ENTERPRISE DEVELOPMENT
HOLDINGS LIMITED

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

ANNUAL REPORT
2021

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Executive Director
Li Zhuoyang

Independent Non-executive Directors
Cai Jinliang
Chin Hon Siang
Chen Kwok Wang

COMPANY SECRETARY
Chan Yuen Ying, Stella

AUTHORISED REPRESENTATIVES
Li Zhuoyang
Chan Yuen Ying, Stella

AUDIT COMMITTEE
Cai Jinliang *(Committee Chairman)*
Chin Hon Siang
Chen Kwok Wang

REMUNERATION COMMITTEE
Chin Hon Siang *(Committee Chairman)*
Cai Jinliang
Li Zhuoyang

NOMINATION COMMITTEE
Chin Hon Siang *(Committee Chairman)*
Cai Jinliang
Li Zhuoyang

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Grand Cayman, KY1-1100
Cayman Islands

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Hong Kong

PRINCIPAL BANKER
Bank of Communications Co., Ltd.

STOCK CODE
1808

COMPANY WEBSITE
www.1808.com.hk

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Enterprise Development Holdings Limited (the "Company"), I present herewith the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

For the financial year ended 31 December 2021, the Group recorded a consolidated net loss attributable to equity shareholders of the Company of approximately RMB24 million as compared to the consolidated net loss attributable to equity shareholders of the Company of approximately RMB17 million in the last corresponding year. The consolidated net loss attributable to equity shareholders of the Company for the year ended 31 December 2021 was mainly due to, including but not limited to, (i) the distribution expenses of approximately RMB17 million; (ii) the general and administrative expenses of approximately RMB18 million; (iii) the impairment on intangible assets of approximately RMB1 million; (iv) loss allowance on trade and other receivables of approximately RMB7 million; (v) fair value loss on financial assets at fair value through profit or loss of approximately RMB8 million; and net off by (vi) gross profit of approximately RMB17 million and (vii) other income and gains of approximately RMB5 million. For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB17 million. During the year, the gross profit margin of the Group's software business was approximately 41%, as compared to the same period of last year of approximately 25%. The increase in gross profit margin was mainly attributable to the transformation period of the software business, the Group's reduction of the businesses with lower gross profit margins, combined with the enhanced professional service sales resulting in an increase in the ratio of self-developed products and software maintenance services. Therefore, the gross profit margin of the Group's software business increased. The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

In 2021, the COVID-19 pandemic (the "Pandemic") continued to cause an adverse impact on every aspect in the society, the Group's software business continued to record a slowdown for the year ended 31 December 2021. The Pandemic has brought a negative impact in overall market sentiment and the Group's financial performance in the year 2021 was adversely affected. The Pandemic has posed significant challenges to the Group's business activities and has caused operational delays to some extent. The Group will try to maintain its competitiveness in 2022 through introduction of new products and services, further broadening of client base and implementation of various cost control policies.

Looking ahead to 2022, despite the continuous outbreak of the Pandemic around the world and with many uncertainties in China's internal and external economic and market environment, Chinese economy is expected to keep a good momentum of steady growth. From the software market in the PRC, it is noticed that certain state-owned enterprises and financial institutions have been switching from imported database software to domestic-produced database service providers. The Company expects that on a long-term basis, in line with the national policy of information technology self-sufficiency, there will be more PRC-based customers switching to the domestic brand when seeking for database software service providers. With the in-depth reform and transformation, it is expected that the software business in the future will see more business opportunities along with replacement and popularization of domestic products. The income of the software business is expected to increase accordingly. In order to maintain the Group's sustainability and preservation of value over the long term, the Group will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to the shareholders of the Company ("Shareholders"). In particular, the Group will continue to explore potential integration opportunities for the Group's existing IT services with financial service sector. The Group will put the best effort on the Group's growth opportunities and increasing its competitive advantage to facilitate the long-term business development of the Group.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation for the full support of all Shareholders, the wholehearted cooperation of business partners and the diligent work of the staff, we will commit and continue to do our best to achieve excellent results in the future.

Li Zhuoyang
Executive Director

Hong Kong, 31 March 2022

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTOR

Ms. Li Zhuoyang ("Ms. Li"), aged 47, was appointed as an executive Director on 24 May 2021. She is also a member of each of the nomination committee of the Company (the "Nomination Committee") and the remuneration committee of the Company (the "Remuneration Committee"). Ms. Li obtained a bachelor's degree from Southwestern University of Finance and Economics in December 1998. She is currently an EMBA student at China Europe International Business School. Ms. Li has joined 北京東方龍馬軟件發展有限公司 (Beijing Orient LegendMaker Software Development Co., Ltd.*) ("Beijing Orient LegendMaker"), a non wholly-owned subsidiary of the Company since 2000. She was a director of Beijing Orient LegendMaker, a legal representative and an executive director of each of 上海東方龍馬技術有限公司 (Shanghai Orient LegendMaker Technology Co., Ltd.*) and 成都東方龍馬信息產業有限公司 (Chengdu Orient LegendMaker Information Industry Co., Ltd.*), all are non wholly-owned subsidiaries of the Company, and a legal representative of the Guangzhou Branch of Beijing Orient LegendMaker. Ms. Li has been a legal representative of Beijing Orient LegendMaker, chairman and president since 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Jinliang ("Mr. Cai"), aged 52, was appointed as an independent non-executive Director on 24 August 2020. He is also the chairman of the audit committee of the Company (the "Audit Committee"), and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Cai was graduated from Gannan Normal University in July 1989, majoring in Mathematics and obtained a Master degree of Business Administration and a Postgraduate Degree from Northwest Polytechnical University in September 2006. He has been a certified public accountant in China since August 2008 and has more than 13 years of practicing experience and obtained the qualification of a certified internal auditor, certification in control self-assessment and an independent director in the Shanghai Stock Exchange. Mr. Cai joined Wuyige Certified Public Accountants LLP in October 2012 and has been a partner and department manager since April 2018. He had been a senior project manager and a manager in RSM China LLP (now known as Ruihua Certified Public Accountants) during the period from 2006 to September 2012. Mr. Cai has been an independent director and the convener of the board of directors, the audit committee of Fujian Start Group Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 600734) since September 2018. He had conducted the audit work on the annual reports of Jingwei Textile Machinery Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 666), Shandong Xinneng Taishan Power Generation Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 720), Xinyangfeng Agricultural Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 902), Metallurgical Corporation of China Ltd. (a company listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); stock code: 601618, 01618), China Huaneng Group Co., Ltd., Great Wall Securities Co., Ltd (a company listed on the Shenzhen Stock Exchange; stock code: 2939) and Yintai Securities Co., Ltd., and has extensive experience in auditing annual report, significant assets restructuration and special audit on state-owned enterprises and listed companies. Mr. Cai performed internal audits according to corporate internal control standards of Datang International Power Generation Co., Ltd. (a company listed on both the Shanghai Stock Exchange and the Stock Exchange; stock code: 601991, 991) and Angang Steel Company Limited (a company listed on both the Shenzhen Stock Exchange and the Stock Exchange; stock code: 898, 347), provided consultation services on the establishment of internal control system of Xinjiang Bayi Iron & Steel Group Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 600581) and has extensive experience in internal audit, evaluation and system construction consulting services.

Mr. Chin Hon Siang ("Mr. Chin"), aged 52, was appointed as an independent non-executive Director on 26 May 2021. He is also the chairman of each of the Remuneration Committee and the Nomination Committee, and a member of the Audit Committee. Mr. Chin holds a Bachelor of Commerce Degree from Monash University, Australia. He is a member of CPA Australia. He has over 20 years of experience in external auditing, merger and acquisition and corporate finance.

Mr. Chin served as the financial controller of Zhong Ji Longevity Science Group Limited (a company listed on the main board of the Stock Exchange; stock code: 767) from 10 September 2021 to 25 March 2022. He served as an independent non-executive director of Pine Capital Group Limited, a company listed on the Catalist Board of the Singapore Exchange (stock code: ADJ.SI) from January 2020 to July 2020. He had also served as an independent non-executive director of Blockchain Group Company Limited, a company incorporated in the Cayman Islands with limited liability and formerly listed on the Main Board of the Stock Exchange (stock code: 00364) until 10 August 2021 (which is principally engaged in the manufacture and sale of raw teas, refined teas and other related products in the People's Republic of China (the "PRC") and was ordered to be wound up by the High Court of Hong Kong on 19 November 2018), from July 2016 to July 2018 and an independent non-executive director of Rentian Technology Holdings Limited (in liquidation), a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange (stock code: 00885) (the controlling shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company which is principally engaged in the businesses of (i) the provision of integrated smart internet-of-things solutions to enterprise customers; (ii) human-machine interactive devices; (iii) intelligent documentation service; (iv) securities investment; and (v) money lending and was ordered to be wound up by the High Court of Hong Kong on 21 October 2020), from October 2015 to January 2021. Mr. Chin confirmed that he is not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him as a result of the above. He served as the Chief Financial Officer of Asia Green Agriculture Corp, a company formerly listed on the Over-the-Counter Bulletin Board in the United States of America (stock code: AGAC), from September 2012 to August 2015, the Chief Finance Manager of Dukang Distillers Holdings Limited, a company listed on Singapore Exchange (stock code: GJ8.SI) and Taiwan Stock Exchange Corporation (stock code: 911616.TW), from May 2010 to March 2012 and the Chief Financial Officer of United Food Holdings Limited, a company listed on Singapore Exchange (stock code: AZR.SI), from September 2002 to April 2010.

Mr. Chen Kwok Wang ("Mr. Chen"), aged 59, was appointed as an independent non-executive Director on 9 December 2021. He is also a member of the Audit Committee. Mr. Chen is currently a partner of Fairbairn Catley Low & Kong. He has been admitted as a solicitor of the High Court since 2005 and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since February 1990. Mr. Chen obtained a Master degree of Business Administration in December 1997 from the University of Hong Kong. He also obtained his Bachelor of Laws from the University of Wolverhampton in February 2002 and his Postgraduate Certificate in Laws from the University of Hong Kong in June 2003.

Mr. Chen has been an independent non-executive director of Wai Chi Holdings Company Limited (a company listed on the main board of the Stock Exchange; stock code: 1305) since 11 March 2014 and an independent director of Fujian Start Group Co., Ltd (a company listed on the Shanghai Stock Exchange; stock code: 600734) since 20 May 2014.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB40,825,000 (2020: RMB70,839,000), of which revenue mainly comprised (i) software maintenance and other services amounted to approximately RMB38,172,000 (2020: RMB67,897,000); (ii) sale of software license and other products amounted to approximately RMB2,293,000 (2020: RMB2,633,000); and (iii) revenue from other sources amounted to approximately RMB360,000 (2020: RMB309,000). The decrease in overall revenue for the software business was due to the outbreak of coronavirus disease 2019 ("COVID-19"). The COVID-19 has brought a negative impact in overall market sentiment and the Group's financial performance in the year 2021 was adversely affected. The COVID-19 has posed significant challenges to the Group's business activities and has caused operational delays to some extent.

Gross Profit

For the year ended 31 December 2021, the Group recorded a gross profit of approximately RMB16,512,000 (2020: RMB17,578,000). The gross profit ratio for the software business of the Group during the year was approximately 41% while that of the last corresponding year was approximately 25%. The increase in gross profit ratio was mainly due to the increase in proportion for sale of self-developed products which have higher gross profit margin.

Distribution Expenses

For the year ended 31 December 2021, distribution expenses were approximately RMB16,710,000 (2020: RMB19,486,000). The decrease in distribution expenses was mainly due to the decrease in staff costs of the software business in the PRC during the year.

General and Administrative Expenses

For the year ended 31 December 2021, general and administrative expenses were approximately RMB17,870,000 (2020: RMB17,305,000). The increase in general and administrative expense was mainly attributable to the increase in legal and professional fee.

Impairment on Intangible Assets

For the year ended 31 December 2021, an impairment on intangible assets approximately RMB1,479,000 (2020: RMB8,215,000) was contributed by the software business. The software business has been adversely affected by the business environment in the PRC and was projected to generate lower revenue and profit than expected.

Finance Costs

For the year ended 31 December 2021, finance costs were approximately RMB715,000 (2020: RMB1,223,000). The decrease in finance costs was mainly due to the decrease in the interest on short-term interest-bearing borrowings during the year.

Fair Value Loss or Gain of Financial Assets at Fair Value Through Profit or Loss

The Group invested in a financial instrument for short-term investments, included the equity securities listed in Hong Kong and the United States. During year ended 31 December 2021, the fair value loss on financial assets at fair value through profit or loss of approximately RMB8,028,000 was recognised in profit or loss (2020: fair value gain of RMB3,696,000).

Loss for the Year

As a result, the Group recorded a loss for the year ended 31 December 2021 of approximately RMB30,734,000 (2020: RMB25,322,000).

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated from operating and financing activities. As at 31 December 2021, the Group maintained cash and cash equivalents amounted to approximately RMB115,636,000 (2020: RMB99,922,000). As at 31 December 2021, the Group's current ratio was approximately 6.77 times (2020: 5.86 times); and the Group's net gearing ratio as at 31 December 2021 was not applicable (2020: not applicable), since the Group had cash in excess of interest bearing borrowings.

Foreign Exchange

The Group's revenue is mainly denominated in Renminbi and no related hedge is required for the time being. Details of the Group's foreign currency risk are set out in Note 28(d) to the consolidated financial statements.

Pledge of Assets

As at 31 December 2021 and 2020, the Group had no pledge of assets in order to obtain general banking facilities or short-term bank borrowings.

Capital Structure

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including interest-bearing borrowings, and equity attributable to equity shareholders of the Company, comprising issued share capital, share premium, accumulated losses and other reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

On 19 February 2021, the Company proposed to raise up to approximately HK$47,407,000 before expenses, by way of the rights issue (the "Rights Issue"), by issuing up to 395,061,466 rights shares (the "Right Share(s)") (assuming all outstanding share options are exercised in full on or before 24 March 2021 (the "Record Date"), but otherwise no other shares of the Company (the "Shares") are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue) at the subscription price of HK$0.12 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date.

