RMB16,326,000 using probability-default model and made loss allowance of RMB497,000 during the year.

(d) Prepayments

At 31 December 2020, among the prepayments, approximately RMB29,546,000 (2019: RMB22,571,000) represented prepayments to suppliers for purchase of raw materials.

24. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**64,552**	49,079

	2020 RMB'000	2019 RMB'000
Denominated in HK$	**10,938**	19,058
Denominated in RMB	**53,330**	27,984
Denominated in United States dollar ("US$")	**284**	2,037
	64,552	49,079

Cash at banks earns interest at interest rates 0.35% during the year ended 31 December 2020 (2019: 0.35%). Cash and cash equivalents denominated in RMB which is not a freely convertible currency.

25. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables (Note (a))	**7,465**	3,884
Other payables and accruals (Note (b))	**10,039**	3,572
Other tax payables	**3,652**	3,823
	21,156	11,279

(a) Trade payables

The ageing analysis of the Group's trade payables as of the end of reporting period, based on invoice dates is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**4,779**	467
More than 3 months	**2,686**	3,417
	7,465	3,884

(b) Included in other payables was RMB6,665,000 due to the registered owner of Beijing Wannuotong. The amount was unsecured, interest-free and repayable on demand.

26. BANK BORROWING

	2020 RMB'000	2019 RMB'000
Current — secured		
Bank borrowing	**30,000**	–

As at 31 December 2020, the Group's bank borrowing is repayable in six months, interest-bearing at 5.65% per annum and secured by the Group's buildings in property, plant and equipment amounted to RMB41,681,000 (Note 15) and leasehold land in right-of-use assets amounted to RMB13,754,000 (Note 16).

27. LEASE LIABILITIES

The movements in lease liabilities during the year are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**2,032**	2,990
Acquired through business combination (Note 34)	**36,343**	–
Covid-19-related rent concessions (Note)	**(172)**	–
Additions	**1,142**	138
Lease modification	**534**	–
Lease termination	**(1,944)**	–
Lease payments	**(15,060)**	(1,226)
Interest expense	**2,074**	130
At end of year	**24,949**	2,032

Note: As disclosed in Note 2(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of RMB172,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

27. LEASE LIABILITIES (CONTINUED)

	2020		2019	
	Minimum lease payments RMB'000	**Present value of minimum lease payments RMB'000**	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000
Minimum lease payments due				
Within one year	**16,062**	**14,861**	985	901
Between one and two years	**5,111**	**4,602**	940	903
Between two and five years	**5,785**	**5,486**	230	228
	26,958	**24,949**	2,155	2,032
Less: Future interest expense	**(2,009)**	**–**	(123)	–
Present value of lease liabilities	**24,949**	**24,949**	2,032	2,032
Less: Amounts due for settlement within 12 months (Shown under current portion)		**(14,861)**		(901)
Non-current portion		**10,088**		1,131

28. CONVERTIBLE BONDS

The Company issued zero coupon convertible bonds ("Convertible Bonds") with a principal amount of HK$12,400,000 on 15 January 2020 for the acquisition of Polyqueue Limited. The Convertible Bonds are denominated in HK$ will mature in four years from the issue date at their principal amount or can be converted into ordinary shares of the Company at the holder's option at initial conversion price HK$0.24 per conversion share.

The fair value of the liability component was determined at the issue date of the Convertible Bonds. The fair value of the liability component, include in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bond equity reserve.

The Convertible Bonds recognised in the consolidated statement of financial position is calculated as follows:

	RMB'000
Non-cash consideration from issue of Convertible Bonds	13,885
Less: Amount classified as equity	(7,337)
Liability component on initial recognition	6,548
Interest expense	872
Exchange realignment	(379)
Liability component as at 31 December 2020	7,041

Interest expense on the Convertible Bonds is calculated using the effective interest method by applying the effective interest rate of 13.84% to the liability component.

29. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Fair value adjustment on land and buildings RMB'000 *(Note (a))*	Fair value adjustment on intangible asset RMB'000 *(Note (b))*	Tax losses RMB'000 *(Note (b))*	Total RMB'000
At 1 January 2019	(5,458)	–	–	(5,458)
Credit to profit and loss for the year	239	–	–	239
At 31 December 2019 and 1 January 2020	(5,219)	–	–	(5,219)
Acquired through business combination (Note 34)	–	(3,406)	877	(2,529)
Credit/(charge) to profit and loss for the year	239	1,342	(877)	704
At 31 December 2020	(4,980)	(2,064)	–	(7,044)

(a) It represented deferred tax liabilities recognised on the fair value adjustment on buildings included in property, plant and equipment and leasehold land included in right-of-use assets arising from acquisition of a subsidiary in prior years.

