SINOSOFT TECHNOLOGY

Sinosoft Technology Group Limited
中國擎天軟件科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1297

2019

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

NON-EXECUTIVE DIRECTORS

Mr. Hu Xiaoming, Simon (resigned on 1 July 2019)
Mr. Ren Geng (appointed on 1 July 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
Mr. Kang Choon Kiat
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Su Hui

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Su Hui
Dr. Ngai Wai Fung

COMPANY SECRETARY

Dr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, FCCA)*

AUDITOR

Baker Tilly Hong Kong Limited

REGISTERED OFFICE

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

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 26 Tianpu Road
Jiangpu Street
Pukou District
Nanjing City
Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years was as follows:—

RESULTS

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	750,337	718,528	601,018	518,937	436,545
Net profit before tax	333,609	272,102	252,314	221,304	189,865
Income tax expense	(52,525)	(35,722)	(22,632)	(29,912)	(30,332)
Net profit for the year	281,084	236,380	229,682	191,392	159,533
Net profit attributable to					
Owners of the Company	283,343	236,363	229,682	191,392	159,533
Non-controlling interests	(2,259)	17	—	—	—
Net profit for the year	281,084	236,380	229,682	191,392	159,533

ASSETS AND LIABILITIES

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Assets					
Non-current assets	454,108	373,295	342,060	324,699	223,831
Current assets	1,513,132	1,307,046	1,056,215	915,661	766,826
Total assets	1,967,240	1,680,341	1,398,275	1,240,360	990,657
Equity and liabilities					
Equity attributable to					
Owners of the Company	1,633,583	1,364,487	1,180,927	1,035,298	880,342
Non-controlling interests	7,809	3,517	—	—	—
Total equity	1,641,392	1,368,004	1,180,927	1,035,298	880,342
Non-current liabilities	73,893	51,144	41,634	43,277	31,344
Current liabilities	251,955	261,193	175,714	161,785	78,971
Total liabilities	325,848	312,337	217,348	205,062	110,315
Total equity and liabilities	1,967,240	1,680,341	1,398,275	1,240,360	990,657

Chairlady Statement

On behalf of the board (the "Board") of directors (the "Director(s)") of Sinosoft Technology Group Limited (the "Company"), I am pleased to present to the shareholders the annual report and audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

China's economy faced numerous difficulties in 2019. The China-US trade friction has not been resolved, and together with the economic slowdown, brought great challenges to the Group. Despite the unsatisfactory market condition, the Group remains committed in proactive research and development, to provide application software that is more convenient and efficient for enterprises and government agencies, and to improve the capabilities in big data analytics, so as to help customers to cope with the current situation, and to drive the continuous growth of the Group's results at the same time.

The complicated and ever-changing trade environment poses increasing threats to export enterprises. To assist export enterprise clients in saving costs and enhancing efficiency, the Group has launched integrated solutions with features for other parts in the export business, such as customs declaration and supply chain management, and also big data analytics products. These solutions and products allow clients to dig into data value and optimize business processes, to accurately analyse upstream and downstream industries, to improve operational efficiency, and to enhance data value.

During the year under review, the government's goal of optimizing social governance, deepening basic level governmental reform, and providing citizens with better government services remained unchanged. Under the policy background of "streamline administration and delegate powers, improve regulation and optimize services", government big data software and related services is still facing great market opportunities. The Group's "grid" social governance system and "last mile" self-service equipment for government services continued to penetrate more basic level government agencies, and to expand the service coverage, that became a major momentum for the growth of the government big data software and related services segment.

Whereas the market demand for low carbon & ecology software and related services has been temporarily slowed down under the difficult economic environment. Yet, the Group believes that sustainability and low carbon ecology are the long-term development trends of China and the world. The Group continued to adjust its product line and incorporated cross-disciplinary data including public opinion to develop new data products such as ecological environment big data, emergency resource management, and ecological intelligent city.

OUTLOOK

At the beginning of 2020, the outbreak of the novel coronavirus disease 2019 ("Epidemic") has caused severe damage to China and the global economy, making it difficult for enterprises to survive alone. However, the Group firmly believes that through continuous innovation and optimization of products and services, it will be able to see opportunities in crisis and reach stronger growth after the storm.

The Group will keep abreast of the foreign trade situation and policy development, and conduct in-depth research and development in application software and big data analytic services that can effectively help clients improve operations and understand market dynamics. After the Epidemic, enterprises that have resumed production and operation have further needs for enhancing production efficiency and reducing operating costs. The Group will further refine corporate demands, research and develop more new products proactively, and provide them with more diversified services.

Social governance, services of basic level government officials, and related data analysis have played a decisive role in managing the Epidemic. The demand for government departments to rapidly improve the service capacity of basic level government agencies by using technical means will continue to rise. Social governance has become an important carrier of city lifeline and safety line. The Group will continue to optimize and promote the "grid" social governance system, not only to allow basic level government officials in different communities to precisely cope with service demand of the public, but the system can also quickly aggregate the data of the general public's administrative demands, difficulties and risks, and draw a panorama of the urban public's trends in living, needs, and social development. Through big data analytics, the "grid" system can formulate efficient event coordination and joint service capabilities by multi departments, and provide a lively basis for policy reform of basic level governments.

The central government has recently proposed to highlight the development of "new infrastructure", which is to boost the economy by promoting the information technology industry. It clearly stated that the establishment of big data centers should be accelerated for cities. The development direction of intelligent cities should shift to grassroots institutional reforms, consolidating areas including basic level government services, people's livelihood, public security data and production safety, to generate a real-time understanding of the actual results brought about by urban development, government policies, and delegate of rights, which allow city managers to see the development direction more clearly and enhance the ability to predict and prevent major risks. The "new infrastructure" also includes vigorous development of the industrial internet platform, to encourage manufacturing enterprises to expand production through the industrial internet platform, and intensify circular economy and sustainable development. Increasing the assistance and incentive for enterprises, especially small and medium-sized enterprises by industrial supporting funds has become a major encouraging direction of the government after the Epidemic. All these areas are in line with the Group's development direction in government big data and ecological industrial internet platform. The Group will seize the opportunities and develop relevant big data analytics products, intelligent city establishment, and its green industrial internet platform.

With the accumulated experience and capabilities in all major business areas, the Group will continue to maintain its position, to enhance the quality of application software and big data analytic services for enterprises and government agencies. Not only respond to market demand but also create market demand, to maintain long-term healthy business growth.

Xin Yingmei
Chairlady

Hong Kong, 30 March 2020

REVENUE

For the year end 31 December 2019, the Group's revenue recorded approximately RMB 750.3 million, representing a 4.4% growth when compared to approximately RMB 718.5 million for the same period in 2018. During the year under review, revenue of government big data software and related services achieved satisfactory growth, while revenue of export enterprise cloud-based software and services increased slightly. The decrease in revenue of low carbon & ecology software and related services offset part of the overall revenue growth of the Group.

Export Enterprise Cloud-Based Software and Services

During the year under review, the operating conditions of export enterprises were affected by the unstable trade situation. The Group targeted clients' demand and launched products that can assist export enterprises to improve their efficiency and save costs. For the year ended 31 December 2019, revenue generated from export enterprise cloud-based software and services amounted to approximately RMB 185.8 million, representing a slight increase of approximately 0.7% when compared with that of approximately RMB 184.5 million for the corresponding period in 2018.

Government Big Data Software and Related Services

For the year ended 31 December 2019, revenue generated from government big data software and related services amounted to approximately RMB 424.0 million, representing an increase of approximately 16.1% when compared with that of approximately RMB 365.1 million for the corresponding period in 2018. During the year under review, the Group's social governance and public security products achieved satisfactory results, together with judicial products are sold to different provinces across the country.

Low Carbon & Ecology Software and Related Services

Due to the delay of some projects, the revenue of low carbon & ecology software and related services during the year under review was affected. For the year ended 31 December 2019, revenue from low carbon & ecology software and related services amounted to approximately RMB 97.3 million, representing a decrease of approximately 21.0% when compared with that of approximately RMB 123.2 million for the corresponding period in 2018.

System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementary service to the Group's other solutions purporting to provide a total solutions service to the Group's customers. During the year ended 31 December 2019, revenue generated from system integration solutions segment amounted to approximately RMB 43.2 million, as compared to approximately RMB 45.7 million for the same period in 2018.

COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing system and components for some of its projects. During the year under review, the Group's cost of sales was approximately RMB 263.2 million, representing a decrease of 3.9% as compare with approximately RMB 274.0 million during the year ended 31 December 2018. The decrease mainly due to lesser costs spent on purchasing system and components during the year under review.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund less cost of sales and research and development costs) grew by approximately 7.7% from approximately RMB 407.5 million during the year ended 31 December 2018 to approximately RMB 438.8 million during the year ended 31 December 2019. The increase was mainly driven by increase in both revenue and margin of government big data software and related services during the year under review.

The Group's overall segment results margin increased from approximately 56.7% in the year ended 31 December 2018 to approximately 58.5% in the year ended 31 December 2019.

RESEARCH AND DEVELOPMENT COSTS

The Group's research and development ("R&D") costs increased by approximately 22.6% from approximately RMB 48.9 million for the year ended 31 December 2018 to approximately RMB 59.9 million for the year ended 31 December 2019, attributable to the increase in costs for scientific and technological research.

OTHER INCOME AND GAINS

Other income and gains for the year ended 31 December 2019 was approximately RMB 6.9 million, which was an increase from approximately RMB 5.2 million for the year ended 31 December 2018. The increase was mainly due to the compensation received from a copyright infringement legal action, a community construction project and an insurance claim during the year under review.

DISTRIBUTION AND SELLING EXPENSES

The Group's distribution and selling expenses for the year ended 31 December 2019 was approximately RMB 59.9 million, which was an increase from approximately RMB 52.6 million for the year ended 31 December 2018, mainly due to proactive business expansion.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's general and administrative expenses for the year ended 31 December 2019 was approximately RMB 44.6 million, which was a decrease from approximately RMB 79.2 million for the year ended 31 December 2018. The decrease was attributable to the expenses related to granting awarded shares to eligible employees for approximately RMB 36.8 million during the year ended 31 December 2018, whereas no relevant expenses were recorded in the year under review.

OTHER EXPENSES AND LOSSES

Other expenses and losses for the year ended 31 December 2019 was approximately RMB 6.7 million, which was an increase from approximately RMB 6.3 million for the year ended 31 December 2018. The increase was mainly due to an increase of impairment on trade receivables during the year under review .

INCOME TAX EXPENSES

Income tax expenses for the year ended 31 December 2019 was approximately RMB 52.5 million, which was an increase from approximately RMB 35.7 million for the year ended 31 December 2018. The increase was mainly due to an increase in deferred tax charge during the year under review.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the year ended 31 December 2019 reached approximately RMB 281.1 million, representing an increase of approximately 18.9% as compared with approximately RMB 236.4 million for the year ended 31 December 2018.

During the year under review, net profit margin achieved approximately 37.5% as compared with approximately 32.9% for the year ended 31 December 2018, attributable to the increase in segment results margin of government big data software and related services during the year under review, while non-recurring expenses of approximately RMB 36.8 million for granting awarded shares to eligible employees were recorded in the year of 2018.

NET CURRENT ASSETS

As at 31 December 2019, the Group had net current assets of RMB 1,261.2 million (31 December 2018: RMB 1,045.9 million).

TRADE RECEIVABLES

During the year under review, the trade receivables turnover increased by 95 days to 553 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2018: 458 days).

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement being around one year. A longer credit term may be extended to certain customers depending on price, the size of the contract, credibility and reputation of the customers. At 31 December 2019, 51% of the trade receivables (31 December 2018: 55%) are neither considered as past due nor impaired.

Subsequent to the year under review and as of the date of this annual report, the Group has collected RMB 57.7 million of trade receivables, representing 4.5% of trade receivables outstanding as of 31 December 2019.

Before accepting any new projects, the Group assesses the potential customers' credit quality. In addition, the Group continues to enforce strict credit terms and overdue balances are reviewed regularly by management, although there are inevitable delay in payment from certain direct government customers.

FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2019, the Group's primary source of funding came from cash generated from its operating activities, the net cash inflow from operating activities amounted to approximately RMB 227.0 million (2018: approximately RMB 149.0 million). As at 31 December 2019, the Group had cash and cash equivalent of RMB 140.6 million (31 December 2018: RMB 190.5 million).

As at 31 December 2019, the Group has bank borrowings of RMB 10 million (as at 31 December 2018: RMB 50 million). The gearing ratio, which was calculated based on the total borrowings divided by total equity, was approximately 0.6% (as at 31 December 2018: 3.7%).

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves. For more details, please refer to notes 24, 25 and 37 to the consolidated financial statements.

CHARGE ON ASSETS

As at 31 December 2019, certain assets of the Group were pledged to secure general banking facilities granted to the Group and borrowings of the Group. For more details, please refer to notes 24, 30 and 36 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2019, except disclosed in note 43 to the consolidated financial statements, the Group had no significant contingent liabilities.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 121.6 million (31 December 2018: RMB 119.3 million) and the addition to purchased software of RMB 70.2 million (31 December 2018: RMB 45.5 million) less the amortisation charges for the year under review.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2019, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any future plans for significant investments or capital assets as at the date of this annual report.

HUMAN RESOURCES

As at 31 December 2019, the Group had a total of 740 employees (31 December 2018: 730). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme and a share award scheme to recognise and motivate contributions of its employees Further details regarding the share option scheme and the share award scheme is set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 53 to 56 of this annual report.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is RMB. However, certain of the Group's bank balances, other payables are denominated in United States Dollar ("USD") and Hong Kong Dollar ("HKD"), which are currencies other than the functional currency of the relevant group entities which may expose the Group to foreign currency risk.

During the year under review, the Group recorded an exchange gain of approximately RMB 0.3 million (31 December 2018: exchange loss of approximately RMB 0.7 million). This exchange gain was a result of the depreciation of RMB against the USD and HKD as during the year under review, the Group had net assets denominated in USD and HKD.

No currency hedging arrangements were made as at 31 December 2019. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB 2.00 cents per share).

EVENT AFTER THE REPORTING PERIOD

Due to the Epidemic and quarantine measures implemented by the government, export enterprise clients of the Group were unable to work as usual in the first quarter of 2020, which has in turn, severely affected their operations. Some of these export enterprises have closed down that brought challenges to the Group's export enterprise cloud-based software and services. However, the Epidemic makes social data tracking and analysis prominent. The basic level "grid" platform has played a key role in managing the Epidemic situation for government departments, and its capabilities demonstrated in emergency risk prevention and precise social services have become important livelihood projects for government departments after the Epidemic. The Group's business of government big data software and related services, as well as low carbon & ecology software and related services, are related to social data analyzing and intelligent city development, and so far, no negative impact from the Epidemic is seen on their demand. The Group will continue to monitor closely and evaluate the impact of the Epidemic on the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTOR

Ms. XIN Yingmei (**辛穎梅**), aged 52, is the chairlady, executive Director and chief executive officer of the Company. Ms. Xin was appointed as the Director on 6 January 2011, re-designated as executive Director on 31 October 2012 and re-elected as executive Director on 12 June 2018. She is a co-founder of Nanjing Skytech Co., Limited ("Nanjing Skytech") and is also a director of the Group's subsidiaries, namely Nanjing Skytech, Infotech Holdings Pte. Ltd., Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation"), Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Limited ("Jiangsu Skytech Investment") and Jiangsu Jiangtian Yonghua Data Service Co., Limited. She is also a director and general manager of Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong"), Jiangsu Skytech Industrial Internet Co., Limited and Jiangsu Skytech Zumoo Co., Limited (formerly known as Jiangsu Skytech Supply Chain Big Data Information Service Platform Co., Limited). She is primarily responsible for the overall business operations and strategies and policies formulation of the Group. Ms. Xin has over 30 years of experience in the IT industry and is a professional senior engineer. Ms. Xin was accredited as a professorate senior engineer by Professional Senior Qualification Accreditation Committee of Jiangsu Province (江蘇省高級專業技術資格評審委員會) on 25 November 2010. Prior to co-founding Nanjing Skytech in 1998, she was a technician of the National Sports Commission Information Centre (國家體委信息中心) from 1987 to 1992. From 1992 to 1995, she was the general manager of Nanjing Olympic Computer Co., Limited (南京奧林匹克電腦有限公司). From 1995 to 1998, she was the general manager and vice chairlady of Honest Electronics Corporation Ltd. (奧尼斯特電子集團有限公司). Ms. Xin obtained her master's degree in business administration from Nanjing University (南京大學) in September 2008. She is a member of the Twelve Chinese People's Political Consultative Conference (第十二屆全國政協委員) and has won several awards for her achievements including "National Key Personnel in the Promotion of the Software Industry" (推動中國軟件產業發展功勳人物), "National Outstanding Entrepreneur in the Software Industry" (中國軟件產業傑出企業家) and "Jiangsu Province Outstanding Entrepreneur in the Software Industry" (江蘇省優秀軟件企業家). Ms. Xin is the spouse of Mr. Wang Xiaogang, a member of the senior management of the Group.