On 19 February 2021, the Company entered into an underwriting agreement (the "Underwriting Agreement") with VC Brokerage Limited (the "Underwriter") in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, the underwritten shares up to 395,061,466 Rights Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

On 18 May 2021, the Board announced that all conditions set out in the Underwriting Agreement had been fulfilled and the Underwriting Agreement and the Rights Issue became unconditional at 4:00 p.m. on Wednesday, 12 May 2021.

As a result of the under-subscription of the Rights Issue and in accordance with the terms of the Underwriting Agreement, the Underwriter has procured subscribers to subscribe for 240,364,000 Rights Shares, representing approximately 63.41% of the total number of 379,086,466 Rights Shares available for subscription under the Rights Issue.

After the subscribers' subscription procured by the Underwriter, the Rights Issue was finally under-subscribed by 3,404,628 Rights Shares, representing approximately 0.90% of the total number of 379,086,466 Rights Shares available for subscription under the Rights Issue. Therefore, the size of the Rights Issue was reduced to 375,681,838 Rights Shares.

The gross proceeds from the Rights Issue are approximately HK$45.08 million and the net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are approximately HK$43.91 million. The Company originally planned to apply such net proceeds as to approximately (i) 30% for the potential acquisitions, expansion and equipment purchase of the Group's software business in the future; (ii) 40% for loan financing business and securities investments business; and (iii) the remaining 30% for the Group's operating expenses and overheads, among which approximately 60% is for staff cost (including salary and allowance), approximately 4% is for rental payments, approximately 20% is for professional fees (including legal fee, financial advisory fee, accounting and auditing fee) and the remaining 16% is for the general administrative and operating expenses (including utilities and insurance, statutory registration fee, listing fee and travelling expenses etc.). The Board resolved on 1 November 2021 to apply (i) 30% of the proceeds originally planned for potential acquisitions, expansion and equipment purchase of the Group's software business in the future, being approximately HK$13.17 million and (ii) the remaining proceeds of HK$13.56 million originally planned for loan financing business and securities investments business in (a) procurement for the Group's software business development as to HK$10 million in order to fully utilize the expansion capacity of the software business so as to strive for better business performance of the Group, and (b) the remaining HK$16.73 million for general working capital of the Group.

The net proceeds from the Rights Issue were used as (i) approximately RMB3.34 million (equivalent to HK$4 million) for loan financing business; (ii) approximately RMB3.73 million (equivalent to HK$4.54 million) for the procurement of software license and related services; and (iii) approximately RMB14.71 million (equivalent to HK$17.92 million) for the Group's operating expenses, overheads and general working capital, among which approximately RMB9.77 million (equivalent to HK$11.90 million) is for staff cost, approximately RMB0.61 million (equivalent to HK$0.74 million) is for rental payments, approximately RMB1.73 million (equivalent to HK$2.11 million) is for professional fee and the remaining approximately RMB2.60 million (equivalent to HK$3.17 million) is for general administrative expenses. The remaining net proceeds of approximately RMB14.93 million (equivalent to HK$17.45 million) will be used according to the intended use.

On 9 November 2021, the Company entered into the subscription agreements (the "Subscription Agreements") with De Gennes Limited (鴻贇有限公司) and Ms. Sun Ningning (the "Subscribers") pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 226,770,954 new Shares (the "Subscription Share(s)"), at the subscription price of HK$0.07 per Subscription Share (the "Subscription Price") (the "Subscriptions").

On 7 December 2021, the Company entered into the supplemental agreements to the Subscription Agreements (the "Supplemental Agreements") with each of the Subscribers, pursuant to which the Company and each of the Subscribers have agreed to amend the Subscription Agreements to change the Subscription Price per Subscription Share from HK$0.07 to HK$0.10 (the "New Subscription Price").

On 29 December 2021, all the conditions of the Subscription Agreements (as supplemented by the Supplemental Agreements) have been fulfilled and the Subscriptions were completed. An aggregate of 226,770,954 Subscription Shares were allotted and issued to the Subscribers, of which, 192,755,311 Subscription Shares were allotted and issued to De Gennes Limited (鴻贇有限公司) and 34,015,643 Subscription Shares were allotted and issued to Ms. Sun Ningning respectively, at the New Subscription Price of HK$0.10 per Subscription Share. The gross proceeds and net proceeds arising from the Subscriptions amounted to approximately HK$22.67 million and HK$22.37 million, respectively. The Company intended to apply (i) approximately HK$15.64 million for capital injection in Beijing Orient LegendMaker Software Development Co., Ltd.* (北京東方龍馬軟件發展有限公司) as detailed in the announcements of the Company dated 9 November 2021 and 29 November 2021 and (ii) approximately HK$6.73 million for general working capital of the Group which shall be applied on, including, but not limited to, approximately 70% for staff cost, approximately 20% for professional fees, approximately 5% for rental payments and approximately 5% for general administrative and operating expenses of the Group. The net proceeds will be used in the following year according to the intended use.

On 14 December 2021, the Board proposed to implement the capital reorganisation (the "Capital Reorganisation") which comprises the following: (i) the share consolidation (the "Share Consolidation") by which every twenty (20) issued and unissued existing Shares before the Capital Reorganisation becoming effective will be consolidated into one (1) consolidated share of HK$2.0 (the "Consolidation Share(s)"); (ii) the capital reduction by which: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the par value of all the then issued Consolidated Shares shall be reduced from HK$2.0 each to HK$0.1 each by cancelling the paid-up capital of the Company to the extent of HK$1.9 on each of the then Consolidated Shares in issue (the "Capital Reduction"); and (iii) the share subdivision (the "Share Subdivision") of every unissued Consolidated Share of HK$2.0 each in the authorised share capital of the Company into twenty (20) adjusted shares of HK$0.1 each (the "Adjusted Shares").

The Capital Reorganisation has been approved by the Shareholders at the extraordinary general meeting held on 26 January 2022. The implementation of the Capital Reorganisation is conditional upon, among others, (i) an order being made by the Grand Court of the Cayman Islands ("Grand Court") confirming the Capital Reduction; and (ii) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction.

Events after the Reporting Period

On 23 February 2022, the Grand Court hearing date of the Company's petition of the Capital Reduction has been fixed on Tuesday, 22 March 2022 at 10:00 a.m. (Cayman Islands time) and it is expected that the Capital Reorganisation will become effective on Friday, 25 March 2022 (Hong Kong time).

During the period from 5 January 2022 to 8 March 2022, the Group, through Enterprise Development (Hong Kong) Holdings Limited ("Enterprise Development (Hong Kong)"), has acquired on the market of an aggregate of 3,500 shares of Advanced Micro Devices, Inc. (a company incorporated in the USA and the common stock of which are listed on NASDAQ) ("AMD Share(s)") at the price between US$105.07 to US$143.05 per AMD Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each AMD Share was approximately US$127.63 and the total purchase price was approximately US$446,720 (equivalent to approximately HK$3,492,903.68) (exclusive of transaction costs). The total purchase price is the market price of the AMD Shares paid in cash from the internal resources of the Company.

During the period from 17 December 2021 to 8 March 2022, the Group, through Enterprise Development (Hong Kong), has acquired on the market of an aggregate of 2,700 shares of Apple Inc. ("Apple Share(s)") at the price between US$155.82 to US$178.68 per Apple Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Apple Share was approximately US$165.62 and the total purchase price was approximately US$447,162 (equivalent to approximately HK$3,496,359.68) (exclusive of transaction costs). The total purchase price is the market price of Apple Shares paid in cash from the internal resources of the Company.

During the period from 2 November 2021 to 24 February 2022, the Group, through Enterprise Development (Hong Kong) has acquired on the market of an aggregate of 600 shares of Tesla Inc. ("Tesla Share(s)") at the price between US$738.49 to US$1,170.00 per Tesla Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Tesla Share was approximately US$901.48 and the total purchase price was approximately US$540,885 (equivalent to approximately HK$4,222,905.55) (exclusive of transaction costs). The total purchase price is the market price of the Tesla Shares paid in cash from the internal resources of the Company.

Significant Investment

The Group has not made any significant investment for the year ended 31 December 2021 (2020: Nil).

Material Acquisition and Disposal of Listed Securities

The following acquisition and disposal of listed securities constituted notifiable transactions of the Company under Chapter 14 of the Listing Rules.

During the period from 27 November 2020 to 26 January 2021, the Group disposed a total of 19,076,000 shares of China Nuclear Energy Technology Corporation Limited ("China Nuclear Share(s)") at the price between HK$0.3654 and HK$0.7000 per China Nuclear Share, on the open market for an aggregate cash consideration of approximately HK$10,169,820.

During the period from 2 November 2021 to 24 February 2022, the Group, through Enterprise Development (Hong Kong), a wholly-owned subsidiary of the Company, has acquired on the market of an aggregate of 600 Tesla Shares at the price between US$738.49 to US$1,170.00 per Tesla Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Tesla Share was approximately US$901.48 and the total purchase price was approximately US$540,885 (equivalent to approximately HK$4,222,905.55) (exclusive of transaction costs). The total purchase price is the market price of the Tesla Shares paid in cash from the internal resources of the Company.

During the period from 17 December 2021 to 8 March 2022, the Group, through Enterprise Development (Hong Kong), has acquired on the market of an aggregate of 2,700 Apple Shares at the price between US$155.82 to US$178.68 per Apple Share (exclusive of transaction costs). The average price (exclusive of transaction costs) for each Apple Share was approximately US$165.62 and the total purchase price was approximately US$447,162 (equivalent to approximately HK$3,496,359.68) (exclusive of transaction costs). The total purchase price is the market price of the Apple Shares paid in cash from the internal resources of the Company.

Material Acquisition and Disposal of Subsidiaries or Associated Companies

The Group has not made any material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2021.

Employees and Remuneration Policies

As at 31 December 2021, the Group employed 96 (2020: 108) full time employees. The remuneration package of employees is determined by reference to their performance, experience, positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, employment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC to the employees in the PRC. In addition, the Group maintains mandatory provident fund schemes for all qualifying employees in Hong Kong.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liability (2020: Nil).

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB40,825,000 for the year ended 31 December 2021 (2020: RMB70,839,000), representing a decrease of approximately 42%. The decrease was mainly due to the decrease in revenue from the Group's software business as compared to the year ended 31 December 2020.

The revenue of the Group's software business amounted to approximately RMB40,465,000 for the year ended 31 December 2021 (2020: RMB70,530,000), representing a decrease of approximately 43%. The decrease was due to the acceleration of the migration from the traditional database to new generation non-structure database by the customers and keen competition in the market for the software industry that involved many large-scale, well-funded and experienced participants. In addition, the decrease was also due to the outbreak of COVID-19 and the ongoing epidemic which led to an overall erosion in market sentiment.

OUTLOOK AND FUTURE BUSINESS STRATEGIES

We have an experienced technical team which can provide our clients with prompt and effective services and business solutions and we have established a solid client base over the years. Over the past ten years, the Group's software business has provided database software and engineering services to the PRC enterprise customers in terms of life cycle management, health check, troubleshooting and function upgrade which has a significant market share and a strong brand effect in this area.

As impacted by the spreading of COVID-19, the economic conditions of Mainland China and the world slowed down sharply. Mainland China and many other countries implemented lockdowns and social distancing measures for protecting the society in response to the outbreak of COVID-19 pandemic, which caused a plenitude of challenges and uncertainties in the global economic environment. To lower the negative impact from the outbreak of COVID-19, the Group's management has closely monitored the market conditions in the PRC and has put in place certain contingency measures such as remote working of employees. However, the impact of COVID-19 on economic activities was far beyond expectation and resulted in a decrease of 42% in the consolidated revenue of the Group for 2021 as compared with the same period of 2020. Despite the decrease in revenue, the Group is looking to improve its profit margin in the software maintenance services. Therefore, it is repositioning its products in terms of lowering the cost of sales.

In order to maintain the Group's sustainability and value creation capability over the long term, the Group will try to maintain its competitiveness through introduction of new products and services, and will continue to look for suitable business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can enhance return to the Shareholders.

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**40,825**	70,839	101,628	149,091	300,602
Cost of sales	**(24,313)**	(53,261)	(78,303)	(124,958)	(259,890)
Gross profit	**16,512**	17,578	23,325	24,133	40,712
Loss for the year	**(30,734)**	(25,322)	(104,119)	(39,055)	(97,712)
(Loss)/Profit attributable to non-controlling interests	**(6,914)**	(8,489)	(22,256)	(14,054)	4,474
Loss for the year attributable to equity shareholders of the Company	**(23,820)**	(16,833)	(81,863)	(25,001)	(102,186)
Basic and diluted loss per share (RMB)	**(0.024)**	(0.026)	(0.155)	(0.047)	(0.198)

* Included the consolidated statement of profit or loss data from both continuing and discontinued operations

FIVE-YEAR SUMMARY AND KEY FINANCIAL RATIOS

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	At 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**3,362**	5,179	14,374	41,749	38,554
Current assets	**208,214**	185,346	173,665	260,623	319,380
Current liabilities	**(30,736)**	(31,653)	(45,875)	(56,926)	(68,354)
Net current assets	**177,478**	153,693	127,790	203,697	251,026
Total assets less current liabilities	**180,840**	158,872	142,164	245,446	289,580
Non-current liability	**–**	(771)	(821)	–	–
Net assets	**180,840**	158,101	141,343	245,446	289,580
Total equity attributable to equity shareholders of the Company	**124,581**	94,914	69,628	151,499	181,070
Non-controlling interests	**56,259**	63,187	71,715	93,947	108,510
Total equity	**180,840**	158,101	141,343	245,446	289,580

	At 31 December				
	2021	2020	2019	2018	2017
Profitability ratios					
Return on shareholder's equity* *(Note 1)*	**(18.14%)**	(16.91%)	(53.84%)	(14.60%)	(30.46%)
Return on assets* *(Note 2)*	**(15.29%)**	(13.38%)	(42.46%)	(11.83%)	(23.51%)
Liquidity ratios					
Current ratio *(Note 3)*	**677.43%**	585.56%	378.56%	457.83%	467.24%
Receivables turnover days* *(Note 4)*	**187.78**	107.52	77.64	122.23	98.25
Inventory turnover days* *(Note 5)*	**7.03**	6.42	4.37	3.35	2.69
Payables turnover days* *(Note 6)*	**59.48**	72.93	59.36	26.64	34.44
Capital adequacy ratios					
Net gearing ratio *(Note 7)*	**N/A**	N/A	N/A	N/A	N/A

(Note 1) Loss for the year divided by average total equity and multiplied by 100%.
(Note 2) Loss for the year divided by average total assets and multiplied by 100%.
(Note 3) Current assets divided by current liabilities and multiplied by 100%.
(Note 4) Balance of average trade receivables and bills divided by revenue of the year and multiplied by 365 days.
(Note 5) Average inventory balance divided by cost of sales of the year and multiplied by 365 days.
(Note 6) Balance of average trade payables and bills divided by cost of sales of the year and multiplied by 365 days.
(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total equity and multiplied by 100%.