(b) It represented the deferred tax liabilities recognised due to recognition of an intangible asset and deferred tax assets due to recognition of deductible temporary difference from tax loss arising from acquisition of Polyqueue Limited in current year.

30. SHARE CAPITAL — GROUP AND COMPANY

The movements in the issued ordinary share capital during the year are as follows:

	Number	RMB'000
Authorised:		
Ordinary shares of the Company of HK$0.01 each		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,500,000,000	13,493
Issued and fully paid:		
At 1 January 2019	670,000,000	5,923
Issue of shares upon the placing (Note (a))	134,000,000	1,177
At 31 December 2019 and 1 January 2020	804,000,000	7,100
Issue of Consideration Shares (Note (b))	103,333,333	916
At 31 December 2020	907,333,333	8,016

Notes:

(a) On 25 June 2019, the Company placed 134,000,000 new shares at HK$0.235 per share under general mandate for a total gross proceeds of HK$31,490,000 (the "Placing under the General Mandate"). The net proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the use of proceeds as referred to in the Company's announcement dated 25 June 2019 in relation to completion of the Placing under the General Mandate. The proceeds of HK$1,340,000 representing the par value of the shares of the Company, were credited to the Company's share capital and the remaining proceeds of HK$30,150,000 before issuing expenses, were credited to share premium account of the Company.

(b) On 15 January 2020, the Company issued 103,333,333 shares as part of the consideration of HK$27,383,000 (equivalent to RMB24,286,000) for the acquisition of Polyqueue Limited ("Consideration Shares") of which HK$1,033,000 (equivalent to RMB916,000) represented the par value of the shares of the Company were credited to the Company's share capital and HK$26,350,000 (equivalent to RMB23,370,000) of the above per value of the shares were credited to the Company's share premium account.

31. RESERVES

Details of the movements in the Group's reserves for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity.

Movements in the Company's reserves during the year are as follows:

	Share premium RMB'000	Convertible bond equity reserve RMB'000	Foreign exchange reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	137,989	–	(404)	–	137,585
Loss for the year	–	–	–	(3,844)	(3,844)
Other comprehensive income:					
Exchange difference arising on translating of financial statements of the Company	–	–	1,699	–	1,699
Total comprehensive income for the year	–	–	1,699	(3,844)	(2,145)
Issue of shares upon the Placing (Note 30(a))	25,837	–	–	–	25,837
At 31 December 2019 and 1 January 2020	163,826	–	1,295	(3,844)	161,277
Loss for the year	–	–	–	(22,741)	(22,741)
Other comprehensive income:					
Exchange difference arising on translating of financial statements of the Company	–	–	(5,036)	–	(5,036)
Total comprehensive expense for the year	–	–	(5,036)	(22,741)	(27,777)
Issue of Consideration Shares (Note 30(b))	23,370	–	–	–	23,370
Issue of Convertible Bonds (Note 28)	–	7,337	–	–	7,337
At 31 December 2020	187,196	7,337	(3,741)	(26,585)	164,207

31. RESERVES (CONTINUED)

The nature and purposes of reserves within equity are as follows:

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

(b) Convertible bond equity reserve

The convertible bond equity reserve represents the fair value of the conversion option in the convertible bond issued for the acquisition of Polyqueue Group at acquisition date.

(c) Other reserve

The other reserve of the Group represents the difference between the total equity of the subsidiaries and the aggregated share capital of the subsidiaries pursuant to the Reorganisation where the transfer of the subsidiaries to the Company were satisfied by issue of new shares from the Company.

(d) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiaries, the subsidiaries are required to appropriate 10% of their annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the subsidiary, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

(e) Foreign exchange reserve

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(f) Retained earnings/(accumulated loss)

Cumulative net gains and losses recognised in profit or loss.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
ASSET			
Non-current asset			
Investment in a subsidiary		**179,264**	168,377
Total asset		**179,264**	168,377
Non-current liabilities			
Convertible bonds		**7,041**	–
Total liabilities		**7,041**	–
NET ASSETS		**172,223**	168,377
EQUITY			
Equity attributable to owners of the Company			
Share capital	*30*	**8,016**	7,100
Reserves	*31*	**164,207**	161,277
TOTAL EQUITY		**172,223**	168,377