Mr. SU Hui (**宿輝**), aged 40, is the executive Director and chief financial officer of the Company. Mr. Su was appointed as the executive Director on 1 January 2019 and re-elected as executive Director on 18 June 2019. He is primarily responsible for supervising the financial reporting, corporate finance, treasury, tax and other related finance matters of the Group. Mr. Su has over 18 years of experience in finance. He joined the Company as the vice president in February 2013. Prior to joining the Group, Mr. Su worked in Deloitte Nanjing from 2001 to 2005 and last held the position of senior auditor. From 2005 to 2009, he was the internal audit manager at A.O.Smith (China) Investment Co., Ltd. From 2010 to 2012, he served as finance controller at A.O.Smith (Shanghai) Water Treatment Products Co., Ltd. Mr. Su received his bachelor's degree in economics from Nanjing Audit Institute, currently known as Nanjing Audit University, in June 2001. Mr. Su is a member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Ren Geng (任庚), aged 37, is the non-executive Director. Mr. Ren was appointed as the non-executive Director on 1 July 2019. Mr. Ren has over 10 years of experience in information technology and had assumed various management positions. Since December 2018, Mr. Ren has been the president of China business in Alibaba Cloud Computing Limited ("Alibaba Cloud"). Prior to the current position in Alibaba Cloud, Mr. Ren was the general manager of cross-border business division in Alibaba Group Holding Limited ("Alibaba Group", a company listed on the New York Stock Exchange, stock code: BABA) from March 2015 to September 2016, and was responsible for the cross-border B2B platform. Before joining the Alibaba Group, Mr. Ren worked for Huawei Technologies Co., Ltd. and served in several important management positions, including serving as general manager of Huawei Myanmar from October 2012 to March 2015 and deputy general manager of Huawei Thailand from October 2011 to July 2012. Mr. Ren has solid business background, international vision and rich management experience. Mr. Ren received his bachelor's degree in computer science and technology from the University of Electronic Science and Technology of China (電子科技大學) in the People's Republic of China in July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. KANG Choon Kiat (江春杰), aged 56, is the independent non-executive Director. Mr. Kang was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 18 June 2019. He has over 25 years of experience in the finance industry. Mr. Kang has joined Bank Julius Baer Singapore in May 2018 and is currently in charge of the foreign exchange advisory and sales department in the bank. From 1999 to 2002, Mr. Kang worked at Citibank and last held the position of vice president of the foreign exchange department. Mr. Kang was a managing director in foreign exchange derivatives team, private wealth management of Bank of America Merrill Lynch in Singapore from 2007 to 2012, responsible for developing the private wealth management foreign exchange business of the bank, creating and implementing foreign exchange platforms and systems, supervising the foreign exchange team members, conducting foreign exchange workshops, training sessions and seminars for clients, providing foreign exchange market and trading advisory and managing foreign exchange trading accounts. Mr. Kang received his bachelor's degree in engineering from National University of Singapore in June 1988 and master of business administration degree from Oklahoma City University in December 1996. Mr. Kang was also recognised by Investment Management Consultants Association in August 2002 as a certified investment management consultant.

Mr. KWAUK Teh Ming, Walter (**郭德明**), aged 67, is the independent non-executive Director. Mr. Kwauk was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 12 June 2018. He has over 40 years of experience in accounting. Mr. Kwauk has been an independent director of Alibaba Group Holding Limited (a company listed on the New York Stock Exchange, stock code: BABA, and on the Hong Kong Stock Exchange, stock code: 9988) since 1 September 2014, where he serves as chairman of the audit committee. Since 17 May 2017, Mr. Kwauk has been also an independent non-executive director of WuXi Biologics (Cayman) Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 2269), and since 14 September 2018, he has been an independent non-executive director of Hua Medicine (a company listed on the Hong Kong Stock Exchange, stock code: 2552), for both of which Mr. Kwauk is the chairman of their audit committees. Mr. Kwauk served in KPMG from 1977 to 2002, holding a number of senior positions including general manager of KPMG's joint venture accounting firm in Beijing, managing partner in KPMG's Shanghai office and partner in KPMG's Hong Kong office. Mr. Kwauk was a vice president of Motorola Solutions, Inc. and its director of corporate strategic finance and tax, Asia Pacific from January 2003 to June 2012. Mr. Kwauk also served as an independent non-executive director of Alibaba.com Limited from October 2007 to July 2012. Mr. Kwauk is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in science in May 1975 and a licentiate's degree in accounting from the University of British Columbia in May 1977.

Mr. ZONG Ping (宗平), aged 63, is the independent non-executive Director. Mr. Zong was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 18 June 2019. He has extensive experience in teaching computer science and research in the related field. From 1992 to 1995, Mr. Zong worked as a visiting scholar at Oldenburg University in Germany. From 2002 to 2004, Mr. Zong was a professor at Hohai University (河海大學). From 2004 to present, Mr. Zong has been a professor at Nanjing University of Posts and Telecommunications (南京郵電大學). Mr. Zong is currently a senior member of the China Computer Federation (中國計算機學會), a standing member of the Jiangsu Microcomputer Application Association (江蘇省微電腦應用協會) and a member of Information Industry Expert Committee of Jiangsu Province (江蘇信息產業專家委員會). Mr. Zong received a bachelor's degree in computing from East China College of Hydraulic Engineering (華東水利學院), now known as Hohai University (河海大學) in February 1982 and a doctorate degree in water conservancy and hydropower engineering from Hohai University (河海大學) in April 2008.

SENIOR MANAGEMENT

Mr. WANG Xiaogang (汪曉剛), aged 57, is the senior vice president of the Company responsible for the overall management and operation of the Group's R&D and technological advancement. Mr. Wang is a co-founder of Nanjing Skytech and its vice president and general manager. He is also a director of Nanjing Skytech, Jiangsu Skyinformation and Jiangsu Skytech Investment. He has over 20 years of experience in the computer software and hardware industry gained in the Group. Mr. Wang received his bachelor's degree in computer engineering from the People's Liberation Army School of Electronic Technology (解放軍電子技術學校), now known as People's Liberation Army Information Engineering University (中國人民解放軍信息工程大學), in July 1985. Mr. Wang also won several awards, such as the "Jiangsu Province Outstanding Technology Technician" (江蘇省優秀科技工作者) award in 2004, "Nanjing Young Industry Technology Leader" (南京市中青年行業技術、學科帶領人) award in 2004 and "Top 10 Nanjing City Leader in Software Industry"(南京市軟件企業十大領軍人物) award in 2008. Mr. Wang is the spouse of Ms. Xin, the chairlady, executive Director and chief executive officer of the Group.

Mr. MA Ming (馬明), aged 50, is the vice president of the Company responsible for the sales and marketing and customer services of the Group. Mr. Ma is a co-founder of Nanjing Skytech and is also the vice president of Nanjing Skytech, where he is primarily responsible for the business development and product marketing of the software division of the company. He is also a director of Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong and Jiangsu Skytech Investment. He is also a director and general manager of Zhenjiang Skyinformation, Qingdao Skytech Software Co., Limited and Nanjing Aisita Real Estate Co., Limited. Mr. Ma has over 25 years of experience in the software industry. Prior to co-founding Nanjing Skytech in 1998, he was a department manager in Nanjing Honest Electronics Co., Ltd. (南京奧尼斯特有限公司) from 1994 to 1999. Mr. Ma received a diploma in computer science and technology from Nanjing University of Science and Technology (南京理工大學) in July 1999 through distance learning.

Ms. XU Fang (徐放), aged 48, is the head of human resource department of the Company. Ms. Xu is responsible for the human resource management of the Group. Ms. Xu joined the Group in 2006 and is a director of Quan Shui Tong and Zhenjiang Skyinformation. She has over 25 years of experience in the human resource management industry. Prior to joining the Group in 2006, she was a human resource manager at Panda Electronics Group (熊貓電子集團). Ms. Xu received her bachelor's degree in management engineering (management science) from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) through part-time studies in July 1998 and a master's degree in business administration from Nanjing University (南京大學) in December 2005.

Save as otherwise disclosed, there is no relationship between any of members of the Board and senior management, and there is no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B (1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures. In order to safeguard the interests of shareholders and to enhance corporate values and accountability, the Group is committed to maintaining high standards of corporate governance. The Company has adopted the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in the CG Code throughout the year ended 31 December 2019, save for the deviation of code provision A.2.1 of the CG Code.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code (among others) provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairlady and chief executive officer and Ms. Xin Yingmei is currently the chairlady and chief executive officer of the Company responsible for overseeing the operations of the Group.

The Board has considered the merits of separating the roles of chairlady and chief executive officer but is of the view that it is in the best interests of the Company to vest two roles in Ms. Xin Yingmei. The Board considers that vesting two roles in Ms. Xin Yingmei will ensure the Company under a consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2019.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director, a written annual confirmation of his independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019. The Directors were not aware of any material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 57 to 62.

Function of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. The Board has delegated the authority and responsibilities to the management for the day-to-day operations of the Group.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Board Composition

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. At least one of the independent non-executive Directors possess the appropriate professional accounting qualifications and financial management expertise, which complies with the requirements of the Listing Rules. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. During the year ended 31 December 2019 and as at the date of this annual report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, auditing, investments and IT. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interest of the Company and its shareholders.

The Board comprises the following Directors:

Executive Directors
Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

Non-executive Directors
Mr. Hu Xiaoming, Simon (resigned on 1 July 2019)
Mr. Ren Geng (appointed on 1 July 2019)

Independent non-executive Directors
Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

There are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board. The brief biographic details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16.

Appointment and Re-Election of Directors

All Directors are appointed for a specific term. Ms. Xin Yingmei, the executive Director of the Company is under a service contract with the Company for a term of three years commencing on 9 July 2019, whereas Mr. Su Hui, the executive Director of the Company is under a service contract with the Company for a term of three years commencing on 1 January 2019. The non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 July 2019, whereas each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 31 October 2018.

The procedures and process of appointment, re-election and removal of directors are laid down in the articles of association of the Company (the "Articles of Association"). According to the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting ("AGM"). Any new director appointed by the Board to fill a casual vacancy shall submit himself/ herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM.

In accordance with Article 84 of the Articles of Association, Ms. Xin Yingmei, an executive Director, and Mr. Kwauk Teh Ming, Walter, an independent non-executive Director, shall retire and being eligible, shall offer themselves for re-election at the AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Ren Geng, a non-executive Director will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

At the AGM, separate ordinary resolutions will be proposed to re-elect Ms. Xin Yingmei as an executive Director, Mr. Ren Geng as a non-executive Director and Mr. Kwauk Teh Ming, Walter as an independent non-executive Director.

The Board and the Nomination Committee recommended their re-appointment. A circular, which will contain detailed information of the above three retiring Directors as required by the Listing Rules, will be sent to the Company's shareholders in due course.

Directors' Training

All Directors confirmed that they had complied with code provision A.6.5 of the CG Code throughout the year ended 31 December 2019, all Directors had participated 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. During the year ended 31 December 2019, the Company has arranged two in-house training sessions, covering topics on the Listing Rules, internal controls and PRC laws. These were conducted by the Company's Hong Kong legal adviser, internal control auditor and PRC legal adviser. All relevant training materials have been distributed to the Directors. The topics covered include CG Code, inside information, Listing Rules and disclosure obligations in Hong Kong, notifiable transactions, connected transactions, operational risk, fraud risk management, fundamentals of internal control, etc.

Name of Directors	Topics on training covered
Ms. Xin Yingmei	I, L, P
Mr. Su Hui	I, L, P
Mr. Hu Xiaoming, Simon (resigned on 1 July 2019)	I, L, P
Mr. Ren Geng (appointed on 1 July 2019)	I, L, P
Mr. Kang Choon Kiat	I, L, P
Mr. Kwauk Teh Ming, Walter	I, L, P
Mr. Zong Ping	I, L, P

Note:

I: Internal control
L: Listing Rules updates
P: PRC laws

Board Meeting and Procedures

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year.

The Board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice in writing, and a meeting of the Company other than an annual general meeting or extraordinary general meeting for the passing of a special resolution shall be called by at least 14 clear days' notice in writing. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director shall abstain from voting on the relevant resolutions and he/she shall not be counted as a quorum in the Board meeting discussing the matter concerned.

Set out below are details of the attendance record of each Director at the Board meetings, committee meetings and general meetings of the Company held during the year ended 31 December 2019:

	Attendance/Number of Meetings Held					
Name of Directors	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Investment Management Committee	Annual General Meeting
Executive Directors						
Ms. Xin Yingmei	(Chairlady) 5/5	–	(Chairlady) 3/3	–	–	1/1
Mr. Su Hui	5/5	–	–	3/3	–	1/1
Non-executive Director						
Mr. Hu Xiaoming, Simon[1]	1/5	–	–	–	–	0/1
Mr. Ren Geng[2]	1/5	–	–	–	–	0/1
Independent Non-executive Directors						
Mr. Kang Choon Kiat	5/5	2/2	–	(Chairman) 3/3	(Chairman) 2/2	0/1
Mr. Kwauk Teh Ming, Walter	4/5[3]	(Chairman) 2/2	3/3	3/3	2/2	0/1
Mr. Zong Ping	5/5	2/2	3/3	–	2/2	(Chairman) 1/1

Note:
1. The resignation of Mr. Hu Xiaoming, Simon was effective on 1 July 2019.
2. The appointment of Mr. Ren Geng as director was effective on 1 July 2019.
3. Mr. Kwauk Teh Ming, Walter was absent from the board meeting on 28 August 2019. Mr. Zong Ping was his alternate director.

BOARD COMMITTEES

The Board has established four committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the investment management committee (the "Investment Management Committee"), for overseeing particular aspects of the Group's affairs. All committees have been established with defined written terms of reference, which were posted on the Company's website (www.sinosoft-technology.com) and the website of the Stock Exchange (www.hkexnews.hk). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established on 11 June 2013 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the risk management and internal control procedures of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter (Chairman), Mr. Kang Choon Kiat and Mr. Zong Ping. The Group's accounting principles and practices, financial statements and related materials for the year ended 31 December 2019 had been reviewed by the Audit Committee.

During the year ended 31 December 2019, the Audit Committee held two meetings for discussion on issues arising from the audit and financial reporting matters.

Full minutes of the Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Audit Committee meetings were sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee were reported to the Board subject to applicable restriction.

The external auditors were invited to attend the Audit Committee meetings held during the year ended 31 December 2019 to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The terms of reference of the Audit Committee are available on the websites of the Company and of the Stock Exchange.

Nomination Committee

The Nomination Committee was established on 11 June 2013, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience. The Nomination Committee comprises a total of three members, being one executive Director, namely, Ms. Xin Yingmei (Chairlady), and two independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2019, the Nomination Committee held three meetings to review the independence of the independent non-executive Directors, current structure of the Board, the Board diversity policy and make recommendations to the Board regarding the nomination of directors.

Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings were sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Nomination Committee are available on the website of the Company and of the Stock Exchange.

Nomination Policy

The Company adopted a nomination policy on 18 January 2019. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors of the Company at general meetings or to the Board for appointment as directors to fill casual vacancies. The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity;
- Experience in the information technology industry, in particular, in the software development, system integration, sales of computer products and services;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The following procedures for the Board and a shareholder to propose a person for election as a director are subject to the Articles of Association, the Companies Law of the Cayman Islands and applicable legislation and regulation:

The Board proposing a person for election as a director

The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite nominations of candidates for consideration prior to make recommendation to the Board. The Nomination Committee may also put forward candidates who are not nominated by Board members.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

Until the issue of the shareholder circular, the nominated candidates shall not assume that they have been proposed by the Board to stand for election at the general meeting.

A shareholder proposing a person for election as a director

If a shareholder wishes to propose a person other than a director of the Company for election as a director, the shareholder must deposit a written notice ("Notice") to the head office of the Company at No. 26 Tianpu Road, Jiangpu Street, Pukou District, Nanjing City, Jiangsu, The PRC, or the branch share registrar of the Company, Tricor Hong Kong Investor Services Ltd., at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the company secretary of the Company.

The Notice must state clearly the name of the shareholder and his/her/their shareholding, the full name of the person proposed for election as a director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a director.

The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of directors of the Company and end no later than 7 days prior to the date of such general meeting. If the Notice is received less than 15 days prior to the general meeting, the Company will need to consider the adjournment of the general meeting in order to give shareholders 14 days' notice of the proposal.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a director.

For details, please refer to the nomination policy which is available on the Company's website.

Board Diversity Policy

The Board has adopted a board diversity policy on 29 August 2013. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year ended 31 December 2019 and as at the date of this annual report, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the IT industry, experience in international trade, finance, investment and corporate management, to professional qualifications in the accounting and auditing fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

Remuneration Committee

The Remuneration Committee was established on 11 June 2013, with specific written terms of reference for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors. The Remuneration Committee comprises a total of three members, being one executive Director, namely, Mr. Su Hui, and two independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter and Mr. Kang Choon Kiat (Chairman). Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2019, the Remuneration Committee held three meetings to review the remuneration package of Directors and senior management and submit proposals to the Board.

Full minutes of the Remuneration Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Remuneration Committee meetings were sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Remuneration Committee are available on the websites of the Company and of the Stock Exchange.

Investment Management Committee

The Investment Management Committee was established on 31 October 2012, with specific written terms of reference to help enhance the effectiveness of the Group's internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions. The Investment Management Committee comprises a total of three members, all being independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter, Mr. Kang Choon Kiat (Chairman) and Mr. Zong Ping.

During the year ended 31 December 2019, the Investment Management Committee held two meetings to review the current investment policy of the Group and review the investment performance report for the year.

Full minutes of the Investment Management Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Investment Management Committee meetings were sent to all members of the Investment Management Committee for comments and approval and all decisions of the Investment Management Committee were reported to the Board subject to applicable restriction.

The terms of reference of the Investment Management Committee are available on the websites of the Company and of the Stock Exchange.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee has been appointed by the Board to perform the corporate governance function. The Company adopted code provision D.3.1 of the CG Code in performing its corporate governance functions. During the year ended 31 December 2019, the Company has performed the following duties in respect of its corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

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

The corporate governance policy is formulated with an emphasis on the Board's quality, effective control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited as its external auditor for the year ended 31 December 2019. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2019, the fees payable to Baker Tilly Hong Kong Limited in respect of its audit and review of interim results services provided to the Company were approximately RMB 1.78 million, including approximately RMB 19,300 paid to Baker Tilly Hong Kong Advisory and Tax Limited for the provision of income tax services. Also, the fees payable to BT Corporate Governance Limited in respect of its internal control review services provided to the Company was approximately RMB 346,000.

SENIOR MANAGEMENT'S REMUNERATIONS

The Group's senior management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remuneration paid to a total of the three senior management (excluding Directors) by bands for the year ended 31 December 2019 is set out below:

Remuneration band	**Number of individuals**
RMB 1,000,000 and below	3

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.

During the year ended 31 December 2019, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the year ended 31 December 2019, the Group appointed BT Corporate Governance Limited ("BTCGL") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvement measures in internal control and risk management as recommended by BTCGL 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 BTCGL as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Enterprise Risk Management Framework

The Group 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. The Group's risk management framework follows the COSO Enterprise Risk Management 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

For the year ended 31 December 2019, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	**No significant risk identified**
Operational Risks	**Operation shutdown risk caused by novel coronavirus** Under the influence of novel coronavirus epidemic, the Group's customers (including government agencies or private enterprises) may have reduced or delayed demand for the Group's products due to their work resumption delay, business suspension or expansion stop, etc., which cause potential negative effects on the sales of the Group. In addition, due to factors such as the failure to full work resumption of some suppliers and logistics delay, the Group's supplier-related procurement may also be delayed, thereby affecting the daily operations of the Group. The Group manages risks identified through risk monitoring measures in the following ways: The management has always paid attention to the development of the epidemic, and believes that the impact of the epidemic on the Group's sales result is not significant. As for the impact of the current epidemic, no substantial sales decline has been encountered. On the contrary, due to the urgent development needs of Nanjing Municipal Emergency Management Bureau, the Group has developed and launched an "epidemic prevention and investigation system" for this purpose, which has been applied to many key enterprises in areas with high epidemic outbreaks.
Financial Risks	**No significant risk identified**
Compliance Risks	**No significant risk identified**

Risk Control Mechanism

The Group adopts a "three lines of defence" 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 BTCGL. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and its potential impact upon the Group. The risk register is updated by management as the risk holders with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. The annual risk assessment process ensures that the Group can actively manage the risks it faces, that is, all risk holders have the right to review the risk register to understand and raise awareness of the risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group's risk management activities are performed by management on an ongoing process. The effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress and status of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Apart from the internal audit function of the Group, the Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Dr. Ngai Wai Fung ("Dr. Ngai"), the company secretary, is currently the director and chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited), a corporate service provider. The primary corporate contact person at the Company is Mr. Su Hui, the executive Director. Dr. Ngai has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communications between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. 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 requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

Shareholders of the Company are requested to follow article 58 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to Convene an Extraordinary General Meeting".

The procedures for shareholders of the Company to propose a person for election as Director which are set out above in the paragraph headed "A shareholder proposing a person for election as a director" are available on the Company's website.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of AGM will be voted by poll.

DIVIDEND POLICY

The Company adopted a dividend policy on 18 January 2019. The Company intends to provide the shareholders with an annual dividend of not more than 30% of the Company's net profit attributable to the shareholders subject to the Company's Articles of Association, Cayman Islands Companies Law, and the approval of the shareholders. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner, or will not even declare and pay dividends at all.

The Company may from time to time consider paying an interim dividend and special dividend. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend for the year will be subject to the shareholders' approval.

The Directors may recommend a payment of dividend after taking into account the following factors:

- the Company's current and future operations;
- the Company's earnings;
- the Company's financial condition;
- the Company's cash requirements and availability;
- the Company's capital expenditure and future development requirements; and
- other factors as it may deem relevant at such time.

Future dividend payment will also depend upon the availability of dividends received from the Company's foreign-invested subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Reporting Standards. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distribution from the Company's foreign invested subsidiary may also be restricted if it incurs debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or the Company's subsidiaries and associated companies may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Company's operations.

The Board will review the dividend policy from time to time and may adopt changes as appropriate at the relevant time.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;

- Publication of announcements on the annual and interim results on the website of the Stock Exchange and of the Company, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the reporting period, no amendment had been made to the constitutional documents of the Company.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the environmental, social and governance ("ESG") report (the "ESG Report") of the Group, with content covering the Group's ESG performance for the year ended 31 December 2019.

This ESG Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide as set forth under Appendix 27 to the Listing Rules. This report has complied with all the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide. It also introduces the Company's beliefs, work highlights and goals in ESG areas to its different stakeholders.

Through the preparation and disclosure of this ESG Report, the Company reviews relevant work flow systematically. The Company will then work together with different stakeholders to monitor and enhance its ESG standard continuously.

ABOUT THE GROUP

The Company was incorporated in 1998 with its shares listed on the Main Board of the Stock Exchange on 9 July 2013. The Group is a leading provider of application software and solutions in China, with major businesses covering export enterprise cloud-based software and services, government big date software and related services and low carbon & ecology software and related services.

The Group has over 15 years of experience in developing export enterprise related software. It is a renowned player in the provision of government big data platform in China and also the first mover in low carbon & ecology market. The Group's R&D standard is widely recognized with the accreditation of "Key Software Enterprise under the National Plan" and CMMI Level 5, which possessed the highest maturity level under the CMMI accreditation system regarding the standard of product planning, software development, business consultation, managing and maintenance procedure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE GOALS AND DIRECTIONS

Integrating ESG elements into business, to achieve sustainable development while striving for growth in results, is the megatrend of the world and also the Group's direction of development.

As a leading developer in application software, the Group aims at exploiting innovative information technology to enhance the efficiency in using social resources, and in turn strengthen sustainable development.

Although operating in the industry of software and related services, which has lower impact on the environment, the Group spares no efforts in areas like managing energy usage and carbon emission. In addition to lowering its own energy consumption and emission level, the Group contributes to improve emission and pollution problems for different administrative levels and enterprises across the country through one of its major businesses, low carbon & ecology software and related services. This proves environmental, social development and the Group's businesses are inseparable.

Training and development of employees are one of the important elements in social sustainable development. As a software developer, having brilliant employees is also an important element for driving business growth. The Group is committed to personnel training so as to nurture employees, whilst at the same time, assist the Group to launch more software and solutions for improving the society and environment, so as to support the country's sustainable development.

REPORTING PRINCIPLES

This ESG Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide as set forth under Appendix 27 to the Listing Rules. The major reporting principles are:

Materiality

Issues related to environment, social and governance which are sufficiently important to investors and/or other stakeholders will be reported.

Quantitative

Key performance indicators are measurable, quantitative information should be accompanied by a narrative, explaining its purpose, impacts and giving comparative data where appropriate.

Balance

Provide an unbiased picture of the Group's performance, and avoid selections, omissions, or through presentation formats that may inappropriately influence a decision or judgement by the reader of this ESG Report.

Consistency

Use consistent methodologies to allow for meaningful comparisons of relevant data over time. Any changes to the methods used or any other relevant factors affecting a meaningful comparison will be disclosed.

The Company believes that this ESG Report enables the Company to communicate with the stakeholders the Group's sustainability related matters in a transparent and accountable manner, which is key in gaining their trust. The Group considers its business models, as well as internal and external communications, to assess and judge the materiality of the areas as stated in the Environmental, Social and Governance Reporting Guide set forth under Appendix 27 to the Listing Rules, and the findings are as follows:

<table>
<tr><td colspan="3"></td><td colspan="6">Materiality Matrix</td></tr>
<tr><td rowspan="6">External Assessment (Impact on Stakeholder)</td><td rowspan="3">Crucial</td><td>5</td><td colspan="3" rowspan="3">■ A Environmental — A1 Emissions
■ A Environmental — A2 Use of Resources
■ B Social — B7 Anti-corruption
■ B Social — B8 Community Investment</td><td colspan="3" rowspan="3">■ B Social — B1 Employment
■ B Social — B3 Development and Training
■ B Social — B6 Product Responsibility</td></tr>
<tr><td>4</td></tr>
<tr><td>3</td></tr>
<tr><td rowspan="3">Not Relevant</td><td>2</td><td colspan="3" rowspan="3">■ A Environmental — A3 The Environment and Natural Resources
■ B Social — B5 Supply Chain Management</td><td colspan="3" rowspan="3">■ B Social — B2 Health and Safety
■ B Social — B4 Labour</td></tr>
<tr><td>1</td></tr>
<tr><td>0</td></tr>
<tr><td colspan="3" rowspan="3"></td><td>0</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td colspan="3">Not Relevant</td><td colspan="3">Crucial</td></tr>
<tr><td colspan="6">Internal Assessment (Impact on Business)</td></tr>
</table>

Taking into account different stakeholders' judgement in materiality of target areas, this ESG Report will elaborate in four major themes, namely "Outstanding Team", "Product Responsibilities", "Green Operation" and "Social Responsibilities", respectively.

OUTSTANDING TEAM

As a professional software developer, the Group provides innovative solutions to its customers. R&D is the main momentum for the Group's products and business development, while talents are the most important in R&D. Therefore, the Group always attaches great importance on its human resources management.

The Group has been strictly complying with the "Labour Law of the People's Republic of China"《(中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China"《(中華人民共和國勞動合同法》), the "Regulations of Insurance for Employment Injury"《(工傷保險條例 》) and other related laws and regulations to effectively protect employees' legal rights. During the year ended 31 December 2019, there was no non-compliance with the labour related laws and regulations by the Group, nor breach of regulations involving child and forced labour identified.

The Group advocates "work with passion, live with joy" as its corporate culture, and creates good working environment for employees, so as to encourage them to devote to work and grow healthily with the Group. In order to establish an outstanding team, the Group holds "people oriented, pursue excellence" as its core value. Every employee has equal opportunities. The Group has also established multi-layered performance evaluation system and salary system, and provides appropriate training programs, thus, to create the platform for employees to achieve their ambitions and career goals.

Recruitment

The Group adopts fair and stringent recruitment process. Managing recruitment in a standardized manner ensures talents to be efficiently and properly selected. In general, the Group will first attempt internal selection and promotion of outstanding employees who can meet the requirements of the recruiting posts, then consider open recruitment. The Company adopted a transparent system for assessing staff performance. At the end of each year, the Company will appraise the performance of all employees, and combine with the assessment results and employees' personal desire to adjust their job nature and pay arrangement as appropriate.

In open recruitments, a recruitment committee will be formed by the Group's human resources department, head of the department which needs to recruit talents, other management of the Group and even external experts, to work together and select the most suitable candidate.

Team Structure

The Group respects gender equality and adopts identical standard, structure and methodologies in calculating salary for both male and female employees. The Group will review employees' working ability through objective and standardized benchmarks in staff evaluation and promotion. Personal factors such as gender, age and role in a family will not be considered.

Breakdown for total number of the Group's employees as at 31 December 2019, and the comparative figures for 2018, as follows:

Breakdown for number of employees by gender and grade

As at 31 December 2019

	Male	Female	Total
Management	7 (78%)	2 (22%)	9
Department head	24 (77%)	7 (23%)	31
Other staff	580 (83%)	120 (17%)	700
Total	611 (83%)	129 (17%)	740

As at 31 December 2018

	Male	Female	Total
Management	8 (80%)	2 (20%)	10
Department head	27 (79%)	7 (21%)	34
Other staff	565 (82%)	121 (18%)	686
Total	600 (82%)	130 (18%)	730

Breakdown for number of employees by age and grade

As at 31 December 2019

	30 or below	31-40	41-50	51-60	Over 60	Total
Management	0	1	4	4	0	9
Department head	0	24	7	0	0	31
Other staff	439	216	35	9	1	700
Total	439	241	46	13	1	740

As at 31 December 2018

	30 or below	31-40	41-50	51-60	Over 60	Total
Management	0	2	5	3	0	10
Department head	0	28	5	1	0	34
Other staff	458	204	16	7	1	686
Total	458	234	26	11	1	730

Personnel Training

Talents are the most important asset for the Group. The Group cares about the growth of each employee and believes that is the most solid foundation for corporate development. As such, the Group provides targeted and systematic training for employees, to help them explore their potential and support for the Group's sustainable growth.

For the year ended 31 December 2019, employees of different grades participated 4,936 times (2018: 4,140) of internal and external training, with aggregated 21,976 training hours (2018: 18,624). Areas of training include organizational strategy and corporate culture, basic skills, business knowledge, new staff orientation, position transfer, promotion, R&D, sales, management and other training programs for enhancing integrated ability of specific posts. The format of training has been changing from traditional offline training to a combination of online and offline training, and to leverage on internal experience for enriching knowledge base and strengthening the training ability.