* Included revenue, cost of sales and loss for the year from both continuing and discontinued operations

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2021, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1 and A.5.1, which are explained below.

Under CG Code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a chief executive officer. Mr. Guan Huanfei ("Mr. Guan"), a former executive Director who resigned on 22 May 2021, was the chairman of the Company. Following the resignation of Mr. Guan, the roles and functions of chairman and chief executive officer have been performed by the Board jointly.

CG Code provision A.5.1 stipulated that the Company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Liu Jian ("Mr. Liu"), a former independent non-executive Director who resigned on 25 March 2021, as the chairman of the Nomination Committee and Mr. Guan as a member of the Nomination Committee with effect from 22 May 2021, the composition of the Nomination Committee was also not in compliance with the code provision A.5.1 of the CG Code, until the Company appointed Ms. Li Zhuoyang and Mr. Chin Hon Siang as a member of the Nomination Committee on 24 May 2021 and 26 May 2021 respectively.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of four Directors including one executive Director and three independent non-executive Directors:

Executive Director

Ms. Li Zhuoyang

Independent Non-Executive Directors

Mr. Cai Jinliang
Mr. Chin Hon Siang
Mr. Chen Kwok Wang

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors is set out on pages 4 to 5 under the section headed "Biographies of Directors".

Directors' Training

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

All Directors had participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2021 to the Company.

The individual training record of each Director received for the year ended 31 December 2021 is set out below:

Name of Directors	**Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/ director's duties**
Executive Director	
Ms. Li Zhuoyang	✓
Independent Non-executive Directors	
Mr. Cai Jinliang	✓
Mr. Chin Hon Siang	✓
Mr. Chen Kwok Wang	✓

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code requires that the roles between the chairman and the chief executive officer should be segregated. The Company has not appointed a chairman following the resignation of Mr. Guan, the former chairman of the Board and an executive director of the Company who resigned on 22 May 2021. The Company has also not appointed a chief executive officer and the roles and functions of chief executive officer and chairman have been performed by the Board Jointly.

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

Non-executive Directors

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

Mr. Cai Jinliang, an independent non-executive Director, was appointed for a term of three years from 24 August 2020. He is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Mr. Chin Hon Siang, an independent non-executive Director, was appointed for a term of three years from 26 May 2021. He is subject to retirement and re-election at the next annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles.

Mr. Chen Kwok Wang, an independent non-executive Director, was appointed for a term of three years from 9 December 2021. He is also subject to retirement and re-election at the next annual general meeting of the Company after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles.

Board Diversity Policy

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

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

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

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results. During the year ended 31 December 2021, the Board held nineteen meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance. The relevant Directors' attendance is shown on page 22.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2021, one general meeting of the Company was held, being the 2021 annual general meeting held on 30 June 2021 ("2021 AGM"). The relevant Directors' attendance is shown on page 22.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meeting or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Company established the Nomination Committee with written terms of reference on 18 December 2006 and currently consists of two independent non-executive Directors, namely Mr. Chin Hon Siang (chairman) and Mr. Cai Jinliang, and one executive Director, namely Ms. Li Zhuoyang.

Following the resignation of Mr. Liu as an independent non-executive Director and cessation as the chairman of the Nomination Committee with effect from 25 March 2021 and the resignation of Mr. Guan as the chairman and an executive Director with effect from 22 May 2021, the Company deviated with code provision A.5.1 of the CG Code that the nomination committee should be chaired by an independent non-executive director and comprise a majority of independent non-executive directors until the Company appointed Mr. Chin as the chairman of the Nomination Committee on 26 May 2021.

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

The functions of the Nomination Committee are to review and monitor the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; to review the Policy, and review the measurable objectives that the Board has set for implementing the Policy, the progress on achieving the objective; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new director (to be an additional director or fill a casual vacancy as and when it arises) or any re-appointment of directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

a. participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

b. taking the lead where potential conflicts of interests arise;

c. serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive director) and other relevant Board committees, if invited;

d. bringing a range of business and financial experience to the Board, giving the Board and any committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

e. scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

f. ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

g. conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2021, the Nomination Committee held one meeting for considering and making recommendation to the Board on the appointment of independent non-executive Director. The relevant Directors' attendance is shown on page 22.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference on 18 December 2006 and currently consists of two independent non-executive Directors, namely Mr. Chin Hon Siang (chairman) and Mr. Cai Jinliang, and one executive Director, namely Ms. Li Zhuoyang.

Following the resignation of Mr. Liu as an independent non-executive Director and cessation as the chairman of the Remuneration Committee with effect from 25 March 2021, the Company failed to meet the requirement set out in Rule 3.25 of the Listing Rules that the remuneration committee should be chaired by an independent non-executive director and comprise a majority of independent non-executive directors until the Company appointed Mr. Chin as the chairman of the Remuneration Committee on 26 May 2021.

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

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the year ended 31 December 2021, the Remuneration Committee held one meeting for reviewing the remuneration of the proposed independent non-executive Director. The relevant Directors' attendance is shown on page 22.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the then prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 7 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference on 18 December 2006 and currently consists of three independent non-executive Directors, namely Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang.

Following the resignation of Mr. Liu as an independent non-executive Director and cessation as a member of the Audit Committee with effect from 25 March 2021, the Audit Committee comprises only two independent non-executive Directors, Mr. Cai Jinliang ("Mr. Cai") (chairman) and Mr. Hui Yat On ("Mr. Hui") (a former independent non-executive director of the Company who resigned on 20 September 2021), which failed to meet the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members until the Company appointed Mr. Chin as a member of the Audit Committee on 26 May 2021. Following the resignation of Mr. Hui as an independent non-executive Director and cessation as a member of the Audit Committee with effect from 20 September 2021, the Audit Committee comprises only two independent non-executive Directors, Mr. Cai and Mr. Chin, which failed to meet the requirement under Rule 3.21 of the Listing Rules that the Audit Committee must comprise a minimum of three members until the Company appointed Mr. Chen as a member of the Audit Committee on 9 December 2021.

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

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

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

During the year ended 31 December 2021, the Audit Committee held three meetings. Each committee meeting has been supplied with necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted. The relevant Directors' attendance is shown on page 22.

During the year ended 31 December 2021, the Audit Committee reviewed the interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out on an annual basis.

MEETINGS ATTENDANCE RECORD

The following table summarises the attendance of the Directors and committee members in the respective Board, committees and general meetings held during the year ended 31 December 2021.

	Meetings attended/held in 2021				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Number of meetings held during the year	19	3	1	1	1
Executive Directors					
Ms. Li Zhuoyang *(Note 1)*	7/8	N/A	1/1	1/1	1/1
Ms. Mao Junjie *(Note 2)*	15/15	N/A	N/A	N/A	1/1
Mr. Guan Huanfei *(Note 3)*	10/10	N/A	N/A	N/A	N/A
Mr. Bai Xuefei *(Note 4)*	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Cai Jinliang	18/19	3/3	1/1	1/1	0/1
Mr. Chin Hon Siang *(Note 5)*	7/7	3/3	1/1	1/1	1/1
Mr. Chen Kwok Wang *(Note 6)*	1/1	2/2	N/A	N/A	N/A
Mr. Liu Jian *(Note 7)*	4/4	N/A	N/A	N/A	N/A
Mr. Hui Yat On *(Note 8)*	11/13	1/1	N/A	N/A	1/1

Notes:

1. Ms. Li Zhuoyang was appointed on 24 May 2021, and 8 Board meetings, 1 Nomination Committee meeting, 1 Remuneration Committee meeting and 1 general meeting were held after her appointment.

2. Ms. Mao Junjie resigned on 8 November 2021, and 15 Board meetings and 1 general meeting were held before her resignation.

3. Mr. Guan Huanfei resigned on 22 May 2021, 10 Board meetings were held before his resignation, and no Nomination Committee meetings, Remuneration Committee meetings and general meetings were held before his resignation.

4. Mr. Bai Xuefei resigned on 28 January 2021, and no Board meetings and general meeting were held before his resignation.

5. Mr. Chin Hon Siang was appointed on 26 May 2021, and 7 Board meetings, 3 Audit Committee meetings, 1 Nomination Committee meeting, 1 Remuneration Committee meeting and 1 general meeting were held after his appointment.

6. Mr. Chen Kwok Wang was appointed on 9 December 2021, 1 Board meeting, 2 Audit Committee meetings and no general meetings were held after his appointment.

7. Mr. Liu Jian resigned on 25 March 2021, 4 Board meetings and no Audit Committee meetings, Nomination Committee meetings, Remuneration Committee meetings and general meetings were held before his resignation.

8. Mr. Hui Yat On was appointed on 11 January 2021 and resigned on 20 September 2021, and 13 Board meetings, 1 Audit Committee meeting and 1 general meeting were held during his tenure of office in 2021.

AUDITOR'S REMUNERATION

During 2021, the fee paid/payable to the Company's former external auditor, Mazars CPA Limited, for providing non-audit services were approximately RMB324,000 and to existing external auditor, BOFA CPA Limited, for providing audit services were approximately RMB538,000. Fees for non-audit services consist of review of disclosure of financial information in 2021 interim report.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. Li Zhuoyang, the executive Director, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

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

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the articles of the Company (the "Articles") and the Companies Law (2013 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the Articles, which is currently available on the website of the Stock Exchange and the Company.

PUTTING ENQUIRIES BY SHAREHOLDERS TO THE BOARD

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

PROCEDURES FOR PUTTING FORWARD PROPOSALS BY SHAREHOLDERS AT SHAREHOLDERS' MEETING

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

VOTING BY POLL

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

INVESTOR RELATIONS

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

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

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

Mr. Hui Yat On, a former member of the Audit Committee, and Mr. Chin Hon Siang, a member of the Audit Committee and the chairman of each of the Remuneration Committee and the Nomination Committee, attended the 2021 AGM to answer questions of the meeting and collect views of Shareholders.

DIVIDEND POLICY

The Board adopted the following Dividend Policy on 27 March 2020:

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, amount of retained earnings, distributable reserves and any other conditions that the Directors consider relevant. Any declaration and payment of dividends may also be limited by restrictions under the Companies Law of the Cayman Islands, the Company's constitutional documents, the Listing Rules and any other applicable laws and regulations. The amounts of dividend distributions that the Group has declared and made in the past are not indicative of the dividends that the Company may pay in the future.

The Directors may recommend a payment of dividends after taking into account the general economic conditions, business cycle of the Group's business and any other internal and external factors that may affect the business and financial performance and position of the Group in addition to the above mentioned criteria. Any future declaration of dividends may or may not reflect the historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will review the Dividend Policy on a regular basis and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company and of its financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the five elements of this risk management framework: internal environmental control, risk management, control activities, information and communication and monitoring and improvement.

The Group aims to develop risk awareness and control responsibility as our culture and the foundation of our internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, an external consulting firm has been engaged by the Group to advise on and review risk management and internal control of the Group and provide recommendations on improvement to the Audit Committee. No significant deficiency and weakness on the internal control system has been identified for the year ended 31 December 2021 and the Company agrees with the recommendation provided by the consulting firm and therefore will adopt the practice in the coming year.

The Board considered that, for the year ended 31 December 2021, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year ended 31 December 2021.

ABOUT THIS REPORT

The Environmental, Social and Governance ("ESG") Report ("Report") of Enterprise Development Holdings Limited ("Company" and together with its subsidiaries, "Group") has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx Appendix 27 ESG Reporting Guide"), and compile the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Group and its all business segments in Hong Kong, Beijing, Shanghai, Chengdu and Guangzhou. There were no significant changes observed in the Group's operating locations, the suppliers' locations and supply chain structure in the financial year ended 31 December 2021 ("Year" or "Reporting Period").

REPORTING PERIOD AND SCOPE

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records and research of the Group. This Report highlights the Group's sustainability efforts in environmental and social aspects.

Reporting Period: 1 January 2021 to 31 December 2021, the financial period of our Annual Report 2021.

Organisations covered: The Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2021, all subsidiaries and business entities of the Group are included in the ESG Report.

REFERENCE GUIDELINES

HKEx Appendix 27 ESG Reporting Guide

CONTACT

Should you have any enquiries or feedback on this Report, please feel free to contact us via the following methods:

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- Official website: http://www.1808.com.hk/en/global/home.php

Executive Director Statement

During past year, all of our colleagues have worked hard for the Group and our stakeholders, in order to produce great result and to promote the concept of sustainable development within the Group.

Even we have a minimal impact to the environment, the governance structure of the Group has integrated ESG management system to improve the board-level oversight. The Group has designated a team of staff to coordinate all ESG-related matters within the Group. They are also responsible to conduct regular engagement activities with internal and external stakeholders to evaluate their opinions on the Group's ESG strategy. If any ESG-related issues or potential risk identified, they will provide updates to the Board for further evaluation. Moreover, to more efficiently monitor the progress of the ESG goals and targets we made, the team will also present the ESG performance to the Board annually and to see if additional resources are required to allocate.

As a socially responsible corporation, we are obliged to treat our employees with the highest industry standards, which could also enhance their productivity. In 2021, we have achieved a highly positive result and we plan to continue. We plan to improve our overall environmental performance year-by-year which would be highly beneficial to our business.