33. INTERESTS IN SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 December 2020 and 2019 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
Smart Raise Holdings Limited	The British Virgin Islands, Limited liability company	100	–	100	–	20,000 ordinary shares of US$1 each	Investment holding, Hong Kong
Smart Raise (Hong Kong) Limited	Hong Kong, Limited liability company	–	100	–	100	HK$20,000 divided into 20,000 ordinary shares	Investment holding, Hong Kong
四川青田家俱實業有限公司	The PRC, Limited liability company	–	100	–	100	RMB61,000,000	Manufacture and sale of office furniture products, the PRC
成都頤事順達貿易有限公司	The PRC, Limited liability company	–	100	–	100	RMB1,000,000	Trading of items such as carpets, curtains and drapes, wallpaper, floorboards and panels, the PRC
Polyqueue Limited	The British Virgin Islands, Limited liability company	100	–	–	–	110 ordinary shares of US$1 each	Investment holding, Hong Kong
ITO Express Limited	Hong Kong, Limited liability company	–	100	–	–	HK$1,000,000 divided into 1,000,000 ordinary shares	Investment holding, Hong Kong
Beijing Wannuochi	The PRC, Limited liability company	–	100	–	–	HK$150,000	Data centre business, the PRC
Beijing Wannuotong*	The PRC, Limited liability company	–	100	–	–	RMB2,004,050	Data centre business, the PRC

* The Group held 50% of its equity interest. The remaining 50% of interest existed by the virtue of the Structured Contracts.

34. ACQUISITION OF A SUBSIDIARY

On 15 January 2020, the Company has completed the acquisition of 100% issued share capital of Polyqueue Limited from independent third parties. The acquisition was made as the Group's strategy to expend its business presence into data centre industry.

The goodwill arising from the acquisition as at acquisition date is as follows:

	RMB'000
Fair value of non-cash consideration	38,171
Less: Fair value of net assets acquired	(7,344)
Goodwill (Note 18)	30,827

The fair value of non-cash consideration as at acquisition date is as follows:

	Fair value RMB'000
Consideration Shares	24,286
Convertible Bonds	
— Liability component	6,548
— Equity component	7,337
	38,171

The fair values of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition is as follows:

	Fair value RMB'000
Right-of-use assets	36,343
Intangible asset	13,624
Trade and other receivables	8,148
Cash and bank balances	948
Trade and other payables	(12,847)
Lease liabilities	(36,343)
Deferred tax liabilities	(2,529)
Fair value of net identifiable assets acquired	7,344

34. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash inflow from the acquisition of subsidiaries:

	RMB'000
Cash and bank balances in subsidiaries acquired	948

The fair values of the trade and other receivables as at the date of acquisition amounted to RMB8,148,000, none of which are expected to be uncollectible.

The Group incurred transaction costs of RMB1,570,000 for this acquisition. These transaction costs have been recognised as an expense in profit or loss during the year ended 31 December 2019.

The goodwill recognised is not deductible for income tax purposes.

35. RELATED PARTY TRANSACTION

Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 11, is as follows:

	2020 **RMB'000**	2019 RMB'000
Fees	**428**	424
Salaries, allowance and benefits in kind	**2,196**	996
Pension scheme contributions	**52**	120
	2,676	1,540

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowing RMB'000	Lease liabilities RMB'000	Liability component of Convertible Bonds RMB'000	Total RMB'000
At 1 January 2019	–	2,990	–	2,990
Changes from financing cash flows:				
Repayment of principal portion of lease liabilities	–	(1,096)	–	(1,096)
Interest paid on lease liabilities	–	(130)	–	(130)
Total changes from cash flows	–	(1,226)	–	(1,226)
Non-cash changes:				
Addition of lease liabilities	–	138	–	138
Interest expense	–	130	–	130
Total non-cash changes	–	268	–	268
At 31 December 2019 and 1 January 2020	–	2,032	–	2,032
Changes from financing cash flows:				
Addition of bank borrowing	30,000	–	–	30,000
Repayment of principal portion of lease liabilities	–	(12,986)	–	(12,986)
Interest paid	(1,630)	(2,074)	–	(3,704)
Total changes from cash flows	28,370	(15,060)	–	13,310
Non-cash changes:				
Acquisition on business combination (Note 34)	–	36,343	–	36,343
Addition of lease liabilities	–	1,676	–	1,676
Lease termination	–	(1,944)	–	(1,944)
Covid-19 related rent concession	–	(172)	–	(172)
Issue of Convertible Bonds	–	–	6,548	6,548
Interest expense	1,630	2,074	872	4,576
Exchange realignment	–	–	(379)	(379)
Total non-cash changes	1,630	37,977	7,041	46,648
At 31 December 2020	30,000	24,949	7,041	61,990

37. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors of the Company. The Group does not have written risk management policies. However, the directors of the Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statement of financial position at the reporting date are categorised as follows:

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	–	4,115
Financial assets at amortised cost		
Contract assets	**2,668**	3,432
Trade, lease and other receivables	**27,636**	43,211
Cash and cash equivalents	**64,552**	49,079
	94,856	95,722
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**17,504**	11,279
Bank borrowing	**30,000**	–
Lease liabilities	**24,949**	2,032
Liability component of Convertible Bonds	**7,041**	–
	79,494	13,311

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair value

Financial instruments not measured at fair value

The fair values of the Group's financial assets and liabilities measured at amortised cost as at 31 December 2020 and 2019 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

Financial instruments measured at fair value

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated statement of financial position are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's financial assets at FVTPL is included in level 3.

The Group's unlisted investment funds are measured at fair value at the end of the reporting period. Based on the relevant agreements, the Group can require the relevant investment fund managers to redeem the units at net asset value by giving a written redemption notice. The fair values of the unlisted investment funds are provided by the relevant investment managers. The Group has determined that the reported net asset values represent fair values of these unlisted investment funds. The net asset values of investment funds would be checked by investment fund manager on daily basis. As at reporting date, the fair value of investment funds represented their net asset values as at reporting date.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Currency risk

As the Group's revenue and expenses are mainly in RMB and most of the Group's assets and liabilities are denominated in RMB, which is the functional currency of the Company's primary subsidiaries, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

The Group's exposure to interest rate risk relates principally to its bank deposits. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in Note 24 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's loss for the year, and other components of equity due to a possible change in interest rates on its floating rate bank deposits with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	2020 **RMB'000**	2019 RMB'000
Increase/(decrease) in loss for the year and retained earnings		
Increase/(decrease) in basis points ("bp")		
+100 bp	**421**	210
-100 bp	**(421)**	(210)

The above sensitivity analysis is prepared based on the assumption that the bank deposits as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

The Group's credit risk is primarily attributable to its contract assets, trade, lease and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of contract assets, trade, lease and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of reporting period, the Group has a certain concentration of credit risk as 12% (2019: 42%) of the total trade receivables was due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from contract assets, trade receivables and lease receivables are set out in Notes 22(a), 23(a) and 23 (b).

Cash at banks are deposits in bank with sound credit rating. Given their high credit rating, the Group does not expect to have high credit risk in this aspect.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities based on the remaining contractual maturity date.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000
At 31 December 2020					
Trade and other payables	**17,504**	**17,504**	**17,504**	**–**	**–**
Bank borrowing	**30,000**	**30,000**	**30,000**	**–**	**–**
Lease liabilities	**24,949**	**26,958**	**16,062**	**5,111**	**5,785**
Liability component of Convertible Bonds	**7,041**	**10,998**	**–**	**–**	**10,998**
	79,494	**85,460**	**63,566**	**5,111**	**16,783**
At 31 December 2019					
Trade and other payables	11,279	11,279	11,279	–	–
Lease liabilities	2,032	2,155	985	940	230
	13,311	13,434	12,264	940	230

38. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The capital structure of the Group consists of debt and equity attributable to owners of the Company, comprising share capital and reserves.

The net debt-to equity ratio at the end of reporting period was as follows:

	2020 **RMB'000**	2019 RMB'000
Current liabilities		
Trade and other payables	**21,156**	11,279
Bank borrowing	**30,000**	–
Lease liabilities	**14,861**	901
	66,017	12,180
Non-current liabilities		
Lease liabilities	**10,088**	1,131
Convertible Bonds	**7,041**	–
	17,129	1,131
Total debt	**83,146**	13,311
Less: Cash and cash equivalents	**(64,552)**	(49,079)
Net debt	**18,594**	(35,768)
Total equity	**172,223**	168,377
Net debt to equity ratio	**10.8%**	(21.2%)

39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of directors on 24 March 2021.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	99,563	96,959	74,866	48,610	**82,419**
Profit/(loss) for the year attributable to the owners of the Company	259	9,573	4,979	(16,471)	**(26,953)**
Total comprehensive income/(expense) for the year attributable to the owners of the Company	(7,809)	8,740	5,021	(16,079)	**(27,777)**

Assets and Liabilities	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	161,908	182,492	178,325	190,717	**265,297**
Total liabilities	(81,206)	(29,840)	(20,814)	(22,340)	**(93,074)**
Net assets	80,702	152,652	157,511	168,377	**172,223**

The summary above does not form part of the audited consolidated financial statements.

The financial information for the year ended 31 December 2016 were extracted from the Prospectus of the Company dated 30 December 2016. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.