High Quality Working Environment

The Group strictly complies with all labour related regulations in the country and contributes "five insurances" (namely retirement, medical, unemployment, work injury and maternity) and "one fund" (housing fund), as well as insurance for "serious illness" for each of its employees.

The Group provides competitive salary and welfare system for its employees. On top of salary, performance-based rewards and year-end bonus, the Group has adopted a share award scheme to award its outstanding employees and encourage them for further contribution for the Group's development. In addition, the Group also adopts policies that are attractive to talents, such as training subsidies, paid leave, free health checks, staff dormitory, free shuttle bus and transportation subsidies.

The Group also attaches great importance to the health of its employees and is committed to provide a healthy, safe and protected working environment for them. Relevant measures include regular cleaning for central air-conditioning system, installation of filters and regular cleaning for drinking water equipment, and arranging comprehensive free health checks for employees every two years. Further, different safety-related initiatives and measures have been rolled out in the Group's operations. Risk assessments are also conducted to identify risks in special working environments. The Group's subsidiaries, Nanjing Skytech and Jiangsu Skyinformation were accredited GB/T 28001-2011/OHSAS 1800:2007 Occupational Health and Safety Management System Certification, which affirmed the Group's standard in ensuring employees' occupational health and safety. During the year under review, no work-related injuries or fatalities were recorded, and there were no confirmed material non-compliance incident or grievance in relation to human rights and labour practices.

PRODUCT RESPONSIBILITIES

The Group is committed to promote innovative development. Through understanding the unique demand of each segmental market and combining with advanced information technology, the Group provides efficient and reliable software and solutions for its customers.

To ensure products are stable and reliable, the Group's every new product needs to go through stringent process control and testing procedures. As a corporate recognized as CMMI Level 5, the highest level under the CMMI system, the Group has achieved the most mature standard, "enhanced management", in product planning, software development, business consultation, and program managing and maintenance. The Group's products fulfill the requirements of CMMI Level 5, which include quantitative feedback mechanism in development process for applying new technologies and optimizing relevant process, continuous and measureable improvement in process, such as defect prevention, technical update management and process management.

During the year ended 31 December 2019, no complaint has been received by the Group in relation to its product quality.

Customer Relations

The Group holds "customer-oriented" as its marketing philosophy, emphasizing on the awareness of customer demand and service orientation. While enhancing the capabilities of employees, it also encourages them to innovate services from a business perspective, for example, making software developers improve software development from a customer service orientation. The Group has obtained level 2 certification of Information Technology Service Standards (ITSS), which indicates that the Group's good reputation, strict quality management, and excellent customer service have been recognized.

The Group has established different platforms for customer feedbacks, including call center and customer relations management system. Through hotline, instant messaging and email communications, the Group strives to provide timely respond to customers' questions, needs and complaints. The Group also conducts satisfaction survey regularly through the customer relations management system, to ensure customers' demands are met and help maintain good relationships with them.

The Group formulated "Customers' File Management Approach", which provides clear guidance for different departments to manage customers' information and perform follow up work. In addition, the Group also formulated "Staff Performance Evaluation Management Approach", to assess service engineers' attitude, response time, technical standards, etc. Both clear guidance and evaluation help improve customers' satisfaction and enhance corporate competitiveness.

The Group is committed to protect customers' privacy. The Group has passed ISO 27001 Information Security Certification, established information security protection system and formulated "Information Security Management Strategy", to implement grading protection for customers' privacy, trade secret and national secret, thus, to ensure the confidentiality, completeness and usability of relevant information.

Supplier Management

The Group maintains principles of fairness, openness and impartiality to suppliers, and formulated "Suppliers Management Rules" to evaluate and monitor suppliers' performance systematically, as well as enhance supplier management. This can achieve not only a win-win situation for the Group and its suppliers, but also ensure products quality and protect customers' interest. For the year ended 31 December 2018, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices.

Intellectual Property

The Group has applied for "Software Certificate"《(軟件產品著作權》) for its developed products, intellectual property of the Group's products is protected through the "Copyright Law of the People's Republic of China"《(中華人民共和國著作權法》). For the year ended 31 December 2018, the Group successfully developed 46 new products and obtained "Software Certificate", including 23 export enterprises-related products, 16 government big data-related products, and 7 low carbon & ecology-related products.

GREEN OPERATION

As a service-oriented enterprise, the Group's daily operation has a relatively minimal impact on the environment. The businesses of the Group did not involve in waste gas emission, water consumption, packaging materials or hazardous waste treatment or disposal which are regulated under national laws and regulations. Yet, the Group values sustainable development, and promotes low-carbon living and environmental protection proactively, and facilitates the harmonious development of people and nature. The Group's subsidiaries, namely Nanjing Skytech and Jiangsu Skyinformation were accredited ISO 14001 Environment Management System Certification, which affirmed the Group's effort in environmental management activities.

The Group is committed to energy saving in different parts of its working environment, to reduce emission, contribute for environmental protection and minimize the impact to climate change. The Group strictly complies with environmental laws and regulations such as the "Environmental Protection Law of the People's Republic of China"《(中華人民共和國環境保護法》), the "Atmospheric Pollution Prevention Law of the People's Republic of China"《(中華人民共和國大氣污染防治法》), to accomplish its responsibilities for the environment proactively, and endeavor to achieve better environmental performance. For the year ended 31 December 2019, there was no incident of non-compliance with relevant environmental laws and regulations in the Group.

The Group promotes green operation, regulates energy usage, and cultivates the habit of energy saving in working environment among its employees. The Group adopts different measures for energy saving, including sensor-switched lights during non-office hours, preset off for air-conditioning system after office hours and fixed hours operation of water heater system in staff dormitory. The Group will constantly review energy consumption performance of different equipment and replace the old equipment which are high energy consuming, so as to increase energy efficiency. The Group generated no hazardous waste in its operation. Non-hazardous waste from the Group's operation were mainly office paper. The Group adopts paper saving practices, such as encouraging employees to use duplex printing to minimize paper consumption. Envelopes are also reused for internal mails. The Group's office waste is disposed by property management company in accordance with local environmental requirements.

Outside office, the Group encourages its employees for low carbon travelling, includes providing shuttle buses to pick up employees from different locations to work and back home in order to reduce their needs for driving to the company, providing regular shuttle buses within office hours for employees who have to work outside. For employees who need to work in other cities or provinces, the Group encourages them to use high-speed train instead of airplane, which produces approximately 5 times of carbon emission per traveler per kilometer than that of high-speed train, to lower carbon footprint comprehensively.

One of the Group's major businesses is low carbon & ecology software and related services, which products help different administrative levels and enterprises to monitor and analyze their carbon emission, in order to enhance relevant policies and lower emission level. The Group applies relevant professional knowledge in monitoring its own energy consumption and calculating equivalent carbon emission level.

For the year ended 31 December 2019, statistics for energy consumption and carbon emission, and comparative figures for the year 2018, are as follows:

For the year ended 31 December 2019

Energy	Usage	Equivalent Carbon Emission
Diesel	4,264.83 kg	18.33 tons
Petrol	17,518.90 kg	84.12 tons
Liquefied natural gas	10,360.00 kg	52.02 tons
Electricity	1,389,909.00 kWh	1,162.94 tons
Total		1,317.41 tons

For the year ended 31 December 2018

Energy	Usage	Equivalent Carbon Emission
Diesel	4,380.17 kg	18.83 tons
Petrol	15,108.30 kg	72.54 tons
Liquefied natural gas	10,000.00 kg	49.91 tons
Electricity	1,317,999.76 kWh	1,102.77 tons
Total		1,244.05 tons

Along with the Group's expansion in business and manpower, total carbon emission for the year ended 31 December 2019 increased by 5.9% when compared with the same period in 2018, which was maintained at a satisfactory level.

In respect of water resources, for the year ended 31 December 2019, the recorded water usage was 22,896 tons (2018: 19,077 tons).

In addition to the Group's own green operation, through its low carbon & ecology software and related services, the Group helps enhance emission and pollution problems for different administrative levels and enterprises across the country, which also contributes to the macro goal of sustainable development.

SOCIAL RESPONSIBILITIES

Besides the development in software industry, the Group also attaches great importance to its social role. The Group is committed to perform clean and high-standard governance, as well as contribute to the society in various ways.

Anti-corruption

The Group has always adhered to impartiality and integrity against all corruption. The Group has formulated the "Anti-Fraud Management Regulations", clearly stating the purpose of anti-fraud, as well as the concept, form, report, investigation, punishment and follow-up measures of fraud. This regulates the entire Group and also its business partners, to strictly abide by relevant laws and regulations, professional ethics, as well as the company rules and regulations, so as to establish the clean and diligent working atmosphere, and prevent any damage to the interests of the Group and its shareholders.

Other than the work of anti-fraud by different departments, the Group has also set up an anti-fraud permanent department, to do cross-departmental and supplementary work for anti-fraud. The Group's Audit Committee is responsible for overseeing the Group's anti-fraud policies, as well as having regular discussions with external and internal auditors regarding the fraud risk assessments.

The Group's management integrates supervision of fraud into day-to-day management. Relevant anti-corruption efforts include continuous communication and training for employees through staff handbook, publicity or intranet, to ensure employees understand anti-corruption related laws and regulations, code of conduct, as well as the concept involved, so as to prevent corruption. In addition, communication channels such as hotline and email were also established for reporting corruption.

For the year ended 31 December 2019, the Group has not received or found any reports and incidents relating to corruption.

Community Investment

The Group has been actively contributing to the community and participating in different public welfare activities. For the year ended 31 December 2019, the Group donated RMB 305,000 for supporting the development in poverty areas.

Directors' Report

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2019.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands Cap.22 (Law 3 of 1961, as consolidated and revised) (the "Companies Law") as an exempted company with limited liability on 6 January 2011. Pursuant to the reorganization arrangements undertaken by the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of the companies comprising the Group on 20 January 2011. For details of the group reorganization, please refer to the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 27 June 2013.

The shares have been listed on the Main Board of the Stock Exchange since 9 July 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

Discussion and analysis on business of the Group are set out in the section headed "Management Discussion and Analysis" on pages 7 to 12. Future development in the Group's business is discussed in the paragraph headed "Outlook" in the "Chairlady Statement" section on pages 5 to 6 of this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to the long-term sustainability of the environment and communities. As a pioneer in the low carbon & ecology software industry, the Group has professional knowledge in efficient use of resources. Energy saving measures have been adopted in the Group's daily operation, including sensor-switched lights during non-office hours, fixed hours operation of water heater system in staff dormitory.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers R&D as one of the keys to its success. The Group's business may be affected if (i) it is unable to successfully implement its R&D projects, or (ii) it is unable to hire or retain qualified personnel for its R&D efforts. In addition, as the Group is mainly engaged in software development and distribution which the Group requires to use software developed by third party suppliers, there may be operational risk to the Group in the case of unlicensed software and/or software whose license has expired.

Further, the Group's businesses are all located in the PRC and are therefore subject to inherent uncertainties of the PRC's economic, political and social conditions.

The Group is exposed to customers credit risks associated with its outstanding trade receivables. The turnover days of the Group's trade receivables remained at a relatively high level during the year under review.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considered its staffs as valuable assets for the Group's continuous development. Thus, it offers competitive salary packages, as well as discretionary bonuses and contributions to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees which are managed by its human resources department. The Company has also adopted a share option scheme and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme are set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 53 to 56 of this annual report.

The Group provides high quality software products and services to its customers from both private sector and public sector, to fulfil their immediate and long-term needs. The Group also communicates with its customers regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") when this annual report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 63 to 144.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB 2.00 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 31 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2019.

RESERVES

The movement in the reserves of the Group during the year is set out in the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise share premium and accumulated losses. As at 31 December 2019, the Company's reserve available for distribution to owners was approximately RMB 207.0 million. Under the Companies Law, the Company's share premium account may be applied by the Company in paying distribution or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2019 amounted to RMB 305,000.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2019, the 5 largest customers of the Group accounted for 23% of the total revenue, while the largest customer accounted for 5% of the total revenue.

For the year ended 31 December 2019, the 5 largest suppliers of the Group accounted for 41% of the total purchases, while the largest supplier accounted for 15% of the total purchases.

At all time during the year ended 31 December 2019, none of the Directors or any of their close associates or any shareholders of the Company who, to the knowledge of the Directors, own more than 5% of number of issued shares of the Company had an interest in any of the five largest suppliers or customers.

DIRECTORS

The Directors in office during the year ended 31 December 2019 and as at the date of this annual report are as follows:

Executive Directors

Ms. Xin Yingmei *(Chairlady)*
Mr. Su Hui

Non-executive Directors

Mr. Hu Xiaoming, Simon (resigned on 1July 2019)
Mr. Ren Geng (appointed on 1 July 2019)

Independent non-executive Directors

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

Pursuant to the Articles of Association, every Director shall retire from office once every three years and for this purpose, at each AGM, one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third (1/3) shall retire from office by rotation. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or was last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the meeting at which he retires. For the avoidance of doubt, each Director shall retire at least once every three (3) years. Further, any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM.

In accordance with Article 84 of the Articles of Association, Ms. Xin Yingmen, an executive Director, and Mr. Kwauk Teh Ming, Walter, an independent non-executive Director, shall retire and being eligible, shall offer themselves for re-election at the AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Ren Geng, a non-executive Director, will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACT

The executive Directors have respectively entered into a service contract commencing on 9 July 2019 and 1 January 2019 with the Company for a term of three years unless terminated by not less than one month's notice in writing served by either party on the other.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 July 2019 while each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 31 October 2018, unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, interests or short positions in the shares of the Company, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Personal interest	Corporate interests	Interest of spouse	Number of shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Ms. Xin Yingmei	—	498,465,400 (L) (Note 3)	78,977,000 (L) (Note 4)	577,442,400(L)	47.24%
Mr. Su Hui	50,000 (L)	—	—	50,000 (L)	0.00%

Notes:

(1) As at 31 December 2019, the Company had 1,222,384,600 shares in issue.

(2) The letter "L" denotes the person's long position in such securities.

(3) The shares held by Long Capital International Limited are beneficially and wholly-owned by Ms. Xin Yingmei.

(4) The shares held by Telewise Group Limited are beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these shares.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2019, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN SHARES

As at 31 December 2019, the persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (Note 2)	Approximate percentage of the issued share capital of the Company (Note 1)
Long Capital International Limited	Beneficial owner	498,465,400 (L) (Note 3)	40.78%
Telewise Group Limited	Beneficial owner	78,977,000 (L) (Note 4)	6.46%
Wang Xiaogang	Interest of a controlled corporation	78,977,000 (L) (Note 4)	6.46%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 5, 6)	13.50%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5, 6)	13.50%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 5, 6)	13.50%
FIL Limited	Interest of a controlled corporation	98,044,400 (L) (Note 7, 8)	8.02%
Pandanus Associates Inc.	Interest of a controlled corporation	98,044,400 (L) (Note 8)	8.02%
Pandanus Partners L.P.	Interest of a controlled corporation	98,044,400 (L) (Note 8)	8.02%
Fidelity China Special Situations PLC	Beneficial owner	61,565,000 (L) (Note 7)	5.04%

Notes:

(1) As at 31 December 2019, the Company had 1,222,384,600 shares in issue.

(2) The letter "L" denotes the person's or entity's long position in such securities.

(3) The shares held by Long Capital International Limited are beneficially and wholly-owned by Ms. Xin Yingmei.

(4) The shares held by Telewise Group Limited are beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei. Therefore, Ms. Xin Yingmei is deemed to be interested in these shares.

(5) Alibaba.com Investment Holding Limited is wholly owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.

(6) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

(7) The beneficial ownership of the 61,565,000 shares held by Fidelity China Special Situations PLC arises in the context of passive investment activities only by the various investment accounts managed by FIL Limited on a discretionary basis.