In the meantime, climate change is bringing unequivocal impact to our society and we will try our best to contribute and reduce our carbon footprint.

I would also like to take this opportunity to express my appreciation to our staff last year for their contributions made to the company in order to achieve outstanding business performance.

Li Zhuoyang
Executive Director
31 March 2022

CORE VALUES/MANAGEMENT PRINCIPLES

As a listed company engaging in software business, the Group has the obligation to serve the society responsibly. The Group has started to integrate sustainable development during the business decision making process. Policies and guidelines are well-established internally to manage different aspects of the ESG issues the Group's facing during operation. Moreover, the current management structure ensures the common principles of ESG management are adhered across the Group.

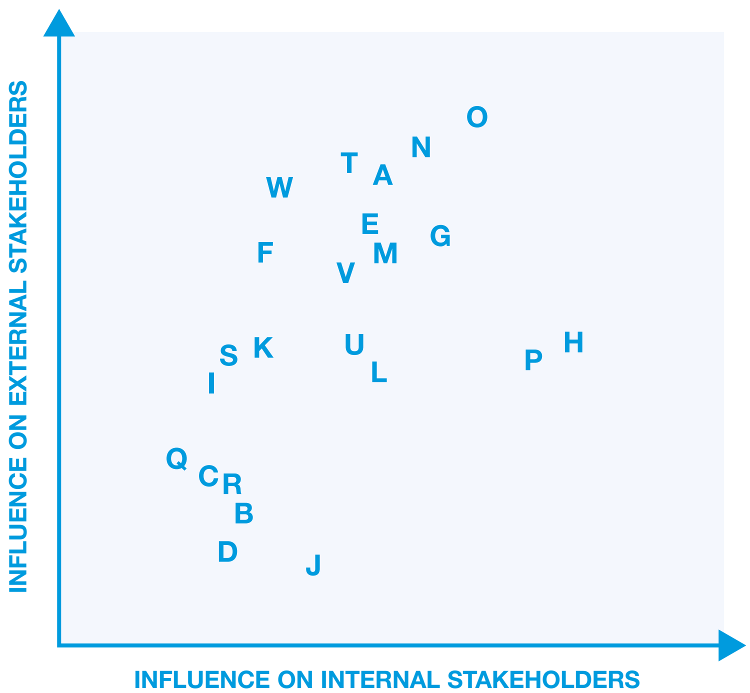
STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To further improve the sustainable development strategy, the Group engages with the key stakeholders regularly to understand their concerns. During the past few years, the Group has maintained good relationship with the stakeholders which allows us to fully understand the risks and opportunities of our business. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

	Types of stakeholders	Key issues	Major communication method
Internal stakeholders	Directors	– Risk management	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
	Employees	– Vocational training and development – Salaries and benefits – Health and safety	– Consultation via phone calls and emails – Direct communication – Company conferences – Suggestion box
External stakeholders	Shareholders/investors	– Stable return on investment – Transparency of information disclosure	– Annual general meeting – Consultation via phone calls and emails
	Suppliers/customers	– Performance of contract – Standardised supply chain management system and procurement process – Establishment of complaint system	– Annual report – Meetings
	Distributors	– Well-established information exchange system – Steady and stable supply of products	– After-sales opinion box – Consultation via phone calls and emails – Meetings
	Government	– Business operation in compliance with relevant laws and regulations	– Annual report – Meetings
	Community/academic institutions	– Contributions to community development	– Annual report – Community services

MATERIALITY ASSESSMENT

In order to incorporate stakeholders' feedback on sustainability topics in this year's ESG report and understand the material topics of our ESG work, the Group conducted materiality assessment by consulting the Group's major stakeholders. Material topics are evaluated and assessed externally and internally according to the impact on business. The Group has identified the following major concerns of stakeholders: customer data protection and privacy, stakeholder communication, product safety and quality assurance management.



A	Environmental management system and related policies	**I**	Information on greenhouse gas emission	**Q**	Measures to reduce emissions and achievements
B	Compliance with laws and regulations on emissions	**J**	Amount of hazardous waste generated and handling method	**R**	Amount of non-hazardous waste generated and handling method
C	Waste management and recycling method	**K**	Energy efficiency and management	**S**	Resource management
D	Water consumption and wastewater discharge control	**L**	Occupational health and safety	**T**	Employees' training and development
E	Employees' rights and turnover rate	**M**	Employees' welfare and pay system	**U**	Employment practices to avoid child labour and forced labour
F	Donation and community investment	**N**	Stakeholder communication	**V**	Supply chain management
G	Product safety and quality assurance management	**O**	Customer data protection and privacy policies	**W**	Customer satisfaction survey
H	Anti-corruption policies	**P**	Whistle-blowing procedures		

ENVIRONMENTAL PERFORMANCE

The Group's nature of business only has minimal impact to the environment but the Group still implements effective measures to reduce the overall environmental footprint of the Group. The major business of the Group did not have a material change during the Reporting Period. Vehicles and electricity remain the major of source of environmental impact from the Group. Minimal amount of waste was produced which are all non-hazardous. The environmental performance during the Reporting Period remained at a similar level to the previous year.

The Group strictly complies with the PRC and Hong Kong national laws and regulations, and duly implements environmental protection management policies of the local governments at all levels, the Group's system management document requirements, and actively fulfils the Group's environmental protection social responsibility. For examples, the Environmental Protection Law, the Prevention and Control of Atmospheric Pollution, the Regulation on Urban Drainage and Sewage Treatment laws in the PRC.

During the Reporting Period, no material changes have been made to the Group's major business and the Group has complied with the latest environmental regulations.

1. Emissions

All types of emission during operation from the Group are strictly controlled and complied with all relevant national and local laws and regulations. After communicating with stakeholders and considering the potential business recovery and growth in coming years, the Group has set emission targets of all types of gaseous pollutants, and generation of waste to be maintained at the level of the Reporting Period for the next 3 to 5 years.

1.1. Gas Emission

The Group emits a low amount of gaseous pollutants, similar to the previous years. Vehicular emission is the major source of gas emission from the Group. For greenhouse gases, the Group has implemented measures to reduce the usage of its vehicles and electricity. In 2021, the reduced amount of gaseous pollutants and Scope 1 emission was due to the reduced usage of vehicles. The major measures are listed below:

- All departments to manage their power consumption of air-conditioners, and to monitor departmental staff to switch off all electrical equipment and production facilities during breaks and after work;
- Set up ventilation and air-conditioning system and maintain at 25 degrees Celsius; and
- Encourage the carpooling to reduce the usage of vehicles.

Major Gas Emission Indicators

GHG Emission[1]	Unit	2021 PRC	2021 HK	2021 Total	2020 Total
Nitrogen oxides (NO_x)	kg	1.80	3.61	**5.41**	6.49
Sulphur dioxide (SO_2)	kg	0.03	0.06	**0.09**	0.11
Particular matter (PM)	kg	0.26	0.01	**0.27**	0.48
Scope 1[2]	Tonnes of CO_2-e	5.43	10.90	**16.33**	19.91
Scope 2[3]	Tonnes of CO_2-e	36.30	7.83	**44.13**	36.78
Total	**Tonnes of CO_2-e**	**41.73**	**18.73**	**60.46**	**56.69**
GHG Emission	Tonnes of CO_2-e/m^2	0.033	0.156	–	PRC: 0.029 HK: 0.173

Notes:

1. The calculation method of the corresponding air emissions and the emission factors used in the calculation are based on HKEx Appendix 27 ESG Reporting Guide and their referred documentation, unless stated otherwise.

2. Scope 1: Direct emission from sources that are owned or controlled by the Group.

3. Scope 2: Indirect emission from the generation of purchased electricity consumed by the Group.

1.2 Waste Management

The Group does not generate any types of hazardous waste during operation. The major source of non-hazardous comes from the office waste. The Group has implemented measures to minimize the waste generation amount and the waste generated in 2021 was in a very low level and therefore the Group did not record the level of waste generated during 2021.

For wastewater, water is not the major production resource, the Group generates minimal amount of wastewater. Nevertheless, the Group strictly complied with all relevant laws and regulations.

The Group continued to implement and regularly review the established waste management system to ensure the proper handling of different types of hazardous and non-hazardous waste. The Group promotes the recycle and reuse of used office documents to reduce the generation of non-hazardous waste. The major measures are listed below:

- Promote "paper-free" office and encourage staff to reduce printing demands;
- Encourage material and stationery re-use and choosing suitable packaging materials;
- Reduce the use of paper cup in pantry and promote the use of environment friendly cleaning products; and
- Promote waste segregation and recycling within the office to further reduce the generation of general waste.

2. Use of Resources

The Group strives to reduce the use of resources and enhance the resource utilization by implementing energy and water efficiency initiatives. The employees of the Group are encouraged to be the part of the resource saving campaign.

For energy consumption, all employees are instructed to unplug all unused electronic devices to eliminate "vampire power". And if possible, doors and curtains are closed to improve the heat insulation effect of the office. Moreover, the air-conditioning system is set to 25 degree Celsius which is considered to be the most energy-efficient level. For transportation, employees are encouraged to adopt "carpooling" to reduce the use of the Group's vehicles.

Most of the business operation in the PRC and in Hong Kong are located in commercial buildings which are managed by third party property management service providers. Water consumption data is not feasible to obtain in such subsidiaries in 2021 as the Group cannot access the water usage record. However, the Group regularly raise employees' awareness on water usage and advise them to reduce unnecessary water consumption during daily operation.

Resource Consumption	Unit	2021 PRC	2021 HK	2021 Total	2020 Total
Purchased Electricity	Kilowatt Per Hour In '000s	36.30	10.06	**46.36**	44.40
Petrol	Kilowatt Per Hour In '000s	17.84	35.84	**53.68**	65.44
Total	**Kilowatt Per Hour In '000s**	**54.14**	**45.90**	**100.04**	**109.84**
Energy Consumption intensity	Kilowatt Per Hour In '000s/ m^2	0.03	0.43	–	PRC: 0.05 HK: 0.44
Water	m^3	3,000	–	**3,000**	2,922.72
Water consumption intensity	m^3/m^2	12.84	–	–	PRC: 12.51 HK: –

After communicating with stakeholders and considering the potential business recovery and growth in coming years, the Group has set targets of use of resources to be maintained at the level of the Reporting Period for the next 3 to 5 years.

3. The Environment and Natural Resources

The Group strives to minimize the impact of the business operation to the environment and natural resources. During daily operation, all environmental protection measures are under supervision to ensure proper implementation. The Group also constantly explores any potential emission reduction measures day-to-day.

4. Climate Change

Climate change is one of the most severe challenges facing the world. Rising temperatures and extreme weather are threatening the community and our business operations. The Group regularly reviews the impact of its daily operations on the climate change and is committed to adopt environmentally friendly operating measures to reduce GHG emissions and the pressure on global climate change. Meanwhile, the Group proactively assesses and manage the climate-related risks to our operations while increasing our resilience to climate change. During the Reporting Period, the Group started to identify climate-related risks which may induce financial and operational disruptions and included them in the monitoring list. The climate-related risks that may impact the Group and the corresponding mitigation actions are as follows:

4.1. Physical Risk

Extreme weather caused by climate change may lead to incidents such as wildfire and flooding, affecting the supply and pricing of paper. To mitigate the risk, the Group increases the usage of recycled-paper and reduce the reliance of single paper supplier.

4.2. Transition Risk

The Group considers the more stringent policies and reporting requirements for corporate sustainability are the major transition risk items. To mitigate the risk, the Group conducts regular reviews and analysis of local and international reporting requirements, and also appoints independent sustainability consultants to enhance ESG reporting and data collection processes.

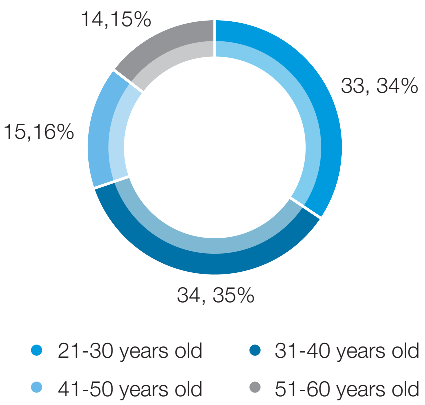
SOCIAL PERFORMANCE

1. Employment

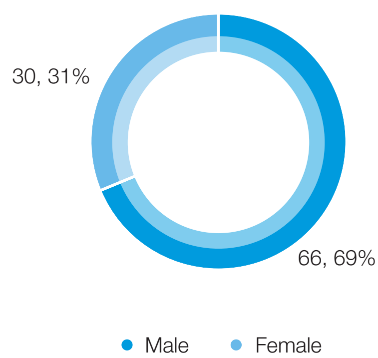
The Group has employed 96 full-time employees in 2021. All employment is strictly complied with national regulations, such as Employment Ordinance in Hong Kong, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations, and the Group uses such laws and regulations to formulate the Group's policies and work codes. The Group ensures all our employee are fully protected in terms of compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance. Furthermore, the Group also adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

Major indicators for employment

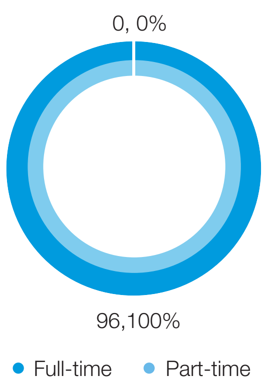
Number and percentage of staff by age group, 2021



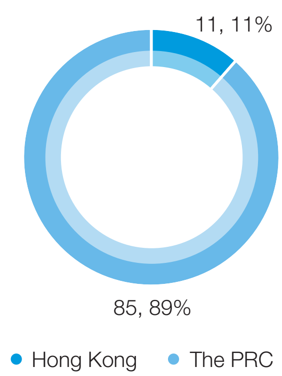
Number and percentage of staff by gender, 2021



Number and percentage of staff by employment type, 2021



Number and percentage of staff by geographical region, 2021



The employee turnover rates during the Reporting Period by gender, age group, and geographical region as follow:

Employee turnover rate	2021	2020
By gender		
– Male	38%	35%
– Female	21%	19%
By age group		
– Age 30 or below	40%	37%
– Age 31-40	32%	28%
– Age 41-50	35%	33%
– Age 51 or above	18%	–
By geographical region		
– Hong Kong	27%	36%
– The PRC	35%	31%
– Others	–	–
– Overall	34%	31%

The Group organises different events to enhance the bonding and productivities of the employees, such as team building activities and annual dinner. The Group strives to provide suitable benefits and support to the staff in order to retain talents for our business. The Group also promotes work-life balance working style to the employees.

2. Health and Safety

Safe and comfortable working environment is the Group's top priority and the Group strictly complies with the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries and relevant local laws and regulations. To provide a low-risk working environment for the staffs, the Group has implemented various measures, such as medical insurance scheme, regular maintenance on the air ventilation system to reduce indoor air quality. All firefighting and safety equipment are placed in the office. All safety equipment are checked by authorised third parties annually.

In each of the past three years, including the current reporting year, the Group has neither work-related fatalities nor loss of working days due to work injuries recorded.

3. Development and Training

The Group aims to provide continuous training to our people, in order to facilitate their career and personal development, as well as to maintain an efficient and effective workforce for our business. Our training programs are tailored to the needs of different job functions to strengthen the skills and abilities of our employees. Based on the business vision and objectives of the Group and assessment of the performance and capability of employees, training topics include updates on rules and regulations, technical knowledge, management skills to customer service standards. The Group also encourage our staff to have discussion on their learning plans with their supervisors during the performance evaluation process and the Group provides financial subsidies for employees to attend external training courses, where appropriate.

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

Major indicators for development and training

Training	Percentage of employees trained (%)		Average training hours (hours/employees)	
	2021	2020	**2021**	2020
By gender				
– Male	**36%**	38%	**52.3**	80.4
– Female	**23%**	31%	**57.6**	19.7
By employment category				
– Senior Management	**29%**	50%	**9.4**	12.3
– Middle Management	**33%**	24%	**23.5**	48.2
– General	**33%**	40%	**66.3**	77.3

4. Labour Standards

The Group does not engage in or tolerate any use of child or forced labour in its operations. All employees are hired in strict compliance with local labour laws and regulations, including the minimum working age requirement. Employment is offered based on the principles of fairness, openness and willingness. All positions are bound by legal contracts with detail terms and conditions of employment to protect employees' and the Company's interests.

The Group fully complies with the Employment Ordinance in Hong Kong, the Labour Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations, and strictly emphasizes on the prohibition of child labour and forced labour. In particular, the age of the employees is verified by inspecting their identification documents. Individuals under the age of 18 or without any identification documents are disqualified from employment. Besides, all works should be voluntarily performed and shall not involve forced labour. Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately.

During the Reporting Period, the Group was not aware of any material cases of non-compliance with laws and regulations relating to labour standards arising in the Reporting Period that would have had a significant impact on the Group.

5. Supply Chain Management on Environmental and Social Risks

The Group has established a fair and transparent supplier selection process with independent review and approval for procurement exercises and does not tolerate any fraud and bribery in our supply chain. The Group is committed to establishing a comprehensive vertical supply chain management system. The supply chain management system includes regular evaluation of suppliers' performance and requires the suppliers to take remedial measures where this performance is sub-standard. The management system is crucial for the Group the build long-term and stable strategic partnership with our suppliers.

Distribution of suppliers by regions

Region	Number of suppliers
Northern China	22
Eastern China	12
Southern China	6
Central China	2
South-western China	1
North-western China	22

6. Product Responsibility

Quality of products and services and business ethics are the topic priority of the Group. The Group does not engage in unfair business activities of any kind. Its procurement and service delivering processes ensure information regarding products and services are clear and open.

The Group has ISO 9001 quality management system demonstrating its commitment to quality and its capability to satisfy customer's requirements. The Group also has ISO 20000 international standards for IT service management showing its commitment to provide quality services to customers.

The Group strictly adheres to relevant laws and regulations to protect intellectual property rights, such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, and the Copyright Law of the People's Republic of China. We continuously improve our intellectual property protection management, whilst encouraging and enhancing the employees' enthusiasm in technology innovation. Additionally, we arrange regular training and publicity on intellectual property protection to our employees and promote their awareness and the requirement of reporting via email if they are aware of any of intellectual property right infringements.

The Group focuses on catering customer needs, providing customers with the most suitable and high quality and service products. The Group implements all relevant and necessary measures to uphold our commitment, aiming at providing the best services to customers. The Group conducts a strict compliance review and testing on the products and perform a comprehensive inspection and vigorous evaluation of product stability and safety before the product is launched. The Group is also committed to protecting the confidentiality of the personal data and privacy of customers. The Group puts personal data privacy as our top priority. The Group only collects information which The Group considers necessary for our operations. The data collected will be used directly for the purposes as stated at the time such data is collected. The Group's requirements are conveyed to employees clearly by entering an agreement with the employees in order to fully abide by the guidance on prohibiting any unauthorized accessing or disclosure of confidential information. Employees who violate the agreement will be subject to disciplinary action as defined in Staff Handbook.

During the Reporting Period, there were no products sold or shipped subject to recalls for safety and health reasons and the Group did not receive any complaint regarding product responsibility.

7. Anti-Corruption

The Group has no tolerance in any form of corruption, bribery, extortion, fraudulent behavior and money laundering. The Group has designed and implemented various internal controls to minimize the occurrence of bribery, extortion, fraud and money-laundering. The requirements for employees' ethical requirements and conduct are stipulated in the employee handbook, which is distributed and communicated to all employees. Upon proven misconduct case, the employee will be subject to disciplinary action and reported to the police and related governing body when necessary.

The Group has also established a whistle-blowing channel to enable staff to report on suspicious misconducts. Reports made are followed up and investigated by independent personnel on a timely basis. In addition, throughout 2021, training was regularly provided to management and employees in order to equip them with an understanding of the latest regulations and best practices relating to anti-bribery, extortion, fraud and money-laundering matters, including but not limited to the national anti-corruption policies and the Group's internal Code of Conduct.

The Group is in strict compliance with the Prevention of Bribery Ordinance in Hong Kong, the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations. The Group is not aware of any cases of material non-compliance with laws and regulations relating to bribery, extortion, fraud and money-laundering arising during the Reporting Period that would have had a significant impact on the Group.

8. Community Investment

The Group places high priority in creating value for the communities it serves and encourages its employees to actively participate in sponsorships and charitable support through direct donation or involvement in various community and charitable activities to support those in need. The Group is committed to providing career opportunities to the locals and promoting the development of community's economy. Going forward, the Group is looking for opportunities to contribute to the community.

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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
A. Environmental			
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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
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DIRECTORS' REPORT

The Board of Directors is pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 13 to the consolidated financial statements.

BUSINESS REVIEW

"Management Discussion and Analysis" on pages 6 to 12 and "Five-Year Summary and Key Financial Ratios" on pages 13 and 14 form part of this Directors' report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed under section headed "Environmental, Social and Governance Report" on pages 27 to 43.

Principal Risks and Uncertainties Facing the Company

The Group's business and profitability growth in the year under review was affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong.

The Group's business is also exposure to credit, liquidity, interest rate, foreign currency and equity price risks. An analysis of the Group's financial risk management is provided in note 28 to the consolidated financial statements.

Environmental Policies and Performance

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable from our operational activities in order to minimise these impacts if possible.

Compliance with the Relevant Laws and Regulations

During the year ended 31 December 2021 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

Key Relationships with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2021, there was no material and significant dispute between the Group and its employees, customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 60 to 134.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 1 June 2022 ("2022 AGM"), the register of members of the Company will be closed from Thursday, 26 May 2022 to Wednesday, 1 June 2022, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 25 May 2022.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company did not have reserves available for distribution to equity shareholders of the Company (2020: RMB457,000).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 24(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 13 and 14 of this report.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2020: Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 11 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

Executive Directors

Ms. Li Zhuoyang	(appointed on 24 May 2021)
Mr. Guan Huanfei	(resigned on 22 May 2021)
Ms. Mao Junjie	(resigned on 8 November 2021)
Mr. Bai Xuefei	(resigned on 28 January 2021)

Independent Non-executive Directors

Mr. Cai Jinliang	
Mr. Chin Hon Siang	(appointed on 26 May 2021)
Mr. Chen Kwok Wang	(appointed on 9 December 2021)
Mr. Liu Jian	(resigned on 25 March 2021)
Mr. Hui Yat On	(appointed on 11 January 2021 and resigned on 20 September 2021)

In accordance with Article 86(3) of the Articles, Mr. Chen Kwok Wang, being a Director appointed after the 2021 AGM, shall retire from office as a Director and, being eligible, offers himself for re-election at the 2022 AGM.

In accordance with Article 87 of the Articles, Ms. Li Zhuoyang and Mr. Cai Jinliang shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the 2022 AGM.

DIRECTORS' SERVICE CONTRACTS

Ms. Li Zhuoyang, an executive Director, entered into a management employment contract with the Company on 24 May 2021 for a term of three years commencing from 24 May 2021. She is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Cai Jinliang, an independent non-executive Director, signed an appointment letter issued by the Company on 24 August 2020 for a term of three years commencing from 24 August 2020. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Chin Hon Siang, an independent non-executive Director, signed an appointment letter issued by the Company on 26 May 2021 for a term of three years commencing from 26 May 2021. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

Mr. Chen Kwok Wang, an independent non-executive Director, signed an appointment letter issued by the Company on 9 December 2021 for a term of three years commencing from 9 December 2021. He is subject to retirement by rotation and re-election at least once in every three years in accordance with the Articles.

None of the Directors who are proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out below, there was no other equity-linked agreement entered into by the Group during the year or subsisting at the end of the year.

SHARE OPTION SCHEME

The Company has adopted the share option scheme at the annual general meeting of the Company held on 26 May 2016 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to directors, employees, suppliers, customers, consultants, agents and advisers of the Company and the subsidiaries and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group in recognition of their contribution to the Group.

The principal terms of the Share Option Scheme are summarised as follows:

1. The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the issued shares of the Company as at 26 May 2016, being the date of approval of the Share Option Scheme, which is 417,924,982 shares (the "Scheme Limit") and such limit might be refreshed by shareholders at general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. On 29 June 2016, shareholders of the Company have passed a resolution approving the share consolidation of every ten (10) issued and unissued shares of par value of HK$0.01 each into one (1) consolidated share of par value of HK$0.10 each ("Share Consolidation") at the extraordinary general meeting of the Company. Upon the Share Consolidation becoming effective on 30 June 2016, the Scheme Limit has been adjusted to 41,792,498 shares. On 30 June 2021, being the date of the 2021 AGM, the Scheme Mandate Limit under the Share Option Scheme was refreshed. The Company may grant options entitling holders to subscribe for a maximum of 113,385,477 Shares, representing 10% of the number of Shares in issue as at the date of the 2021 AGM. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 5,669,273 shares, representing approximately 8.33% of the issued shares of the Company.

2. Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.

3. There was no requirement for a grantee to hold the option for a minimum period from the date of grant before any option granted under the Share Option Scheme can be exercised.

4. The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

5. The option may be exercised at any time during a period to be determined and notified by the Directors to each Grantee and such period shall not exceed the period of 10 years from the date of grant.

6. The offer of a grant of options may be accepted within 28 days after the date of making the offer and the grantee shall pay HK$1.00 to the Company by the way of consideration for the grant.

7. Subject to earlier termination by the Company at general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 26 May 2016.

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

Details of the movement in the share options granted under the Share Option Scheme during the year ended 31 December 2021 are as follows:

Name of category of participants	Date of grant of share option	Exercise Period	Exercise Price *(HK$)*	Outstanding as at 1 January 2021	Adjustment#	Reclassification during the year *(note 1)*	Forfeited during the year	Outstanding as at 31 December 2021
Li Zhuoyang	1 September 2020	1 December 2020 to 31 August 2030	0.2063#	–	–	6,481,413	–	6,481,413
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2063#	31,750,000	914,263	(6,481,413)	–	26,182,850
Others	1 September 2020	1 December 2020 to 31 August 2030	0.2063#	6,500,000 *(note 2)*	5,759	–	(6,505,759)	–
				38,250,000	920,022	–	(6,505,759)	32,664,263

The vesting period of the share options is from the date of grant up to 30 November 2020. These share options are vested to the grantees on 1 December 2020 and exercisable up to 31 August 2030.

\# Subsequent to the grant date, the exercise price has been adjusted from HK$0.2122 per share to HK$0.2063 per share to reflect the bonus element of rights issue completed on 18 May 2021, and accordingly the number of Shares exercisable under the share options granted have also been adjusted. Details are set out in the Company's announcement dated 18 May 2021.

Notes:

1. At the date of the appointment as an executive Director, Ms. Li Zhuoyang was interested in an aggregate of 6,481,413 share options of the Company which shall entitle her to subscribe for up to 6,481,413 shares of the Company at an exercise price of HK$0.2063 each (subject to adjustments). Before the appointment as an executive Director, Ms. Li Zhuoyang served the Group as the director of certain non wholly-owned subsidiaries of the Company.

2. These include (i) 200,000 share options granted by the Company to Mr. Guan Huanfei, the former executive director of the Company who resigned on 22 May 2021; and (ii) 6,300,000 shares option granted by the Company to Mr. Bai Xuefei, the former executive director of the Company resigned on 28 January 2021, which has been reallocated from the category of Director to Others.