(8) Pandanus Partners L.P., a wholly-owned subsidiary of Pandanus Associates Inc., is deemed to be interested in 98,044,400 shares of the Company through its direct interest in FIL Limited.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance subsisting as of 31 December 2019 or at any time during the year ended 31 December 2019 to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her is or was materially interested, either directly or indirectly, exist.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, no contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2019 or as at the date of this annual report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" on page 48 of this annual report and "Share Option Scheme" and "Share Award Scheme" on pages 53 to 56 of this annual report, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the year ended 31 December 2019, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the Listing Rules) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our business except where the controlling shareholders of the Company hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 27 June 2013 under the section headed "Relationship with Our Controlling Shareholders".

For the year ended 31 December 2019, the Company has received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2019.

REMUNERATION OF DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established Remuneration Committee to formulate remuneration policies. The aim of remunerating Directors is to make sure that there is a competitive remuneration package to attract and retain talents for continual business and operation of the Company. The Company adopted a share option scheme to motivate all Directors and a share award scheme to motivate non-executive Directors. Please refer to pages 53 to 56 of this report for details of the share option scheme and share award scheme. The remuneration of Directors is reviewed on an annual basis with reference to the salaries paid by comparable companies, time commitment, duties and responsibilities, experience and employment conditions elsewhere in the Group. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 11 to the consolidated financial statements of this annual report.

Mr. Ren Geng had agreed to receive no emolument for his role as a non-executive director of the Company.

Save as disclosed above, none of the directors of the Company had waived his/her emoluments nor has agreed to waive his/her emoluments.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2019 in conjunction with the Company's external and internal auditors.

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfil its responsibilities over audit.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the period ended 31 December 2019 and as at the latest practicable date before printing this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of independence, and the Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2013.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme:

The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants under the Share Option Scheme (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants under the Share Option Scheme an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants under the Share Option Scheme to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants under the Share Option Scheme whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants under the Share Option Scheme" or each of whom, the "Eligible Participant under the Share Option Scheme") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. **Total number of Shares available for issue under the Share Option Scheme and percentage of issued shares as at the date of this annual report:**

   As at the date of this annual report, no share option has been granted under the Share Option Scheme.

   As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 100,000,000 shares, which represented 8.2% of the shares in issue.

4. **Maximum entitlement of each participant under the Share Option Scheme:**

   The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant under the Share Option Scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

   (i) the issue of a circular by the Company containing the identity of the Eligible Participant under the Share Option Scheme, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

   (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant under the Share Option Scheme and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the shares must be exercised under the Share Option Scheme:**

   An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**

   There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. **The basis of determining the exercise price:**

   Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

8. **The remaining life of the Share Option Scheme:**

   It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme. During the year ended 31 December 2019, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 December 2016 (the "Share Award Scheme") to:

(i) recognise and motivate the contributions by any employee of the Group and non-executive director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "Eligible Participants under the Share Award Scheme") and to give incentives thereto in order to retain them for the continual operation and development of the Group;

(ii) attract suitable personnel for further development of the Group; and

(iii) provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee at the cost of the Company from the open market or subscribe for the relevant number of shares awarded and shall hold such shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of shares under the Share Award Scheme such that the total number of shares granted under the Share Award Scheme will exceed 5% of the total number of issued shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the independent trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the independent trustee shall not subscribe or purchase any further shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016 and 12 June 2017, the Board has further resolved that a sum of up to HKD 40 million and HKD 50 million be provided for the purchase of shares to be awarded to the participants to be selected by the Board respectively. Details of the further share purchase under the Share Award Scheme are set out in the announcements of the Company dated 13 December 2016 and 12 June 2017.

On 22 August 2018, based on the recommendation by the remuneration committee of the Company, the Board resolved to grant a total of 16,005,000 awarded shares to 113 employees who are Eligible Participants under the Share Award Scheme who are not connected persons (as defined in the Listing Rules). Details of the grant of awarded shares pursuant to Share Award Scheme are set out in the announcement of the Company dated 22 August 2018.

No shares was awarded under the Share Award Scheme during the year ended 31 December 2019.

CONNECTED TRANSACTIONS

There were no transactions that constitute connected transactions as defined in Chapter 14A of the Listing Rules that require disclosure in this annual report for the year ended 31 December 2019.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

AUDITORS

On 17 February 2017, Deloitte Touche Tohmatsu resigned as auditor of the Company. The Board appointed Baker Tilly Hong Kong Limited as the new auditor of the Company to fill the vacancy immediately following the resignation of Deloitte Touche Tohmatsu. Save as disclosed above, there were no other change in auditor of the Company during the past three years. Baker Tilly Hong Kong Limited will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to seek shareholders' approval on the re-appointment of Baker Tilly Hong Kong Limited as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

By order of the Board

Xin Yingmei
Chairlady

Hong Kong, 30 March 2020

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天職國際

TO THE MEMBERS OF
SINOSOFT TECHNOLOGY GROUP LIMITED
中國擎天軟件科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sinosoft Technology Group Limited (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages 63 to 144, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter

Revenue recognition

Refer to Note 3 (significant accounting policies) and Note 5 (revenue and segmental information) to the consolidated financial statements.

The Group recognises revenue when the control over a product or service is transferred to the customers at the amount of promised consideration to which the Group is expected to be entitled. We focused on this area due to large volume of revenue transactions generated from various government units and customers, and thus significant time and resources were devoted in this area, in particular relating to the occurrence, accuracy and proper recording period of such transactions.

Our audit procedures included:

— assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with IFRSs;

— testing on a sample basis the effectiveness of the Group's internal controls and the correct timing of the Group's recognition of revenue in accordance with contract terms; and

— assessing the results of the cut-off testing on sales transactions recorded immediately before and after the year-end to ensure that revenue was recognised in the correct accounting period and assessing the accuracy of the recorded sales transactions.

We found the revenue recorded to be supported by the available audit evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of trade receivables

Refer to Note 4 (key sources of estimation uncertainty) and Note 22 (trade and other receivables) to the consolidated financial statements for the related disclosures.

As at 31 December 2019, gross trade receivables of the Group amounted to approximately RMB 1,284 million (2018: RMB 1,010 million), which accounted for approximately 65% (2018: 60%) of the Group's total assets. The loss allowances for trade receivables amounted to RMB 12 million (2018: RMB 6.0 million), all of which was attributable to customers located in China.

Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses ("ECL") 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 judgements.

We focused on this area due to the size of the receivables and the corresponding uncertainty inherent in such estimates and judgements.

Our audit procedures included:

— understanding and validating the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on ECL of these receivables;

— testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices, sales contracts and document on date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised;

— assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and

— inspecting cash receipts from customers after the financial year end relating to trade receivable balances as at 31 December 2019, on a sample basis.

We found the estimations and judgements made by management in respect of the collectability of receivables were consistent with the available evidence.

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

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the consolidated financial statements and our auditor's report thereon (the "other information").

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road, North Point
Hong Kong, 30 March 2020

Choi Kwong Yu
Practicing certificate number P05071

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	750,337	718,528
Value-added tax refund	6	11,523	11,872
Cost of sales		(263,209)	(274,006)
Research and development costs		(59,869)	(48,851)
Other income and gains	7	6,877	5,213
Distribution and selling expenses		(59,938)	(52,632)
General and administrative expenses		(44,594)	(79,203)
Other expenses and losses	8	(6,681)	(6,336)
Finance costs	9	(837)	(2,483)
Profit before taxation	10	333,609	272,102
Taxation	12	(52,525)	(35,722)
Profit and total comprehensive income for the year		281,084	236,380
Profit and total comprehensive income for the year attributable to:			
Owners of the company		283,343	236,363
Non-controlling interests		(2,259)	17
		281,084	236,380
		2019 RMB cents	2018 RMB cents
Earnings per share – basic and diluted	13	23.18	19.26

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	94,647	98,625
Right-of-use assets	16	14,218	—
Lease prepayment for land use rights	17	—	13,948
Intangible assets	18	317,083	260,722
Restricted bank deposits	19	28,160	—
Financial assets at fair value through profit or loss	21	—	—
		454,108	373,295
CURRENT ASSETS			
Inventories	22	1,018	1,101
Trade and other receivables	23	1,369,653	1,113,948
Pledged bank deposits	24	1,884	1,491
Bank balances and cash	25	140,577	190,506
		1,513,132	1,307,046
CURRENT LIABILITIES			
Trade and bills payables	26	106,095	99,833
Other payables	27	107,983	92,071
Contract liabilities	28	8,567	1,199
Lease liabilities	29	248	—
Borrowings	30	10,000	50,000
Tax liabilities		19,062	18,090
		251,955	261,193
NET CURRENT ASSETS		1,261,177	1,045,853
TOTAL ASSETS LESS CURRENT LIABILITIES		1,715,285	1,419,148
NON-CURRENT LIABILITIES			
Lease liabilities	29	19	—
Deferred tax liabilities	20	73,874	51,144
		73,893	51,144
NET ASSETS		1,641,392	1,368,004
CAPITAL AND RESERVES			
Share capital	31	9,876	9,876
Reserves	32	1,623,707	1,354,611
Equity attributable to owners of the Company		1,633,583	1,364,487
Non-controlling interests		7,809	3,517
TOTAL EQUITY		1,641,392	1,368,004

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Xin Yingmei	**Su Hui**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

At 31 December 2019

	Equity attributable to owners of the Company								
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share held under share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	10,009	126,441	2,627	298,011	(67,446)	810,738	1,180,380	–	1,180,380
Profit and total comprehensive income for the year	–	–	–	–	–	236,363	236,363	17	236,380
Capital injection from non-controlling interests	–	–	–	–	–	–	–	3,500	3,500
Dividend (note 14)	–	–	–	–	–	(34,076)	(34,076)	–	(34,076)
Purchase of shares under share award scheme (note 35(b))	–	–	–	–	(8,098)	–	(8,098)	–	(8,098)
Share award granted	–	–	–	–	30,523	–	30,523	–	30,523
Share repurchased and cancelled	(133)	–	–	(40,472)	–	–	(40,605)	–	(40,605)
Transfer	–	8,394	–	–	–	(8,394)	–	–	–
At 31 December 2018 and 1 January 2019	9,876	134,835	2,627	257,539	(45,021)	1,004,631	1,364,487	3,517	1,368,004
Profit and total comprehensive income for the year	–	–	–	–	–	283,343	283,343	(2,259)	281,084
Capital injection from non-controlling interests	–	–	3,550	–	–	–	3,550	9,340	12,890
Deemed partial disposal of interest in subsidiary without losing control (note 42)	–	–	311	–	–	–	311	799	1,110
Dividend paid to non-controlling interest of subsidiary	–	–	–	–	–	–	–	(88)	(88)
De-registration of a subsidiary	–	–	–	–	–	–	–	(3,500)	(3,500)
Dividend (note 14)	–	–	–	–	–	(24,412)	(24,412)	–	(24,412)
Share award granted	–	–	–	–	6,304	–	6,304	–	6,304
Transfer	–	3,829	–	–	–	(3,829)	–	–	–
At 31 December 2019	9,876	138,664	6,488	257,539	(38,717)	1,259,733	1,633,583	7,809	1,641,392

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Operating activities		
Profit before taxation	333,609	272,102
Adjustments for:		
Depreciation of property, plant and equipment	7,457	7,263
Depreciation of right-of-use assets	622	—
Amortisation of intangible assets	135,461	127,068
Amortisation of lease prepayment for land use rights	—	360
Share based payment expense	—	36,827
Impairment of trade receivables	6,373	3,632
Loss on disposal of property, plant and equipment	2	31
Loss on fair value changes of financial asset at fair value through profit or loss	—	1,453
Finance costs	837	2,483
Interest income	(1,684)	(3,120)
Net foreign exchange (gains)/losses	(297)	678
Operating cash flows before movements in working capital	482,380	448,777
Decrease in inventories	83	882
Increase in trade and other receivables	(262,438)	(303,644)
Increase in trade and bills payables	6,262	20,437
Increase in other payables	22,216	7,918
Increase/(decrease) in contract liabilities	7,368	(597)
Cash generated from operations	255,871	173,773
Income tax paid	(28,823)	(24,795)
Net cash generated from operating activities	227,048	148,978
Investing activities		
Interest received	1,684	3,120
Purchase of property, plant and equipment	(3,507)	(3,245)
Proceeds from disposal of property, plant and equipment	26	39
De-registration of a subsidiary	(3,500)	—
Payment for the cost incurred of intangible assets	(191,822)	(164,751)
Placement of pledged bank deposits	(393)	(1,491)
Placement of restricted bank deposits	(28,160)	—
Net cash used in investing activities	(225,672)	(166,328)

	2019 RMB'000	2018 RMB'000
Financing activities		
Dividends paid	(24,412)	(34,076)
Dividend paid to non-controlling interests of subsidiary	(88)	—
Deemed partial disposal of interest in a subsidiary without losing control	1,110	—
Capital injection from non-controlling interest	12,890	3,500
Repayment of borrowings	(60,000)	(30,000)
New bank loans raised	20,000	80,000
Payment on repurchase of shares	—	(40,605)
Purchase of shares under share award scheme	—	(8,098)
Capital element of lease rentals paid	(265)	—
Interest element of lease rentals paid	(22)	—
Interest paid	(815)	(2,483)
Net cash used in financing activities	(51,602)	(31,762)
Net decrease in cash and cash equivalents	(50,226)	(49,112)
Cash and cash equivalents at beginning of the year	190,506	240,296
Effect of foreign exchange rate changes	297	(678)
Cash and cash equivalents at end of the year,		
Representing bank balances and cash	140,577	190,506

MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group transferred the remaining 2,740,000 granted shares to employees amounted to RMB 6,304,000 which has been recognised in year 2018.

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 July 2013. Its ultimate controlling party is Ms. Xin Yingmei ("Ms. Xin") who is also the director and chief executive of the Company. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries (the Company and subsidiaries are collectively referred to as the "Group") in the People's Republic of China (the "PRC") are software development, system integration, sales of related computer products and provision of other related services.

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

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

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – continued

As a lessee – continued

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets, if applicable.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – continued

As a lessee – continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments generally include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 – continued

As a lessee – continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

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

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

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease has had no material impacts.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – continued

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon initial application of IFRS 16:

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – continued

As a lessee – continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	930
Less: Recognition exemption – short-term leases	448
Total future interest expenses	26
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and as at 1 January 2019	456

At 1 January 2019, the Group recognised right-of-use assets of RMB 14,764,000 and current and non-current lease liabilities amounting to RMB 245,000 and RMB 211,000, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – continued

As a lessee – continued

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		
Reclassified from lease prepayment for land use rights	(a)	14,308
Reclassified from operating leases per above		456
		14,764
By class:		
Leasehold lands		14,308
Leasehold buildings		456
		14,764

Note:

(a) Upfront payments for land use rights in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB 360,000 and RMB 13,948,000 respectively were reclassified to right-of-use assets as at 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases – *continued*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 – continued

As a lessee – continued

The following table summarises the adjustments made to the amounts in the Company's consolidated statement of financial position at 1 January 2019 upon initial application of IFRS 16. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Impact of adoption of IFRS 16	Carrying amounts under IFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use in assets	–	14,764	14,764
Current Liabilities			
Lease liabilities	–	245	245
Non-current liabilities			
Lease liabilities	–	211	211

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

2.2 New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[2]
Amendments to IFR3	Definition of a Business[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IFRS39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standard[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 share-based payment, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 Leases (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation – *continued*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and it calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment losses.

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue from contracts with customers – *continued*

Revenue from sales of goods in the normal course of business are recognised when control of the goods has been transferred, being at the point in time when the goods have been delivered and title have passed to the customer.

Revenue from services including after sales services are recognised over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leased assets (upon application of IFRS 16 in accordance with transitions in note 2.1)

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially.