As at 31 December 2021, the Company had 32,664,263 adjusted share options (adjusted as a result of the Rights Issue) outstanding under the Share Option Scheme, which represented approximately 2.40% of the Shares in issue as at 31 December 2021. No share option was granted and exercised during the year ended 31 December 2021 and 6,505,759 adjusted share options were forfeited during the year ended 31 December 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are set out below:

Name of Director	Capacity	Long Position/ Short Position	Number of shares held/ Percentage in total number of issued shares
Ms. Li Zhuoyang *(Note)*	Beneficial Owner	Long Position	6,481,413 (0.48%)

Note:

6,300,000 share options were granted to Ms. Li Zhuoyang on 1 September 2020 (subsequent to the grant date, the number of share options has been adjusted to 6,481,413 to reflect the bonus element of right issue completed on 18 May 2021) pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Ms. Li is taken to be interested in the underlying shares that she is entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2021.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

As at 31 December 2021, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

AGGREGATE INTEREST OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name	Nature of interest	Long Position/ Short Position	Number of shares held/ Percentage in total number of issued shares
China Taiping Insurance Holdings Company Limited ("China Taiping") *(Note 1)*	Person having a security interest in shares	Long Position	203,854,292 (14.98%)
Taiping Financial Holdings Company Limited ("Taiping Financial") *(Note 1)*	Person having a security interest in shares	Long Position	203,854,292 (14.98%)
China Insurance Group Finance Company Limited ("China Insurance") *(Note 1)*	Person having a security interest in shares	Long Position	203,854,292 (14.98%)
King Pak Fu ("Mr. King") *(Note 2)*	Interest of controlled corporations	Long Position	278,351,792 (20.46%)
		Short Position	203,854,292 (14.98%)
Luck Success Development Limited ("Luck Success") *(Note 2)*	Beneficial owner	Long Position	186,672,292 (13.72%)
		Short Position	186,672,292 (13.72%)
Rentian Technology Holdings Limited ("Rentian") *(Note 2)*	Interest of controlled corporations	Long Position	203,854,292 (14.98%)
		Short Position	203,854,292 (14.98%)

Name	Nature of interest	Long Position/ Short Position	Number of shares held/ Percentage in total number of issued shares
De Gennes Limited *(Note 3)*	Beneficial Owner	Long Position	192,755,311 (14.17%)
Wu Xiaodong *(Note 3)*	Interest of controlled corporation	Long Position	192,755,311 (14.17%)
Zhongwei Group (Hong Kong) Company Limited ("Zhongwei Group") *(Note 4)*	Beneficial Owner	Long Position	126,362,155 (9.29%)
Han Lili *(Note 4)*	Interest of controlled corporation	Long Position	126,362,155 (9.29%)
TEOH Ronnie Chee Keong	Beneficial Owner	Long Position	99,164,000 (7.29%)

Notes:

1. China Insurance is wholly-owned by Taiping Financial, which in turn is wholly-owned by China Taiping. Therefore, China Taiping is deemed to be interested in the Shares held by Taiping Financial and China Insurance pursuant to the SFO.

2. Pursuant to the SFO, Mr. King is deemed to be interested in (i) 60,435,500 Shares held through Affluent Start Holdings Investment Limited ("Affluent Start"); (ii) 3,846,000 Shares held through Mystery Idea Limited ("Mystery Idea"); (iii) 10,216,000 Shares held through Elite Mile Investments Limited ("Elite Mile"); (iv) 17,182,000 Shares held through Sino Wealthy Limited ("Sino Wealthy"); and (v) 186,672,292 Shares held through Luck Success. Each of Affluent Start, Mystery Idea and Elite Mile is wholly-owned by Mr. King. Sino Wealthy is wholly-owned by Gauteng Focus Limited which is wholly-owned by Rentian (in liquidation), the latter is indirectly controlled by Mr. King.

3. De Gennes Limited is wholly-owned by Mr. Wu Xiaodong. Therefore, Mr. Wu Xiaodong is deemed to be interested in the number of Shares held by De Gennes Limited by virtue of the SFO.

4. Zhongwei Group is wholly-owned by Ms. Han Lili. Therefore, Ms. Han Lili is deemed to be interested in the number of Shares held by Zhongwei Group by virtue of the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2021 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2021 are set out in note 22 to the consolidated financial statements.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year ended 31 December 2021 are set out in note 7 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for 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, Laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622, Laws of Hong Kong).

MAJOR CUSTOMERS AND SUPPLIERS

Contracts with the Group's five largest suppliers combined by value, accounted for approximately 44% in value of total purchases during the year ended 31 December 2021, while contracts with the Group's largest supplier by value, accounted for approximately 14% in value of total purchases during the year ended 31 December 2021. Aggregate sales attributable to the Group's five largest customers were 42% of total revenue during the year ended 31 December 2021, while approximately 11% in value of total revenue attributable to the largest customer.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

There were no connected transactions during the year ended 31 December 2021.

HUMAN RESOURCES AND STAFF REMUNERATION

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2021, total staff costs for the year was approximately RMB24,452,000 of which contributions to defined contribution retirement schemes were approximately RMB2,562,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

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

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

PUBLIC FLOAT

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

NON-COMPLIANCE WITH RULES 3.10(1), 3.21 AND 3.25 OF THE LISTING RULES

Following the resignation of Mr. Liu as an independent non-executive Director on 25 March 2021, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the Audit Committee and Rule 3.25 of the Listing Rules with regard to the composition requirement of the Remuneration Committee. Following the appointment of Mr. Chin as an independent non-executive Director on 26 May 2021, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21 and 3.25 of the Listing Rules with regard to the composition of the Audit Committee and the Remuneration Committee respectively.

Following the resignation of Mr. Hui as an independent non-executive Director on 25 September 2021, the Company only had two independent non-executive Directors, thus the number of the independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company had also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the Audit Committee. Following the appointment of Mr. Chen as an independent non-executive Director on 9 December 2021, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirement set out in Rules 3.21 of the Listing Rules with regard to the composition of the Audit Committee.

Save as those mentioned above and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Cai Jinliang (chairman), Mr. Chin Hon Siang and Mr. Chen Kwok Wang.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

AUDITORS

HLB Hodgson Impey Cheng Limited resigned as auditor of the Company on 13 December 2019, and Mazars CPA Limited was appointed as auditor of the Company to fill the vacancy with effect from 13 December 2019. Mazars CPA Limited resigned as auditor of the Company on 16 December 2021, and BOFA CPA Limited was appointed as auditor of the Company to fill the vacancy with effect from 16 December 2021. The consolidated financial statements of the Group for the years ended 31 December 2019 and 2020 were audited by Mazars CPA Limited, and the consolidated financial statements of the Group for the year ended 31 December 2021 were audited by BOFA CPA Limited.

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

A resolution will be submitted to the 2022 AGM to re-appoint BOFA CPA Limited as auditor of the Company.

On behalf of the Board
Enterprise Development Holdings Limited

Li Zhuoyang
Executive Director

Hong Kong, 31 March 2022

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Tel: +852 2757 0816
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To the shareholders of Enterprise Development Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Enterprise Development Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 60 to 134, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 MATTERS (cont'd)

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment review of intangible assets	
Refer to notes 2 and 12 to these consolidated financial statements	
The carrying amount of the Group's intangible assets amounted to RMB3,333,000 before the impairment charge for the year as at 31 December 2021. For the purpose of assessing impairment, the intangible assets, (except trademarks), are allocated to relevant cash-generating unit ("CGU"). The recoverable amount of CGU is determined by management based on value-in-use ("VIU") calculations using cash flow projections while the recoverable amount of trademark is determined based on relief-from-royalty method. Management has recognised an impairment provision of RMB1,479,000 in respect of the intangible assets for the year ended 31 December 2021. This is considered a key audit matter because of the significance of amounts involved and management judgment with respect to the key assumptions, including revenue growth and discount rates.	Our procedures, among others, included: – Assessing the competence, capabilities, objectivity and results of the work of independent professional valuer that was appointed by the management and assisted management to determine the recoverable amounts; – Evaluating the appropriateness of the model used by the management; – Evaluating the composition of the Group's future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest approved budgets; – Evaluating the determination of the recoverable amount; – Evaluating the reasonableness of key assumptions based on our knowledge of the business and industry; and – Evaluating the adequacy of sensitivity analysis.

KEY AUDIT MATTERS (cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit loss ("ECL") on trade and other receivables	
Refer to notes 2, 19 and 28(a) to these consolidated financial statements	
At the end of each reporting period, where appropriate, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the end of reporting period and the date of initial recognition. The Group considers both quantitative and qualitative information, including historical experience and forward-looking information that is available without undue cost or effort. This is considered a key audit matter because of the significance of trade and other receivables and the assessment of ECL for trade and other receivables involves significant management judgements and estimates at the reporting date.	Our procedures, among others, included: – Obtaining an understanding of the Group's credit risk management and practices, and assessing if the Group's ECL policy is in accordance with the requirements of IFRS 9; – Evaluating management's method for determination of significant increase in credit risk and the basis for classification of exposures into different stages; – Evaluating the estimation methodology of ECL; and – Considering the adequacy of the Group's disclosure in relation to credit risk.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in 2021 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BOFA CPA LIMITED
Certified Public Accountants
Hong Kong, 31 March 2022

The engagement director on the audit resulting in this independent auditor's report is:

SHUM CHING SAN, JOHNSON
Practising Certificate Number: P05332

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	3(a)	**40,825**	70,839
Cost of sales		**(24,313)**	(53,261)
Gross profit		**16,512**	17,578
Other income and gains	4	**5,073**	862
Distribution expenses		**(16,710)**	(19,486)
General and administrative expenses		**(17,870)**	(17,305)
Other operating expenses		**(6)**	(7)
Fair value (loss) gain on financial assets at fair value through profit or loss ("FVPL")	17	**(8,028)**	3,696
Loss allowance on trade and other receivables, net		**(7,056)**	(975)
Impairment on intangible assets	12	**(1,479)**	(8,215)
Loss from operation		**(29,564)**	(23,852)
Finance costs	5(a)	**(715)**	(1,223)
Loss before taxation	5	**(30,279)**	(25,075)
Income tax expense	6	**(455)**	(247)
Loss for the year		**(30,734)**	(25,322)
Attributable to:			
Equity shareholders of the Company		**(23,820)**	(16,833)
Non-controlling interests		**(6,914)**	(8,489)
Loss for the year		**(30,734)**	(25,322)
		RMB	RMB
Basic and diluted loss per share	10	**(0.024)**	(0.026)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Loss for the year	**(30,734)**	(25,322)
Other comprehensive loss for the year (after tax)		
Items that are or may be reclassified to profit or loss:		
Exchange difference on translation of financial statements of overseas operations	**(1,524)**	(1,555)
	(1,524)	(1,555)
Total comprehensive loss for the year	**(32,258)**	(26,877)
Attributable to:		
Equity shareholders of the Company	**(25,330)**	(18,349)
Non-controlling interests	**(6,928)**	(8,528)
Total comprehensive loss for the year	**(32,258)**	(26,877)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**488**	1,022
Intangible assets	12	**1,854**	1,169
Right-of-use assets	14	**1,020**	2,642
Goodwill	15	**–**	–
Deferred tax assets	23	**–**	346
		3,362	5,179
Current assets			
Inventories	16	**–**	937
Financial assets at FVPL	17	**11,329**	10,236
Contract assets	18	**8,202**	12,822
Trade and other receivables	19	**73,047**	61,429
Cash and cash equivalents	20	**115,636**	99,922
		208,214	185,346
Current liabilities			
Trade and other payables	21	**9,958**	10,104
Contract liabilities	18	**6,775**	6,801
Lease liabilities	14	**771**	1,637
Interest-bearing borrowings	22	**10,057**	9,818
Current taxation		**3,175**	3,293
		30,736	31,653
Net current assets		**177,478**	153,693
Total assets less current liabilities		**180,840**	158,872
Non-current liability			
Lease liabilities	14	**–**	771
NET ASSETS		**180,840**	158,101
Capital and reserves			
Share capital	24(a)	**114,835**	64,905
Reserves	24(b)	**9,746**	30,009
Total equity attributable to equity shareholders of the Company		**124,581**	94,914
Non-controlling interests		**56,259**	63,187
TOTAL EQUITY		**180,840**	158,101

These consolidated financial statements on pages 60 to 134 were approved and authorised for issue by the Board of Directors on 31 March 2022 and signed on its behalf by

Li Zhuoyang
Director

Cai Jinliang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to the equity shareholders of the Company									
	Share capital RMB'000 (Note 24(a))	Share premium RMB'000 (Note 24(b)(i))	Other reserve RMB'000 (Note 24(b)(ii))	Share-based payment reserve RMB'000 (Note 24(b)(iii))	PRC statutory reserve RMB'000 (Note 24(b)(iv))	Exchange reserve RMB'000 (Note 24(b)(v))	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	44,711	530,446	(8,440)	–	8,483	22,989	(528,561)	69,628	71,715	141,343
Loss for the year	–	–	–	–	–	–	(16,833)	(16,833)	(8,489)	(25,322)
Other comprehensive loss:										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	(1,516)	–	(1,516)	(39)	(1,555)
	–	–	–	–	–	(1,516)	–	(1,516)	(39)	(1,555)
Total comprehensive loss for the year	–	–	–	–	–	(1,516)	(16,833)	(18,349)	(8,528)	(26,877)
Transactions with owners:										
Contributions and distributions:										
Issue of placing shares, net of expenses (note 24(a)(i))	9,492	13,413	–	–	–	–	–	22,905	–	22,905
Issue of placing shares, net of expenses (note 24(a)(ii))	10,702	7,268	–	–	–	–	–	17,970	–	17,970
Equity-settled share-based payments (note 25)	–	–	–	2,760	–	–	–	2,760	–	2,760
Total transactions with owners	20,194	20,681	–	2,760	–	–	–	43,635	–	43,635
At 31 December 2020 and 1 January 2021	64,905	551,127	(8,440)	2,760	8,483	21,473	(545,394)	94,914	63,187	158,101
Loss for the year	–	–	–	–	–	–	(23,820)	(23,820)	(6,914)	(30,734)
Other comprehensive loss:										
Items that are or may be reclassified to profit or loss:										
Exchange difference on translation of financial statements of overseas operations	–	–	–	–	–	(1,510)	–	(1,510)	(14)	(1,524)
	–	–	–	–	–	(1,510)	–	(1,510)	(14)	(1,524)
Total comprehensive loss for the year	–	–	–	–	–	(1,510)	(23,820)	(25,330)	(6,928)	(32,258)
Transactions with owners:										
Contributions and distributions:										
Issue of right shares, net of expenses (note 24(a)(iii))	31,408	5,303	–	–	–	–	–	36,711	–	36,711
Issue of placing shares, net of expenses (note 24(a)(iv))	18,522	(236)	–	–	–	–	–	18,286	–	18,286
Share options forfeited (note 25)	–	–	–	(469)	–	–	469	–	–	–
Total transactions with owners	49,930	5,067	–	(469)	–	–	469	54,997	–	54,997
At 31 December 2021	114,835	556,194	(8,440)	2,291	8,483	19,963	(568,745)	124,581	56,259	180,840