The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all lease.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value-asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a straight-line or on a systematic basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leased assets (upon application of IFRS 16 in accordance with transitions in note 2.1) – *continued*

The Group as lessee – continued

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred, if applicable. Where applicable, the cost of the right-of-use assets also includes an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use assets:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interests are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

Then lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets ("ROU") that do not meet the definition of investment property as a separate line item under ROU in consolidated statement of financial position and presents lease liabilities separately in the consolidated statement of financial position.

Leases (prior to 1 January 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

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

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

Government grants

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

Equity-settled share-based payments transactions

Share option scheme

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options, which is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the counterparties have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based payments – *continued*

Equity-settled share-based payments transactions – continued

Share option scheme – continued

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to accumulated profits).

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the share award reserve. The difference arising from such transfer is debited/credited to accumulated profits.

Taxation

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

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

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment – *continued*

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

Buildings	20 years
Electrical equipment	3 years
Office equipment	5 years
Motor vehicles	3 – 8 years

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

Lease prepayments for land use rights

Prior to 1 January 2019, lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the lease terms.

Upon application of IFRS 16, lease prepayments for land use rights are reclassified to right-of-use assets as detailed in Note 2.1.2.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policies in respect of impairment losses on non-current assets below). Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

Internally-generated intangible assets – research and development expenditures

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

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

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

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

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment losses on non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15.

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

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application / initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings of internal credit rating.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

(i) Significant increase in credit risk – continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 2 years past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Impairment of financial assets – continued

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity – continued

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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 the key management personnel of the Group or the Group's parent.

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties – *continued*

(b) An entity is related to the Group if any of the following conditions applies: – *continued*

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

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

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

(viii) The entity, or any members 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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 may differ from these estimates.

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

Key sources of estimation uncertainty

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. 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. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 23 and 37.

Useful lives and impairment of intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible 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. The management is satisfied that no impairment loss is required to recognise during the year. As at 31 December 2019, the carrying amount of intangible assets are RMB 317,083,000 (31 December 2018: RMB 260,722,000).

Income tax

Certain subsidiaries of the Group were each entitled to a preferential corporate income tax rate for a specified period subject to satisfying certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax on the assumption that the subsidiaries will continue to meet the conditions and qualify for the preferential treatment as evidenced by past records. The consequence of any failure in the future years to meet the conditions and any subsequent changes in the applicable tax rate is then adjusted in the year in which the information becomes known.

5. REVENUE AND SEGMENTAL INFORMATION

The Group is organised into different business units by products and services, based on which information is prepared and reported to the Group's chief operating decision-maker (the "CODM") (i.e., the board of directors of the Company) for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into four core product and service lines, namely export enterprise could-based software and services, low carbon & ecology software and related services, government big data software and related services and system integration solutions. These products form the basis on which the Group reports its segment information. During the year, the Group renames one product line namely tax software and related services to export enterprise cloud-based software and services in order to reflect a more appropriate nature of the related software and services in this product and service line. There is no change in comparative figures as a result of this change in names of product lines.

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

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2019				
Segments	Government big data software and related services RMB'000	Export enterprise cloud-based software and services RMB'000	Low carbon & ecology software and related services RMB'000	System integration solutions RMB'000	Total RMB'000
Type of goods or service					
Sales of software product	422,982	129,426	97,326	–	649,734
Sales of hardware product	–	–	–	43,188	43,188
Service income	1,016	56,399	–	–	57,415
Total	423,998	185,825	97,326	43,188	750,337
Geographical markets					
The PRC	423,998	185,825	97,326	43,188	750,337
Timing of revenue					
At point of time	422,982	129,426	97,326	43,188	692,922
Over time	1,016	56,399	–	–	57,415
Total	423,998	185,825	97,326	43,188	750,337

5. REVENUE AND SEGMENTAL INFORMATION – *continued*

(i) Disaggregation of revenue from contracts with customers – *continued*

	Year ended 31 December 2018				
Segments	Government big data software and related services RMB'000	Export enterprise cloud-based software and services RMB'000	Low carbon & ecology software and related services RMB'000	System integration solutions RMB'000	Total RMB'000
Type of goods or service					
Sales of software product	364,739	114,864	123,215	—	602,818
Sales of hardware product	—	—	—	45,655	45,655
Service income	389	69,666	—	—	70,055
Total	365,128	184,530	123,215	45,655	718,528
Geographical markets					
The PRC	365,128	184,530	123,215	45,655	718,528
Timing of revenue					
At point of time	364,739	114,864	123,215	45,655	648,473
Over time	389	69,666	—	—	70,055
Total	365,128	184,530	123,215	45,655	718,528

(ii) Performance obligations for contracts with customers

The Group develops and sells software and hardware products to customers as well as provision of services which include software design, development of software services and export enterprise services to customers.

Revenue from sales of software products:

Revenue from sales of software products to customers is recognised when control of the goods has been transferred, being when the software has been installed into customers' system and received customers' acceptance.

Revenue from sales of hardware products:

Revenue from sales of hardware products to customers is recognised when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer and accepted by the customer.

5. REVENUE AND SEGMENTAL INFORMATION – *continued*

(ii) Performance obligations for contracts with customers – *continued*

Revenue from services income:

For export enterprise services and software operation and maintenance services which is recognised as a performance obligation satisfied over time based on output method, as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

	Year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Segment results				
— Government big data software and related services	220,990	50	152,828	37
— Tax software and related services	165,484	38	164,702	40
— Low carbon & ecology software and related services	51,539	12	88,788	22
— System integration solutions	769	—	1,225	1
Total segment results	438,782	100	407,543	100
Other income and gains	6,877		5,213	
Distribution and selling expenses	(59,938)		(52,632)	
General and administrative expenses	(44,594)		(79,203)	
Other expenses and losses	(6,681)		(6,336)	
Finance costs	(837)		(2,483)	
Profit before taxation	333,609		272,102	
Taxation	(52,525)		(35,722)	
Profit and total comprehensive income for the year	281,084		236,380	

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for current and prior year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the sum of revenue and value-added tax refund less cost of sales and research and development costs of the relevant services/product line. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

5. REVENUE AND SEGMENTAL INFORMATION – *continued*

Geographical information

The Group's non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities.

Substantially all of the Group's revenue is derived from the PRC, the place of domicile of the major subsidiaries, Nanjing Skytech Co., Limited ("Nanjing Skytech"), Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation") and Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong").

Information about major customers

No single customer accounted for 10% or more of the total revenue for both the years ended 31 December 2019 and 2018.

6. VALUE-ADDED TAX REFUND

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Value-added tax refund	11,523	11,872

The amount represents the benefit of the refund of value-added tax ("VAT") on Group's sale of export enterprise cloud-based software products, government big data solutions and low carbon software solutions received or receivable from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. The sales of software products in the PRC are subject to VAT calculated at 13% (before 1 April 2019: 16%). Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT.

7. OTHER INCOME AND GAINS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income	1,684	3,120
Government grants (Note 1)	2,167	1,690
Net foreign exchange gains	297	—
Others (Note 2)	2,729	403
	6,877	5,213

Note 1: The grants represent incentives received by the PRC subsidiaries for eminent contributions to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred, nor are they related to any assets.

Note 2: For the year ended 31 December 2019, others included compensation received of approximately RMB 630,000, RMB 625,000 and RMB 321,000 from a copyright infringement legal action, a community construction project and an insurance claim, respectively.

8. OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Donation	305	330
Impairment on trade receivables (Note 37)	6,373	3,632
Loss on fair value changes of financial assets at fair value through profit or loss	—	1,453
Loss on disposal of property, plant and equipment	2	31
Net foreign exchange losses	—	678
Others	1	212
	6,681	6,336

9. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interests on bank loans	815	2,483
Interests on lease liabilities	22	—
	837	2,483

10. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	7,457	7,263
Depreciation of right-of-use assets	622	—
Amortisation of lease prepayment for land use rights	—	360
Amortisation of intangible assets:		
— Amortisation of capitalised software costs (included in cost of sales)	81,044	83,991
— Amortisation of other software (included in research and development costs)	54,417	43,077
	135,461	127,068
	143,540	134,691
Directors' emoluments	3,937	3,801
Cost of defined contribution retirement benefit plans	5,278	5,425
Share-based payment expense	—	36,827
Employee benefits expenses	124,797	105,662
Total staff cost	134,012	151,715
Less: amount included in capitalised software costs	(87,594)	(73,060)
	46,418	78,655
Auditor's remuneration	1,958	1,758
Research and development costs recognised as an expense	59,869	48,851
Cost of inventories recognised as an expense	161,844	177,359
Impairment of trade receivables	6,373	3,632
Loss on fair value changes of financial assets at fair value through profit or loss	—	1,453
Loss on disposal of property, plant and equipment	2	31
Interest on bank loan	815	2,483
Interest on lease liabilities	22	—

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

For the year ended 31 December 2019

	Ms. Xin	Mr. Su Hui (Note ii)	Mr. Zong Ping (Note iii)	Mr. Kang Choon Kiat (Note iii)	Mr. Kwauk Teh Ming, Walter (Note iii)	Mr. Hu Xiaoming, Simon (Note i)	Mr. Ren Geng (Note iv)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees								
Other emoluments	–	–	103	155	155	–	–	413
Salaries and benefits	2,739	702	–	–	–	–	–	3,441
Contribution to retirement benefits schemes	61	23	–	–	–	–	–	84
Total emoluments	2,800	725	103	155	155	–	–	3,938

For the year ended 31 December 2018

	Ms. Xin	Mr. Yu Yifa (Note ii)	Mr. Zong Ping (Note iii)	Mr. Kang Choon Kiat (Note iii)	Mr. Kwauk Teh Ming, Walter (Note iii)	Mr. Hu Xiaoming, Simon	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	101	151	151	–	403
Other emoluments							
Salaries and benefits	2,430	837	–	–	–	–	3,267
Contribution to retirement benefits schemes	70	61	–	–	–	–	131
Total emoluments	2,500	898	101	151	151	–	3,801

Notes:

(i) Mr. Hu Xiaoming, Simon resigned as the non-executive director of the Company with effect from 1 July 2019.

(ii) Mr. Yu Yifa was resigned as the executive director and the chief financial officer of the Company with effect from 31 December 2018. Mr. Su Hui was appointed as the executive director and the chief financial officer of the Company to fill the vacancy with effect from 1 January 2019.

(iii) Mr. Zong Ping, Mr. Kang Choon Kiat and Mr. Kwauk Teh Ming, Walter, are independent non-executive directors of the Company.

(iv) Mr. Ren Geng was appointed as the non-executive director of the Company with effect from 1 July 2019.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

Ms. Xin and Mr. Su Hui are the chief executive officer and chief financial controller respectively of the Company. Their emoluments disclosed above include their services rendered respectively as the chief executive officer and chief financial controller.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The five highest paid individuals in the Group included 2 directors of the Company (2018: 2 directors), for the year ended 31 December 2019, whose emoluments are set out above. The emoluments of the remaining 3 (2018: 3) individuals during the year were as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Employees:		
— Salaries and other benefits	1,855	2,235
— Contributions to retirement benefit schemes	105	113
Total	1,960	2,348

During the year ended 31 December 2019, no emoluments were paid by the Group to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No performance related incentive payments were paid to the directors and the five highest paid individuals. Save as disclosed above, none of the directors has waived any emoluments during the year ended 31 December 2019.

The emoluments of these employees were within the following band:

	Year ended 31 December	
	2019 Number of employees	2018 Number of employees
Emolument band (in HK dollar)		
HKD Nil to HKD 1,000,000	3	3

12. TAXATION

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	32,351	26,821
Over provision in prior years	(2,556)	(609)
Deferred tax charge/(credit):		
— Current year	22,730	9,510
	52,525	35,722

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Profit before taxation	333,609	272,102
Tax at income tax rate of 25% (2018: 25%)	83,402	68,025
Tax effect of expenses not deductible for tax purpose	22,071	18,850
Tax effect of income not taxable for tax purpose	(7,882)	(6,035)
Effect of PRC EIT exemption and concessions	(51,855)	(37,325)
Over provision of PRC EIT in prior years	(2,556)	(609)
Tax effect of tax losses not recognised	7,690	688
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(16,145)	(16,172)
Withholding income tax on undistributed profits attributable to the PRC subsidiaries	17,800	8,300
	52,525	35,722

Infotech Holdings Pte. Ltd. ("Infotech Holdings")/The Company

The Company and Infotech Holdings, its subsidiary incorporated in Singapore, had no assessable profits subject to income tax in any jurisdictions since their incorporation.

12. TAXATION – *continued*

PRC subsidiaries

The Company's subsidiaries established in the PRC are subject to PRC EIT at rates prevailing under the relevant laws and regulations in the PRC as follows:

1. On 31 October 2014, Nanjing Skytech and Jiangsu Skyinformation obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax rate for both Nanjing Skytech and Jiangsu Skyinformation from Year 2014 to Year 2016 are 15%. The latest review was conducted in October 2017, pursuant to which Nanjing Skytech and Jiangsu Skyinformation were granted the written certification by the relevant tax authorities, maintained its status as the "High-tech Enterprise", and was entitled to the preferential corporate income tax rate of 15% from Year 2017 to Year 2019.

   In addition to being recognised as a "High-tech Enterprise", enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Key Software Enterprise under the National Plan" for the year, it can further enjoy a preferential tax rate of 10%. In 2016, Cai Shui [2016] No.49 has been enacted that an entity can register for the "Key Software Enterprise under the National Plan" with the tax bureau if the entity complies with relevant requirements. Nanjing Skytech was considered to meet those requirements because in pursuant to the Company's announcement dated 6 September 2019, Nanjing Skytech was again recognised as "Key Software Enterprise under the National Plan" by relevant government authorities and continues to enjoy the 10% preferential enterprise corporate income tax rate. Therefore Nanjing Skytech used a preferential corporate income tax rate of 10% (year ended 31 December 2018: 10%) for the year ended 31 December 2019.

2. Quan Shui Tong was formerly eligible for certain tax holidays and concessions and were exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Quan Shui Tong commenced its first profit-making year in the financial year ended 31 December 2014. Accordingly, for the year ended 31 December 2018, Quan Shui Tong had a 50% reduction in PRC EIT. The tax holidays and concessions for Quan Shui Tong was ended after the year ended 31 December 2018. On 3 December 2018, Quan Shui Tong obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax for Quan Shui Tong from Year 2018 to Year 2020 are 15%. Pursuant to the Company's announcement dated 6 September 2019, Quan Shui Tong was also recognised as "Key Software Enterprise under the National Plan" by relevant government authorities for the first time to enjoy the 10% preferential enterprise corporate income tax rate. Therefore, Quan Shui Tong used a preferential corporate income tax rate of 10% for the year ended 31 December 2019.

3. The applicable EIT rate for Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Limited, ("Jiangsu Skytech Investment"), Qingdao Skytech Software Co., Limited ("Qingdao Skytech"), Nanjing Aisita Real Estate Co., Limited ("Nanjing Aisita"), Jiangsu Jiangtian Yonghua Data Services Co., Limited, Jiangsu Skytech Industrial Internet Co., Limited and Jiangsu Skytech Zumoo Co., Limited (formerly known as Jiangsu Skytech Supply Chain Big Data Information Service Platform Co., Limited) ("Jiangsu Skytech Zumoo") are 25% for the years ended 31 December 2019 and 2018.

13. EARNINGS PER SHARE

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	283,343	236,363

The weighted average number of ordinary shares for the purpose of basic earnings per share reconcile to the weighted average number of ordinary shares used in the calculation of diluted earnings per share as follows:

	Year ended 31 December	
	2019 '000	2018 '000
Weighted average number of ordinary shares for purpose of basic earnings per share calculation	1,222,385	1,227,466

For the year ended 31 December 2019, dilutive earnings per share has not been calculated as there is no potential dilutive shares outstanding.

14. DIVIDENDS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Dividend recognised as distribution during the year:		
Final dividend of RMB 2.00 cents per share for the year ended 31 December 2018	24,412	–
Final dividend of RMB 2.78 cents per share for the year ended 31 December 2017	–	34,076

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB 2.00 cents per share).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electrical equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2018	105,413	16,995	4,884	5,361	132,653
Additions	—	1,373	1,872	—	3,245
Disposal	—	(611)	—	(771)	(1,382)
At 31 December 2018 and 1 January 2019	105,413	17,757	6,756	4,590	134,516
Additions	—	1,585	1,400	522	3,507
Disposal	—	—	—	(538)	(538)
At 31 December 2019	105,413	19,342	8,156	4,574	137,485
DEPRECIATION					
At 1 January 2018	8,284	13,477	3,298	4,881	29,940
Provided for the year	4,991	1,328	513	431	7,263
Eliminated on disposal	—	(580)	—	(732)	(1,312)
At 31 December 2018 and 1 January 2019	13,275	14,225	3,811	4,580	35,891
Provided for the year	4,884	1,598	849	126	7,457
Eliminated on disposal	—	—	—	(510)	(510)
At 31 December 2019	18,159	15,823	4,660	4,196	42,838
CARRYING VALUES					
At 31 December 2019	87,254	3,519	3,496	378	94,647
At 31 December 2018	92,138	3,532	2,945	10	98,625

As at 31 December 2019, the Group has pledged buildings with a net book value of approximately RMB 86,945,000 (2018: RMB 91,828,000) to secure general banking facilities in Note 30 granted to the Group.

16. RIGHT-OF-USE ASSETS

	Leasehold buildings RMB'000	Leasehold lands RMB'000 (Note 17)	Total RMB'000
COST			
At 1 January 2019 (restated)	456	15,118	15,574
Addition	76	—	76
At 31 December 2019	532	15,118	15,650
AMORTISATION			
At 1 January 2019 (restated)	—	810	810
Charge for the year	262	360	622
At 31 December 2019	262	1,170	1,432
CARRYING VALUES			
At 31 December 2019	270	13,948	14,218
At 1 January 2019 (restated)	456	14,308	14,764

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS17.

The Group had pledged the land use rights with a net book value of approximately RMB 13,948,000 (2018: RMB 14,308,000) to secure general banking facilities in Note 30 granted to the Group.

17. LEASE PREPAYMENT FOR LAND USE RIGHTS

	RMB'000
COST	
At 1 January 2018 and 31 December 2018	15,118
AMORTISATION	
At 1 January 2018	450
Charge for the year	360
At 31 December 2018	810
CARRYING AMOUNT	
At 31 December 2018	14,308

	As at 31 December 2018 RMB'000
Analysed for reporting purposes as:	
Current assets (included in trade and other receivables)	360
Non-current assets	13,948
	14,308

Lease prepayment for land use rights represented the land use rights of the land located at No. 26 Tianpu Road, Jiangpu Street, Pukou District, Nanjing City, Jiangsu, the PRC.

Land in the PRC is state-owned or collectively-owned and no individual land ownership rights exists. Lease prepayments for land use rights represent the Group's interests in lands which are held on a medium lease term and had been reclassified as right-of-use assets on 1 January 2019 upon initial application of IFRS 16.

18. INTANGIBLE ASSETS

	Capitalised software costs RMB'000	Other software RMB'000	Total RMB'000
COST			
At 1 January 2018	493,445	257,774	751,219
Additions	119,250	45,501	164,751
At 31 December 2018 and 1 January 2019	612,695	303,275	915,970
Additions	121,613	70,209	191,822
At 31 December 2019	734,308	373,484	1,107,792
AMORTISATION			
At 1 January 2018	315,171	213,009	528,180
Charge for the year	83,991	43,077	127,068
At 31 December 2018 and 1 January 2019	399,162	256,086	655,248
Charge for the year	81,044	54,417	135,461
At 31 December 2019	480,206	310,503	790,709
CARRYING VALUES			
At 31 December 2019	254,102	62,981	317,083
At 31 December 2018	213,533	47,189	260,722

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Capitalised software costs	3 years
Other software	2 years

19. RESTRICTED BANK DEPOSITS

The restricted bank deposits represent cash held at banks as security in relation to the court case between Nanjing Skytech and Nanhua Skytech Technology Co., Ltd. The restricted bank deposits of RMB 28,160,000 (2018: Nil) with carry interest at market of 4.18% (2018: Nil) that relate to the court case with expiry date over one year after the end of the reporting period are presented as non-current assets.

20. DEFERRED TAX

The followings are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the year:

	ECL provision RMB'000	Undistributed profits of subsidiaries RMB'000	Captalised software costs RMB'000	Total RMB'000
At 1 January 2018	545	(27,838)	(14,341)	(41,634)
Credit/(charge) to profit or loss	50	(7,200)	(2,360)	(9,510)
At 31 December 2018 and 1 January 2019	595	(35,038)	(16,701)	(51,144)
Credit/(charge) to profit or loss	575	(17,800)	(5,505)	(22,730)
At 31 December 2019	1,170	(52,838)	(22,206)	(73,874)

Under the PRC enterprise income law, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

The Group has unused tax losses of RMB 43,743,000 available for offset against future profits as at 31 December 2019 (31 December 2018: RMB 13,031,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses arising from subsidiaries operated in the PRC will expire in one to five (2018: one to five) years for offsetting against future taxable profits. Other than the above amounts, at the end of each reporting period, the Group had no other significant unrecognised deferred taxation.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
Financial assets measured at FVTPL:	2019 RMB'000	2018 RMB'000
Unlisted equity securities	–	–

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

The balance represents 4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Limited 江蘇賽聯信息產業研究院股份有限公司 ("Cyberunion"), a private entity established in the PRC. The investment in Cyberunion was fully impaired since 31 December 2018 because directors of the Company are of the opinion that its recoverable amount is zero in view of it was in the process of voluntary winding up with no residual value is expected.

As at 31 December 2019, Cyberunion is still under voluntary liquidation in PRC. The details of measurement and changes in fair value is described in Note 37.

22. INVENTORIES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Purchased system integration solution related products	1,018	1,101

23. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables		
Third parties	1,283,863	1,009,928
Less: Allowance for credit losses	(11,704)	(5,959)
	1,272,159	1,003,969
Prepayments to suppliers	79,050	69,275
Prepayment to the trustee	1,438	1,018
Deposits	6,021	5,676
Deposit for court case (Note (a))	–	28,160
VAT recoverable	4,783	2,553
Advances to employees	4,970	2,688
Lease prepayment for land use rights (Note 17)	–	360
Others	1,232	249
Total trade and other receivables	1,369,653	1,113,948

23. TRADE AND OTHER RECEIVABLES – *continued*

Note:

(a) As at 31 December 2018, amounts of RMB 28,160,000 were deposited to an escrow account of the Nanjing Intermediate People's Court from the fixed deposit that placed previously for this purpose in a Group's bank account in relation to the court case between Nanjing Skytech and Nanhua Skytech Technology Co., Ltd. The deposit was returned and placed as restricted bank deposit during the year ended 31 December 2019. For details, please refer to Note 24 and Note 43.

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement being around one year. A longer credit term may be extended to certain customers depending on price, the size of the contract, credibility and reputation. The following is an aged analysis of trade receivables, net of allowance for credit losses and is presented based on the date of delivery of goods or the rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
0 – 60 days	364,061	353,247
61 – 90 days	24,701	8,309
91 – 180 days	2,744	2,170
181 – 365 days	260,441	188,576
Over 1 year but less than 2 years	393,697	295,021
Over 2 years	226,515	156,646
	1,272,159	1,003,969

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 and 2018 are set out in Note 37.

As at 31 December 2018, trade receivables with a total amount of approximately RMB 362,535,000 have been pledged to secure for banking facilities to the extent of RMB 10,000,000. There were no trade receivables pledged by the Group during the year.

24. PLEDGED BANK DEPOSITS

At 31 December 2019, pledged bank deposits of the Group represented deposits pledged as guarantee deposit for issuance of bank acceptance notes to suppliers, carrying fixed interest rates at 1.5% to 2.75% per annum (31 December 2018: carrying fixed interest rates at 0.35% to 1.5 % per annum).

25. BANK BALANCES AND CASH

Bank balances of the Group carry interest at market rates of 0.35% to 4.18% per annum at 31 December 2019 (31 December 2018: 0.35% to 4.25% per annum).

The Group's bank balances and cash that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Denominated in:		
USD	2,460	6,857
HKD	1,539	9,468
Balance at end of the year	3,999	16,325

26. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	91,658	97,233
Bills payables (Note)	14,437	2,600
	106,095	99,833

Note: At 31 December 2019 and 2018, the Group's bills payable were secured by bank deposits of the Group (Note 24).

26. TRADE AND BILLS PAYABLES – *continued*

Trade and bills payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The following is an aged analysis of trade and bills payables presented based on the invoice date as at end of each reporting period:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0 to 90 days	99,279	94,301
91 to 180 days	581	623
181 to 365 days	3,921	1,418
Over 1 year	2,314	3,491
	106,095	99,833

27. OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Payroll payables	26,892	25,686
VAT and other tax payables	76,337	62,956
Others	4,754	3,429
	107,983	92,071

28. CONTRACT LIABILITIES

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Sales contracts		
— billings in advance of performance	8,567	1,199

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
At 1 January	1,199	1,796
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(967)	(831)
Increase in contract liabilities as a result of billing in advance of performance	8,335	234
At 31 December	8,567	1,199

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018	
	Present value of the lease payments RMB'000	Total lease payments RMB'000	Present value of the lease payments RMB'000	Total lease payments RMB'000	Present value of the lease payments RMB'000	Total lease payments RMB'000
Within 1 year	248	254	245	266	–	–
After 1 year but within 2 years	19	19	211	216	–	–
After 2 year but within 5 years	–	–	–	–	–	–
After 5 years	–	–	–	–	–	–
	267	273	456	482	–	–
Less: total future interest expenses	–	(6)	–	(26)	–	–
Present value of lease liabilities		267		456		–

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 2.1.

30. BORROWINGS

As at 31 December 2019, the Group has a short-term bank loan amounting to RMB 10,000,000 (31 December 2018: RMB 50,000,000). The loan was secured by corporate guarantee of Jiangsu Skytech Investment, a subsidiary of the Company and leasehold lands and owned buildings of the Group with carrying amounts of approximately RMB 13,948,000 and RMB 86,945,000 respectively, interest bearing at one year Loan Prime Rate in PRC plus 4 basis points and are repayable within one year.

31. SHARE CAPITAL

Shown on the consolidated statement of financial position

	Number of shares '000	RMB'000
Authorised shares of HKD 0.01 each:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,000,000	59,128
Issued and fully paid shares of HKD 0.01 each:		
At 1 January 2018	1,238,710	10,009
Shares repurchase and cancelled	(16,325)	(133)
At 31 December 2018, 1 January 2019 and 31 December 2019	1,222,385	9,876

32. RESERVES

PRC Statutory Reserve

Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to these funds are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiaries (the “PRC Accounting Profit”).

The subsidiaries are required to transfer 10% of their PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses incurred or to increase capital.

Capital Reserve

As part of a reorganisation (the “Reorganisation”) as set out in the section headed “History Reorganisation and Group Structure” in the Company’s prospectus dated 27 June 2013 in relation to its global offering of the Company’s shares, the Company acquired 100% interest in Infotech Holdings in January 2011 and became the holding company of the Group. An amount of RMB 891,000 representing the nominal value of share capital of Infotech Holdings was credited to capital reserve upon the Reorganisation. Further in 2011, an amount of RMB 1,736,000 arising from an indemnification of an equal amount from Ms. Xin was credited to capital reserve. Further in 2019, an amount of RMB 3,861,000 arising from shareholding restructure of Jiangsu Skytech Zumoo.

32. RESERVES – *continued*

Share premium

Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as when they fall due in the ordinary course of business.

33. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2019 RMB'000	2018 RMB'000
Minimum lease payments paid under operating leases during the year	1,481	1,772

At 31 December 2018, the Group had outstanding commitments payable under non-cancellable operating leases in respect of its office premises which fall due as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Within one year	636	658
In the second to fifth years inclusive	–	272
	636	930

Operating lease payments represented rentals payable by the Group for certain of its offices premises. Leases were originally negotiated for an average term of 1 to 2 years at fixed rental.

The Company has initially applied IFRS 16 using the modified retrospective approach, the Company adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases except for short-term leases (see Note 2.1.2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in consolidated statement of financial position in accordance with the policies in Note 3, and details of the future lease payments are disclosed in Note 29.

34. RETIREMENT BENEFIT PLANS

Pursuant to the relevant regulations of the PRC government, Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhenjiang Skyinformation, Qingdao Skytect, Jiangsu Skytech Investment, Nanjing Aisita and Jiangsu Skytech Zumoo have participated in central pension schemes (the "Schemes") operated by the local municipal government and the Group is required to contribute certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment, Nanjing Aisita and Jiangsu Skytech Zumoo. The only obligation of Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhenjiang Skyinformation, Qingdao Skytech, Jiangsu Skytech Investment, Nanjing Aisita and Jiangsu Skytech Zumoo with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as when incurred.

The total amounts contributed by the Group to the Schemes and charged to profit or loss represent contribution payable to the Schemes by the Group at rates specified in the rules of the Schemes and are as follows:

	2019 RMB'000	2018 RMB'000
Amounts contributed and charged to profit or loss	1,159	1,799

35. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to the written solution passed on 11 June 2013, the Company adopted a pre-IPO share option scheme (the "Share Option Scheme") to (i) motivate the personnel to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the personnel whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Under the Share Option Scheme, the Board of Directors of the Company (the "Directors") may grant options to (i) any employees, executives, officers or any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and (ii) any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Directors will contribute or have contributed to the Company or any of its subsidiaries.

35. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

(a) Pre-IPO Share Option Scheme – *continued*

Upon acceptance of the option, the grantee shall pay HKD 1 to the Company by way of consideration for the grant. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 100,000,000 shares. The limit may be renewed at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme of the Company to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of that 1% of the shares in issue as at the date of grant shall be subject to the issue of a circular by the Company and the approval of shareholders in general meeting. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Directors propose to grant options to a substantial shareholder or any independent non-executive director or their respective associates in aggregate over 0.1% of the shares in issue; and with aggregate value in excess of HKD 5 million will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

Options may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the options are deemed to be granted and accepted and prior to the expiry of 10 years from that date. The exercise price is determined by the Directors, and must be at least the higher of (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

As at 31 December 2019, no option has been granted under the Share Option Scheme since its adoption date.

(b) Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 13 December 2016 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme are to (i) recognise and motivate the contributions by certain employees and non-executive directors of the Company and/or any member of the Group who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any member of the Group ("Eligible Participants") and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; and (iii) provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

35. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

(b) Share Award Scheme – *continued*

The Company has engaged ARK Trust (Hong Kong) Limited (the "Trustee") to administer and hold the Company's shares with a sum of up to HKD 40,000,000 (equivalent to RMB 35,780,000) before they are vested and transferred to the Eligible Participants. The Trustee purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions.

During the year ended 31 December 2016 and 31 December 2017, 5,550,000 and 10,303,000 ordinary shares of the Company have been acquired by the Company through its trustee at aggregate costs of approximately HKD 13,700,000 (equivalent to approximately RMB 12,255,000) and HKD 26,300,000 (equivalent to approximately RMB 23,396,000) (the "First Contributed Amount") respectively.

Pursuant to the Company's announcement dated 12 June 2017, the Board of Directors further resolved to set aside a sum of up to HKD 50,000,000 (equivalent to approximately RMB 44,131,000) for the purchase of Company's ordinary shares through the Trustee to be awarded to be Eligible Participants as to be selected by the Board of Directors (the "Second Contributed Amount"). The Second Contributed Amount will be paid to the trustee as and when required.

During the year ended 31 December 2017 and 31 December 2018, 15,577,000 and 4,226,000 ordinary shares of the Company have been acquired by the Company through its Trustee, at an aggregate cost of approximately HKD 37,398,000 (equivalent to approximately RMB 31,795,000) and HKD 9,999,000 (equivalent to approximately RMB 8,098,000) respectively.