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		**(30,279)**	(25,075)
Adjustment for:			
Amortisation of intangible assets	12	**–**	1,078
Depreciation of property, plant and equipment	11	**327**	348
Depreciation of right-of-use assets	14	**1,622**	2,156
Equity-settled share-based payments	25	**–**	2,760
Finance costs	5(a)	**715**	1,223
Fair value loss (gain) on financial assets at FVPL	17	**8,028**	(3,696)
Gain on disposal of right-of-use assets		**–**	(21)
Loss (Gain) on disposal of property, plant and equipment		**164**	(96)
Gain on disposal of loan receivables		**(2,988)**	–
Impairment on intangible assets	12	**1,479**	8,215
Write-down of inventories		**937**	–
Increase in loss allowance on trade and other receivables		**7,056**	975
(Reversal of loss allowance) Loss allowance on contract assets	18	**(360)**	455
Interest income		**(13)**	(17)
Changes in working capital:			
Contract assets		**4,980**	3,187
Contract liabilities		**(26)**	5,759
Financial assets at FVPL		**(9,461)**	(7,101)
Trade and other payables		**(64)**	(13,356)
Trade and other receivables		**(15,741)**	27,644
Cash (used in) generated from operations		**(33,624)**	4,438
Tax paid:			
PRC income taxes paid		**(227)**	(105)
PRC income taxes refunded		**–**	370
Net cash (used in) generated from operating activities		**(33,851)**	4,703

	Note	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	11	**(130)**	(1,094)
Proceeds from disposal of property, plant and equipment		**166**	226
Payment for intangible assets		**(2,164)**	–
Interest received		**13**	17
Net cash used in investing activities		**(2,115)**	(851)
FINANCING ACTIVITIES			
Proceeds from issue of placing shares, net of expenses	24	**18,286**	40,875
Proceeds from issue of right shares, net of expenses	24	**36,711**	–
Repayment of interest-bearing borrowings	20(b)	**–**	(5,000)
Repayment of lease liabilities	20(b)	**(1,637)**	(2,434)
Finance costs paid	20(b)	**(164)**	(1,223)
Net cash generated from financing activities		**53,196**	32,218
Net increase in cash and cash equivalents		**17,230**	36,070
Cash and cash equivalents at 1 January		**99,922**	64,766
Effect of foreign exchange rate changes		**(1,516)**	(914)
Cash and cash equivalents at 31 December	20(a)	**115,636**	99,922

1. SIGNIFICANT ACCOUNTING POLICIES

Enterprise Development Holdings Limited (the "Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 January 2007.

As at 31 December 2020, the directors of the Company considered the holding company of the Company was Luck Success Development Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, which was an indirect wholly-owned subsidiary of Rentian Technology Holdings Limited (in liquidation) ("Rentian") since 27 April 2017, and the ultimate holding company of the Company was Rentian, a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange.

On 7 May 2021, the shareholders of the Company approved a rights issue on the basis of one rights share for every two shares held at a subscription price of HK$0.12 per rights share. The rights issue became unconditional on 12 May 2021. 375,681,838 rights shares with the par value of HK$0.1 each were allotted and issued on 20 May 2021 (See note 24(a)(iii)). On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares at a placing price of HK$0.1 per share to two independent third parties for cash (See note 24(a)(iv)). Upon the issue of rights shares and placing shares and as at 31 December 2021, Luck Success Development Limited, the former holding company of the Company, was interested in 186,672,292 shares in the Company, equivalent to approximately 13.72% of the Company's issued share capital as of the date thereof, and Rentian, the former ultimate holding company, was interested in 203,854,292 shares in the Company, equivalent to approximately 14.98% of the Company's issued share capital as of the date thereof.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) to these consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB"), and rounded to the nearest thousand.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The measurement basis used in the preparation of the consolidated financial statements is the historical cost, except for financial assets at FVPL (see note 1(f)), which are measured at fair value as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2 in these consolidated financial statements.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

Amendments to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16: COVID-19-Related Rent Concessions

The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications.

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

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2 (cont'd)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

– the change is necessary as a direct consequence of the reform; and

– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

– the Group amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and

– when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(o), (p) and (q) to these consolidated financial statements depending on the nature of the liability.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income ("FVOCI") (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(iii).

The Group's financial assets mandatorily measured at FVPL include equity securities listed in Hong Kong and the United States.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Machinery, equipment and tools	5-10 years
Motor vehicles and other fixed assets	2-8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except for customer contracts, which are amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Firewall patents	10 years
Software patents	10 years
Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Intangible assets (other than goodwill) (cont'd)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(i) Leases

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

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liabilities;

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

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Leases (cont'd)

As lessee (cont'd)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Office premises	Over lease term

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

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

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

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Leases (cont'd)

As lessee (cont'd)

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets

Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– contract assets as defined in IFRS 15 (see note 1(q));

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Measurement of ECLs (cont'd)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments including loan receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Credit losses and impairment of assets (cont'd)

Significant increases in credit risk (cont'd)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of other non-current assets

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

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

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

Recognition of impairment losses

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables (other than prepayment made to suppliers)

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(q)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)).

(n) Prepayment made to suppliers

Prepayment made to suppliers are stated at cost less allowance for impairment losses.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(y)).

(p) Trade and other payables

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 1(j) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(w)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 1(j).

(s) Employee benefits

(i) Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(u) Income tax

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

Current tax is the expected tax payables on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payables in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Income tax (cont'd)

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

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

(v) Provisions and contingent liabilities

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

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

(w) Revenue and other revenue

Nature of goods or services

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Timing of revenue recognition (cont'd)

Sale of good is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Software maintenance services and other services are recognised over time when services are rendered.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The Group applies the output method as services completed to date over the life of the contract.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

(i) *Sales of goods*

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Transaction price: significant financing components (cont'd)

(ii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract. The deferred revenue is included in contract liabilities.

(iii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(x) Translation of foreign currencies

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

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Translation of foreign currencies (cont'd)

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of operations outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

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

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

(z) Related parties

For the purposes of the consolidated financial statements:

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

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

(ii) has significant influence over the Group; or

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

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(z) Related parties (cont'd)

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Board of Directors (the "Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of market conditions. Management reassesses the estimation at the end of each reporting period.

(b) Loss allowance of trade and other receivables

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivable and thus the loss allowance in the period in which such estimate is changed. The Group keeps assessing the ECL of trade and other receivables during the expected lives.

(c) Provision for impairment of prepayment made to suppliers

The Group makes prepayment to suppliers in accordance with the purchase order entered into with the suppliers. These prepayments are to be offset against future services provided from suppliers.

The Group does not require collateral or other security against its prepayment made to suppliers. The Group estimates the provision for impairment of prepayment made to suppliers based on evaluation of utilisation, ageing analysis of accounts and market volatilities. The identification of impairment requires management's judgements and estimates. Where the actual outcome or expectation in future is different from the original estimation, such difference will have impact on the carrying value of the prepayment made to suppliers and impairment in the period in which such estimate has been changed.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Key sources of estimation uncertainty (cont'd)

(d) Impairment for non-current assets

The management determines the impairment loss on assets other than goodwill if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use ("VIU"). In determining the VIU, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the fair value less cost of disposal and the VIU of the cash-generating units to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) Impairment of investments

The Group assesses annually if investment in subsidiaries has suffered any impairment in accordance with IAS 36 and follows the guidance of IFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

(f) Determination of discount rates for calculating lease liabilities

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of integrated business software solutions.

The amount of each significant category of revenue recognised during the year is as follows:

	2021 RMB'000	2020 RMB'000
Software maintenance and other services	38,172	67,897
Sale of software license and other products	2,293	2,633
Others	360	309
	40,825	70,839

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products and services		
Software maintenance and other services	38,172	67,897
Sale of software license and other products	2,293	2,633
Revenue from other sources		
Others	360	309
	40,825	70,839
Timing of revenue recognition		
At a point in time	2,293	2,633
Over time	38,532	68,206
	40,825	70,839

Disaggregation of revenue from contracts with customers by geographic market is disclosed in note 3(c) to these consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting

The Group manages its businesses by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has presented the following one major reportable segment. No operating segments have been aggregated to form the following reportable segments.

Software Business: Provision of integrated business software solutions in the PRC

In addition, other unreportable segment (money lending and security trading) are aggregated and presented as "Others".

(i) Segment results, assets and liabilities

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

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

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

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

In addition to receiving segment information concerning adjusted loss before taxation, the Board is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in both years.

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

Information regarding the Group's major reportable segment as provided to the Board for the purposes of resource allocation and assessment performance for the years ended 31 December 2021 and 2020 is set out below:

	Software Business		Others		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Revenue						
Revenue from external customers	**40,465**	70,530	**360**	309	**40,825**	70,839
Reportable segment revenue	**40,465**	70,530	**360**	309	**40,825**	70,839
Reportable segment loss						
Adjusted (loss) profit before taxation	**(16,489)**	(25,524)	**(7,528)**	7,832	**(24,017)**	(17,692)
Fair value (loss) gain on financial assets at FVPL	**–**	–	**(8,028)**	3,696	**(8,028)**	3,696
Depreciation and amortisation	**(1,813)**	(3,467)	**(136)**	(115)	**(1,949)**	(3,582)
Gain on disposal of financial assets at FVPL	**–**	–	**906**	536	**906**	536
Gain on disposal of loan receivables	**–**	–	**2,988**	–	**2,988**	–
Impairment on intangible assets	**(1,479)**	(8,215)	**–**	–	**(1,479)**	(8,215)
Interest expenses	**(630)**	(840)	**(3)**	–	**(633)**	(840)
Interest income from bank deposits	**13**	17	**–**	–	**13**	17
(Loss allowance) Reversal of loss allowance on trade and other receivables	**(7,183)**	(6,182)	**127**	5,257	**(7,056)**	(925)
Write-down of inventories	**(937)**	–	**–**	–	**(937)**	–
Reportable segment assets	**172,229**	157,924	**19,354**	31,265	**191,583**	189,189
Additions to non-current segment assets during the year	**2,293**	3,223	**–**	–	**2,293**	3,223
Reportable segment liabilities	**23,876**	25,776	**14**	–	**23,890**	25,776

3. REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	40,825	70,839
Loss before taxation		
Reportable segment loss derived from the Group's external customers	(24,017)	(17,692)
Unallocated head office and corporate expenses	(6,262)	(7,383)
Consolidated loss before taxation	(30,279)	(25,075)

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	191,583	189,189
Deferred tax assets	–	346
Unallocated head office and corporate assets	19,993	990
Consolidated total assets	211,576	190,525
Liabilities		
Reportable segment liabilities	23,890	25,776
Unallocated head office and corporate liabilities	6,846	6,648
Consolidated total liabilities	30,736	32,424

3. REVENUE AND SEGMENT REPORTING (cont'd)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets and goodwill ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided, or the goods delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets and right-of-use assets.

	Revenue from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**40,465**	70,530	**3,359**	4,356
Hong Kong	**360**	309	**3**	477
	40,825	70,839	**3,362**	4,833

For the year ended 31 December 2021, the Group's customer base is diversified and includes two customers with each of whom transactions have exceeded 10% of the Group's total revenue. Revenue from software maintenance and other services to each of these customers amounted to approximately RMB4,704,000 and RMB4,490,000 respectively.

For the year ended 31 December 2020, there was no customer with whom transactions have exceeded 10% of the Group's revenue.

4. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	RMB'000
Exchange gains, net	**527**	–
Gain on disposal of financial assets at FVPL	**906**	536
Gain on disposal of loan receivables	**2,988**	–
Others	**652**	326
	5,073	862

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting):

		2021 RMB'000	2020 RMB'000
(a)	**Finance costs**		
	Interest on interest-bearing borrowings	637	1,112
	Interest on lease liabilities	78	111
		715	1,223
(b)	**Staff costs**		
	Salaries, wages and other benefits	21,890	22,442
	Contributions to defined contribution retirement schemes (note 26) (note)	2,562	1,880
	Share-based payment in respect of share options (note 25(c))	–	2,760
		24,452	27,082
(c)	**Other items**		
	Auditor's remuneration	538	625
	Amortisation of intangible assets (note 12)	–	1,078
	Depreciation of property, plant and equipment (note 11)	327	348
	Depreciation of right-of-use assets (note 14)	1,622	2,156
	Leases expenses of other premises under short term leases (note 14)	771	889
	Loss (Gain) on disposal of property, plant and equipment	164	(96)
	(Reversal of loss allowance) Loss allowance on contract assets	(360)	455

Note: During the year ended 31 December 2020, the Group benefited from the preferential policy of social insurance contribution reduction and exemption during the coronavirus outbreak epidemic.

6. INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current tax – the PRC		
Provision for the year	335	341
Over provision in respect of prior year	(226)	(94)
	109	247
Deferred tax		
Origination and reversal of temporary differences	346	–
	455	247

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

The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The statutory income tax rate of its PRC subsidiaries is 25% for the years ended 31 December 2021 and 2020.

Beijing Orient LegendMaker Software Development Co., Ltd. is entitled to a preferential income tax rate of 15% for the years ended 31 December 2021 and 2020 as it was awarded high-technology status by the tax authority.

No provision of Hong Kong Profits Tax had been made as the Group's does not have assessable profit or incurred a loss for taxation purpose.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2021 and 2020.