As at 31 December 2017, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to the Share Award Scheme.

For the year ended 31 December 2018, the Group has granted a total of 16,005,000 shares of the Company to 113 employees whom are Eligible Participants pursuant to the scheme at nil consideration on 22 August 2018. The value of approximately HK$43,533,600 (equivalent to approximately RMB 36,827,000), taking into account of the average closing price of HK$ 2.72 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant. As at 31 December 2018, 13,265,000 granted shares have been transferred to employees and the remaining 2,740,000 granted shares were transferred to employees in January 2019.

As at 31 December 2019, no shares have been granted or agreed to be granted to any Eligible Participants pursuant to Share Award Scheme.

36. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group as disclosed to the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Land use rights (Note 16)	13,948	14,308
Buildings (Note 15)	86,945	91,828
Trade receivables (Note 23)	—	362,535
Pledged bank deposits (Note 24)	1,884	1,491
	102,777	470,162

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

The capital structure of the Group consists of net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Fair value through profit or loss (FVTPL)		
— unlisted equity securities	–	–
Financial assets at amortised cost (including cash and cash equivalents)	1,450,004	1,230,024
	1,450,004	1,230,024
Financial liabilities		
Amortised cost	148,008	178,948

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, borrowings, bank balances and cash and pledged bank deposits. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

The primary economic environment in which the Group operates is the PRC and its functional currency is RMB. However, certain of the Group's bank balances and other payables are denominated in United States Dollars ("USD") and Hong Kong Dollars ("HKD"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Foreign currency risk management – *continued*

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

	2019 RMB'000	2018 RMB'000
Assets		
USD	2,460	6,857
HKD	1,539	9,468

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against USD and HKD. This represents management's assessment of the reasonably possible fluctuation in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year.

	2019 RMB'000	2018 RMB'000
USD impact	123	343
HKD impact	77	473
	200	816

In the management's opinion, the sensitivity analysis is unrepresentative of inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Other price risk management

In the opinion of the directors of the Company, the Group has no material other price risk exposure due to the short maturity period of the deposits with bank. Accordingly, no sensitivity analysis is presented.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

There is concentration of credit risk as the top five biggest customers account for approximately 23% of the carrying amounts of trade receivables as at 31 December 2019 (31 December 2018: 25%). The management of the Group generally grants credit only to customers with sound historical trading records and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivable is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts.

The credit risk on bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings or are state owned.

Other than concentration of credit risk on cash and cash equivalents and pledged bank deposits which are deposits with several banks with high credit ratings. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2019 (31 December 2018: 100%).

Other than concentration of credit risk on trade receivables, other receivables and cash and cash equivalents deposited at several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associate with its financial assets.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Note	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised costs					
Pledged bank deposits	24	N/A	12-month ECL	1,884	
			Lifetime ECL — not credit-impaired	–	
			Credit-impaired	–	1,884
Restricted bank deposits	19	N/A	12-month ECL	28,160	
			Lifetime ECL — not credit-impaired	–	
			Credit-impaired	–	28,160
Bank balances	25	N/A	12-month ECL	140,577	
			Lifetime ECL — not credit-impaired	–	
			Credit-impaired	–	140,577
Other receivables	23	(Note (a))	12-month ECL	7,224	
			Lifetime ECL — not credit-impaired	–	
			Credit-impaired	–	7,224
Trade receivables	23	(Note (b))	Lifetime ECL (provision matrix)	1,280,425	
		Watch list	Lifetime ECL — not credit-impaired	3,438	
		Loss	Credit-impaired	–	1,283,863

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

2018	Note	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	
				RMB'000	RMB'000
Financial assets at amortised costs					
Pledged bank deposits	24	N/A	12-month ECL	1,491	
			Lifetime ECL - not credit-impaired	–	
			Credit-impaired	–	1,491
Bank balances	25	N/A	12-month ECL	190,506	
			Lifetime ECL - not credit-impaired	–	
			Credit-impaired	–	190,506
Other receivables	23	(Note (a))	12-month ECL	34,085	
			Lifetime ECL - not credit-impaired	–	
			Credit-impaired	–	34,085
Trade receivables	23	(Note (b))	Lifetime ECL (provision matrix)	1,005,464	
		Watch list	Lifetime ECL - not credit-impaired	4,464	
		Loss	Credit-impaired	–	1,009,928

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Credit risk and impairment assessment – *continued*

Notes:

(a) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

31 December 2019

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Other receivables	–	7,224	7,224

31 December 2018

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Other receivables	–	34,058	34,058

(b) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, group by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because the customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 31 December 2018 within lifetime ECL (not credit impaied).

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Gross carrying amount

	31 December 2019		31 December 2018	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Current (not past due)	0.18%	653,122	0.27%	553,797
Less than 1 year past due	0.25%	393,874	0.36%	296,087
Over 1 year but less than 2 years past due	1.88%	172,319	1.00%	104,635
Over 2 years past due	4.69%	61,110	3.38%	50,945
		1,280,425		1,005,464

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The Grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided RMB 2,935,000 (31 December 2018: RMB 2,696,000) impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of RMB 3,438,000 (2018: RMB 628,000) and RMB Nil (2018: RMB 308,000) were made on debtors with significant balances and credit impaired debtors respectively.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	2019 RMB'000	2018 RMB'000
At 1 January	5,959	5,453
— Impairment losses recognised	6,373	3,632
— Write-offs	(628)	(3,126)
At 31 December	11,704	5,959

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over five years past due, whichever occurs earlier.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Liquidity risk management

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand, or less than 3 months RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019							
Financial liabilities							
Trade and bills payables	–	99,279	581	3,921	2,314	106,095	106,095
Other payables	–	31,646	–	–	–	31,646	31,646
Bank borrowings	4.34	10,083	–	–	–	10,083	10,000
		141,008	581	3,921	2,314	147,824	147,741
At 31 December 2018							
Financial liabilities							
Trade and bills payables	–	94,301	623	1,418	3,491	99,833	99,833
Other payables	–	29,115	–	–	–	29,115	29,115
Bank borrowings	4.92	50,539	–	–	–	50,539	50,000
		173,955	623	1,418	3,491	179,487	178,948

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

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Interest rate risk

The Group's interest rate risk arises primarily from pledged bank deposits, bank balances and bank loan which were contracted at short-term variable rates and expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate risk

	2019		2018	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate bank deposits	4.03	30,044	3.22	21,394
Variable rate bank deposits	0.85	140,449	0.32	170,247
Bank loan	4.34	(10,000)	4.92	(50,000)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and accumulated profits by approximately RMB 1,220,000 (2018: RMB 1,505,000) respectively. Other components of equity would not be affected (2018: RMB Nil) by changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2018.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or perform valuation by themselves. The valuation committee establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value, if any.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)
	31 December 2019	31 December 2018			
Unlisted equity investments	4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Ltd. valued at RMB Nil	4% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Ltd. valued at RMB Nil	Level 3	Adjusted net asset value method	N/A

The directors of the Company consider that the carrying amounts of the financial instruments carried at other than fair values approximated their fair values as at 31 December 2019 and 31 December 2018 because of their short-term maturities.

37. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Fair value measurements of financial instruments – *continued*

Reconciliation of Level 3 fair value measurement of financial assets

	Unlisted equity investments RMB'000
At 1 January 2018 — as restated	1,453
Total losses:	
— charged to profit or loss (Note)	(1,453)
At 31 December 2018, 1 January 2019 and 31 December 2019	—

Note: Fair value losses on financial assets designed at FVTPL are included in "other expenses and losses" to the consolidated statements of profit or loss.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities (Note 29) RMB'000	Borrowings (Note 30) RMB'000
At 1 January 2018	—	—
Financing cash flows:		
New bank loan raised	—	80,000
Repayment of bank loan	—	(30,000)
Interest expenses	—	2,483
Interest paid	—	(2,483)
At 31 December 2018	—	50,000
Impact on initial application of IFRS 16	456	—
At 1 January 2019	456	50,000
Financing cash flows:		
New bank loan raised	—	20,000
Repayment of bank loan	—	(60,000)
New lease	76	—
Interest expenses	22	815
Interest paid	—	(815)
Lease liabilities paid	(287)	—
At 31 December 2019	267	10,000

39. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year were as follows:

	2019 RMB'000	2018 RMB'000
Short term benefits	5,709	5,905
Retirement benefits scheme contributions	189	244
	5,898	6,149

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries	(a)	132,879	132,879
Property, plant and equipment		6	6
		132,885	132,885
Current assets			
Amounts due from subsidiaries		44,174	44,197
Prepayment to the trustee		1,438	1,018
Bank balances and cash		1,572	22,991
		47,184	68,206
Current liabilities			
Other payables		1,878	7,787
		1,878	7,787
Net current assets		45,306	60,419
Net assets		178,191	193,304
Capital and reserves			
Share capital		9,876	9,876
Reserves	(b)	168,315	183,428
Total equity		178,191	193,304

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

(a) A list of the Company's subsidiaries is shown in Note 41 to the consolidated financial statements.

(b) Movement of the Company's reserves

	Share premium RMB'000	Accumulated losses RMB'000	Shares held under share award scheme RMB'000	Total RMB'000
At 1 January 2018	298,011	(11,138)	(67,446)	219,427
Profit and total comprehensive income for the year	–	16,124	–	16,124
Dividend (Note 14)	–	(34,076)	–	(34,076)
Purchase of shares under share award scheme (Note 35(b))	–	–	(8,098)	(8,098)
Share award granted	–	–	30,523	30,523
Share repurchased and cancelled	(40,472)	–	–	(40,472)
At 31 December 2018 and 1 January 2019	257,539	(29,090)	(45,021)	183,428
Profit and total comprehensive income for the year	–	2,995	–	2,995
Dividend (Note 14)	–	(24,412)	–	(24,412)
Share award granted	–	–	6,304	6,304
At 31 December 2019	257,539	(50,507)	(38,717)	168,315

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Place of Incorporation/ operation and type of legal entity	Issued and fully paid share capital/ registered capital	Equity interest held by the Company				Principal activities
			Direct		Indirect		
			2019 %	2018 %	2019 %	2018 %	
Infotech Holdings Pte. Ltd.	Singapore, limited company	SGD 27,538,640	100	100	–	–	Investment holding
Nanjing Skytech Co., Limited 南京擎天科技有限公司 (Note 1)	PRC, limited company	RMB 200,000,000	–	–	100	100	Software development, system integration, sales of related computer products and provision of solution services
Jiangsu Skyinformation Co., Limited 江蘇擎天信息科技有限公司 (Note 1)	PRC, limited company	RMB 35,000,000	–	–	100	100	Software outsourcing service and development on sale of information integration
Nanjing Skytech Quan Shui Tong Information Technology Co., Limited 南京擎天全税通信息科技有限公司 (Note 1)	PRC, limited company	RMB 10,000,000	–	–	100	100	Development and sale of export enterprise cloud-based software
Zhenjiang Skyinformation Co., Limited 鎮江擎天信息科技有限公司 (Note 1)	PRC, limited company	RMB 5,000,000	–	–	100	100	Development and sale of software and system related products and services
Jiangsu Skytech Investment Management Co., Limited 江蘇擎天科技投資管理有限公司 (Note 1)	PRC, limited company	USD 83,650,000	–	–	100	100	PRC investment and advisory

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY – *continued*

Details of the Company's subsidiaries are as follows: – *continued*

Name of subsidiary	Place of Incorporation/ operation and type of legal entity	Issued and fully paid share capital/ registered capital	Equity interest held by the Company				Principal activities
			Direct		Indirect		
			2019 %	2018 %	2019 %	2018 %	
Qingdao Skytech Software Co., Limited 青島擎天軟件有限公司 (Note 1)	PRC, limited company	RMB 10,000,000	–	–	100	100	Computer products of System integration and software development
Nanjing Aisita Real Estate Co., Limited 南京艾斯特置業有限公司 (Note 1)	PRC, limited company	RMB 120,000,000	–	–	100	100	Properties holding
Jiangsu Jiangtian Yonghua Data Service Co., Limited* 江蘇江天永華數據服務有限公司 (Note 1)	PRC, limited company	RMB 10,000,000	–	–	–	65	Computer products of System integration and software development
Jiangsu Skytech Industrial Internet Co., Limited 江蘇擎天工業互聯網有限公司 (Note 1)	PRC, limited company	RMB 10,000,000	–	–	60	60	Computer products of System integration and software development
Jiangsu Skytech Zumoo Technology Co., Limited (formerly known as Jiangsu Skytech Supply Chain Big Data Information Service Platform Co., Limited) 江蘇擎天助貿科技有限公司 (前稱江蘇擎天供應鏈大數據信息服務平台有限公司) (Note 1)	PRC, limited company	RMB 11,110,000	–	–	45	60	Computer products of System integration and software development

* The company was de-registration during the year.

Note 1: The English translation of the name is for reference only. The official name of the entity is in Chinese.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

42. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Deemed partial disposal of interests in subsidiary without losing control

	2019 RMB'000
Carrying amount of equity interest obtained by non-controlling interests	(799)
Capital contributed by non-controlling interests	1,110
Gain on disposal within equity	311

Jiangsu Skytech Zumoo, a partially-owned (60%) subsidiary of the Company established in the People's Republic of China (the "PRC"), has changed its shareholding structure during October and November 2019. The new shareholders became Nanjing Skytech, 南京擎天投資咨詢有限公司 ("擎天投資") and 南京鑫嵐創業投資企業(有限合伙) ("鑫嵐創投") who owns 45%, 36% and 19% respectively in Jiangsu Skytech Zumoo. After the restructuring, Jiangsu Skytech Zumoo 's immediate holding company, Nanjing Skytech Co., Limited ("Nanjing Skytech"), originally held 60% equity shares in this subsidiary had been diluted to 45%. However, the Group still maintains a control of this subsidiary due to the reason of the board of directors still contains two directors nominated by two shareholders (namely Nanjing Skytech of 45% and 擎天投資 of 36%) who are controlled persons under Ms. Xin Yingmei as appointed by Jiangsu Skytech Zumoo. As a consequence, a deemed disposal gain was resulted in this transaction.

43. CONTINGENT LIABILITIES

Nanjing Skytech has been involved in a series of disputes with Janful Limited ("Janful") over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, most of which were dismissed by courts or were subsequently withdrawn. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People's Court, ordering the defendants of the Group to pay damages of approximately RMB 27,906,000 to Nanhua Skytech Technology Co., Ltd (南京南華擎天資訊科技有限公司) ("Nanhua Skytech"). The Group had issued a defend letter and filed an appeal to the Higher People's Court of Jiangsu Province ("Higher Court"). On 1 July 2016, the Group received a judgement made by the Higher Court to maintain the claim of Nanhua Skytech. On 11 July 2016, the Group issued another defend letter to the Supreme People's Court of The People's Republic of China ("Supreme People's Court"). On 3 August 2016, the Group received a notice of case registration from the Supreme People's Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People's Court. Pursuant to the Company's further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People's Court (the "Beijing Court") for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award ("CIETAC Arbitral Award") which was given in favour of Nanjing Skytech. After these trials, the Beijing Court made a judgement that the rationale for Janful's application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful's application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company's announcement dated 14 November 2016. On 8 April 2019, the Group received a judgment made by the Supreme People's Court to order the Higher Court second review the case and stop the execution of judgement made by Higher Court during the reviewing period. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 31 December 2019 and prior years.

Based on the aforesaid, the Company might still liable for a damage of approximately RMB 27,906,000 to Nanhua Skytech, however, the Group would like to emphasise that as disclosed in the Company's prospectus dated, 27 June 2013, any potential economic losses arising as a result of the above case will be borne by the original shareholders and any net loss arising from above case will only be 66.7% of the gross amount.

44. COMPARATIVE FIGURES

The Group initially applied IFRS 16 as at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of these changes in accounting policies are disclosed in Notes 2.1.3 and 16.