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

	2021 RMB'000	2020 RMB'000
Loss before taxation	(30,279)	(25,075)
Tax calculated at applicable tax rates of 25% (2020: 25%)	(7,569)	(6,269)
Tax effect of different tax rates of operations in other jurisdictions	1,830	500
Effect of non-deductible expenses	2,590	2,605
Effect of non-taxable income	(16)	(622)
Effect of tax loss not recognised	2,301	1,513
Effect of temporary difference not recognised	1,545	2,614
Over-provision in respect of prior years	(226)	(94)
Tax expenses	455	247

7. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended 31 December 2021				
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
Chairman					
Mr. Guan Huanfei (Resigned on 22 May 2021)	–	860	6	–	866
Executive directors					
Mr. Bai Xuefei (Resigned on 28 January 2021)	–	28	1	–	29
Ms. Mao Junjie (Resigned on 8 November 2021)	–	1,863	–	–	1,863
Ms. Li Zhuoyang (Appointed on 24 May 2021)	–	965	99	–	1,064
Independent non-executive directors					
Mr. Cai Jinliang	199	–	–	–	199
Mr. Liu Jian (Resigned on 25 March 2021)	47	–	–	–	47
Mr. Chin Hon Siang (Appointed on 26 May 2021)	119	–	–	–	119
Mr. Hui Yat On (Appointed on 11 January 2021 and resigned on 20 September 2021)	139	–	–	–	139
Mr. Chen Kwok Wang (Appointed on 9 December 2021)	12	–	–	–	12
	516	3,716	106	–	4,338

7. DIRECTORS' REMUNERATION (cont'd)

	Year ended 31 December 2020				
	Directors' fees RMB'000	Salaries, allowance and benefits-in-kind RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment RMB'000 (note (i))	Total RMB'000
Chairman					
Mr. Guan Huanfei	–	1,038	10	14	1,062
Mr. Lam Kai Tai	–	169	7	–	176
Executive directors					
Mr. Bai Xuefei	–	213	9	455	677
Ms. Mao Junjie	–	9	–	–	9
Independent non-executive directors					
Mr. Cai Jinliang	76	–	–	–	76
Ms. Hu Gin Ing	107	–	–	–	107
Mr. Li Wai Kwan	167	–	–	–	167
Mr. Liu Jian	213	–	–	–	213
	563	1,429	26	469	2,487

Note:

(i) Equity-settled share-based payment represents share options granted to the directors of the Company under a share option scheme adopted by the Company. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions. Details of share options granted to the directors of the Company and other employees, including the principal terms and number of options granted, are set out in note 25 to these consolidated financial statements.

There were no amounts paid during the years ended 31 December 2021 and 2020 to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2020: one) of them are a director. The aggregate of the emoluments in respect of the other two (2020: four) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries, allowances and other benefits	1,442	2,446
Retirement scheme contributions	97	132
Share-based payment in respect of share options	–	455
	1,539	3,033
Number of senior managements	2	4

The emoluments of the two (2020: four) individuals with the highest emoluments are within the following bands:

	Number of individuals 2021	2020
Nil – HK$1,000,000	1	3
HK$1,000,001 – HK$1,500,000	1	1
	2	4

There were no amounts paid to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join during the years ended 31 December 2021 and 2020.

9. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2021 is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB23,820,000 (2020: approximately RMB16,833,000) and the weighted average of 999,138,188 (2020 (Restated): 657,520,758 ordinary shares in issue during the year.

The comparative amount of the basic loss per share for the year ended 31 December 2020 has been adjusted to reflect the impact of the bonus element of the rights issue effected subsequent to 31 December 2020.

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2020	778	5,511	6,289
Exchange adjustments	(5)	(34)	(39)
Additions	69	1,025	1,094
Disposals	(197)	(2,329)	(2,526)
Written off	–	(2,113)	(2,113)
At 31 December 2020 and 1 January 2021	645	2,060	2,705
Exchange adjustments	(2)	(11)	(13)
Additions	130	–	130
Disposals	–	(540)	(540)
At 31 December 2021	**773**	**1,509**	**2,282**
Accumulated depreciation:			
At 1 January 2020	(573)	(5,284)	(5,857)
Exchange adjustments	4	9	13
Charge for the year	(124)	(224)	(348)
Written back on disposals	183	2,213	2,396
Written off	–	2,113	2,113
At 31 December 2020 and 1 January 2021	(510)	(1,173)	(1,683)
Exchange adjustments	2	4	6
Charge for the year	(102)	(225)	(327)
Written back on disposals	–	210	210
At 31 December 2021	**(610)**	**(1,184)**	**(1,794)**
Net book value:			
At 31 December 2021	**163**	**325**	**488**
At 31 December 2020	135	887	1,022

12. INTANGIBLE ASSETS

	Customer relationships RMB'000	Customer contracts RMB'000	Trademarks RMB'000 (note (i))	Firewall patents RMB'000	Software patents RMB'000 (note (ii))	Total RMB'000
Costs:						
At 1 January 2020 and 31 December 2020	7,262	3,015	2,815	665	24,058	37,815
Additions	–	–	–	–	2,164	2,164
At 31 December 2021	**7,262**	**3,015**	**2,815**	**665**	**26,222**	**39,979**
Accumulated amortisation:						
At 1 January 2020	(7,262)	(3,015)	–	(665)	(3,965)	(14,907)
Charge for the year	–	–	–	–	(1,078)	(1,078)
At 31 December 2020 and 31 December 2021	**(7,262)**	**(3,015)**	**–**	**(665)**	**(5,043)**	**(15,985)**
Accumulated impairment:						
At 1 January 2020	–	–	(1,246)	–	(11,200)	(12,446)
Impairment	–	–	(400)	–	(7,815)	(8,215)
At 31 December 2020 and 1 January 2021	–	–	(1,646)	–	(19,015)	(20,661)
Impairment	–	–	(488)	–	(991)	(1,479)
At 31 December 2021	**–**	**–**	**(2,134)**	**–**	**(20,006)**	**(22,140)**
Net book value:						
At 31 December 2021	**–**	**–**	**681**	**–**	**1173**	**1,854**
At 31 December 2020	–	–	1,169	–	–	1,169

The amortisation charge for the year ended 31 December 2020 are included in "cost of sales" in the consolidated statement of profit or loss.

12. INTANGIBLE ASSETS (cont'd)

Notes:

(i) Trademarks

The recoverable amount of the trademark with indefinite useful life is determined based on its fair value determined using relief-from-royalty method by reference to the valuation report issued by an independent valuer, Valplus Consulting Limited ("Valplus"), which used the expected sales deriving from the trademarks in the Software Business included in the cash flow projections based on financial estimates covering a five-year period. Revenue growth rate is based on past performance, current industry trends and management expectation of market development. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2020: 3%). The cash flows are discounted using a discount rate of 31.58% (2020: 28.44%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2021, an impairment loss of approximately RMB488,000 (2020: RMB400,000) was recognised in respect of the trademarks.

If the budgeted growth rate for revenue over the five-year forecast period used in the calculation had been 5% lower than management's estimates at 31 December 2021, the Group would have had to recognise a further impairment against the carrying amount of trademarks of RMB96,000 (2020: RMB179,000).

If the pre-tax discount rate applied to the cash flow projections had been 1% higher than management's estimates, the Group would have had to recognise a further impairment against the trademarks of RMB22,000 (2020: RMB42,000).

(ii) Software patents

Software patents comprise staff costs which were costs capitalised in respect of development work carried out on internally generated intangible assets. The patents were designed and developed by the Group to assist the improvement of customer's computer system and expected to have useful economic life of 10 years. The management expected these software patents to contribute net cash inflows within the lifespan of these patents.

The Group has engaged Valplus to perform an appraisal of the value of the CGU in the Software Business. The recoverable amount of the CGU is determined on the basis of higher of the CGU's fair value less costs of disposal and VIU calculations.

The recoverable amount of the CGU in the Software Business is determined based on VIU calculations. The key assumptions for the recoverable amount are the underlying cash flow projections, revenue growth rate and discount rate used. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Revenue growth rate is based on past performance, current industry trends and management expectation of market development. Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2020: 3%). The cash flows are discounted using a discount rate of 25.03% (2020: 24.59%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on the valuation prepared by Valplus, the recoverable amount was lower than the carrying amount of the CGU in the Software Business, an impairment loss of approximately RMB991,000 (2020: RMB7,815,000) was recognised in respect of the software patents for the year ended 31 December 2021.

13. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity interests held by the Company Direct	Indirect	Particulars of issued share capital/paid up capital	Principal activities
		%	%		
Winsino Investments Limited	The BVI	100%	–	1 share of United States Dollars ("USD") 1	Investment holding
Smart Billion Enterprises Corporation	The BVI	100%	–	100 shares of USD1 each	Investment holding
Enterprise Development Investment Holdings Limited	Hong Kong	–	100%	100 shares of HK$100	Money lending
Enterprise Development (Hong Kong) Holdings Limited	Hong Kong	–	100%	1 share of HK$1	Securities investment
Easy Talent Limited	Cayman Islands	–	60%	10 shares of USD1 each	Investment holding
Liang Hui Holdings Limited	The BVI	–	60%	1 share of USD1	Investment holding
Oriental Legend Maker Technology Ltd.	Hong Kong	–	60%	1 share of HK$1	Investment holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") ((note (i) and (iii))	The PRC	–	60%	RMB110,000,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") ((note (ii) and (iii))	The PRC	–	60%	RMB30,000,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM") ((note (ii) and (iii))	The PRC	–	60%	RMB10,000,000	Provision of integrated business software solutions

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The English translation of the company names are for reference only. The official names of these companies are in Chinese.

(iv) None of the subsidiaries had issued any debt securities during the year.

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

The following table lists out the information relating to Beijing OLM, Chengdu OLM and Shanghai OLM, the subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Beijing OLM		Chengdu OLM		Shanghai OLM	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
NCI percentage	**40%**	40%	**40%**	40%	**40%**	40%
Current assets	**166,471**	116,369	**36,001**	37,774	**21,350**	44,080
Non-current assets	**33,296**	38,808	**13,604**	13,608	**261**	1,067
Current liabilities	**(114,801)**	(58,908)	**(1,442)**	(947)	**(3,455)**	(15,900)
Non-current liabilities	**–**	(524)	**–**	–	**–**	(247)
Net assets	**84,966**	95,745	**48,163**	50,435	**18,156**	29,000
Carrying amounts of NCI	**33,986**	38,298	**19,265**	20,174	**7,262**	11,600
Revenue	**25,058**	24,117	**1,828**	1,933	**19,687**	44,480
Loss for the year	**(9,156)**	(23,663)	**(1,504)**	(837)	**(6,547)**	(838)
Total comprehensive loss	**(9,156)**	(23,663)	**(1,504)**	(837)	**(6,547)**	(838)
Loss allocated to NCI	**(3,662)**	(9,465)	**(602)**	(335)	**(2,619)**	(335)
Dividend paid to NCI	**–**	–	**–**	–	**–**	–
Cash flow generated from (used in) operating activities	**9,816**	22,423	**77**	(19)	**559**	5,158
Cash flow (used in) generated from investing activities	**(2,259)**	(380)	**–**	(10)	**(4)**	125
Cash flow used in financing activities	**(1,116)**	(5,164)	**–**	–	**(599)**	(3,856)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office premises RMB'000
Costs:	
At 1 January 2020	5,515
Derecognition due to early termination	(3,844)
Additions	2,129
At 31 December 2020 and 31 December 2021	**3,800**
Accumulated depreciation:	
At 1 January 2020	(2,381)
Derecognition due to early termination	3,379
Charge for the year	(2,156)
At 31 December 2020 and 1 January 2021	(1,158)
Charge for the year	(1,622)
At 31 December 2021	**(2,780)**
Net book value:	
At 31 December 2021	**1,020**
At 31 December 2020	2,642

Lease liabilities

	2021 **RMB'000**	2020 RMB'000
Current portion	**771**	1,637
Non-current portion	**–**	771
	771	2,408

The Group's right-of-use assets represent the leases of various offices. Rental contracts for the year ended 31 December 2021 are typically made for fixed periods of 1 year to 3 years (2020: fixed periods of 1 year to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions. The Group has applied incremental borrowing rate of 5% (2020: 5%) to the lease liabilities for the year ended 31 December 2021.

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for short-term leases and low-value assets. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

	2021 RMB'000	2020 RMB'000
Lease payments		
Short-term leases	771	889
Expenses recognised in profit or loss	771	889
Lease payments:		
Interest on lease liabilities	78	111
Repayment of lease liabilities	1,637	2,434
Total cash outflow for leases	2,486	3,434

Commitments under leases

At 31 December 2021, the Group was committed to RMB292,000 (2020: RMB253,000) for short-term leases and low-value assets.

15. GOODWILL

	Total RMB'000
Costs:	
At 31 December 2020, 1 January 2021 and 31 December 2021	19,541
Accumulated impairment:	
At 31 December 2020, 1 January 2021 and 31 December 2021	(19,541)
Carrying amount:	
At 31 December 2021	–
At 31 December 2020	–

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

	2021 RMB'000	2020 RMB'000
Software Business	**–**	–

16. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2021 RMB'000	2020 RMB'000
Standard hardware and accessories	**–**	931
Low value consumables	**–**	6
	–	937

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

	2021 RMB'000	2020 RMB'000
Write down of inventories	**937**	–

17. FINANCIAL ASSETS AT FVPL

	2021 RMB'000	2020 RMB'000
Mandatorily measured at FVPL		
Equity securities listed in Hong Kong	4,971	10,236
Equity securities listed in the United States	6,358	–
	11,329	10,236

Note:

The fair value of listed equity securities is based on quoted market prices in active markets at the end of the reporting period.

During the year ended 31 December 2021, a fair value loss on listed equity securities of RMB8,028,000 (2020: fair value gain of RMB3,696,000) was recognised in profit or loss.

18. CONTRACT ASSETS AND LIABILITIES

	Note	2021 RMB'000	2020 RMB'000
Contract assets	(a)	8,316	13,296
Less: Loss allowance		(114)	(474)
		8,202	12,822
Contract liabilities	(b)	6,775	6,801

Notes:

(a) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets from contracts with customers within IFRS 15 during the year are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	13,296	16,483
Transferred to trade receivables	(13,296)	(16,483)
Recognition of revenue	8,316	13,296
At 31 December	8,316	13,296

The contract assets are primarily related to the Group's right to consideration for Software Business because the rights are conditional upon the Group's fulfilment of certain future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The decrease in contract assets in 2021 was the result of the decrease in the provision of maintenance and other services towards the end of the year.

At 31 December 2021, the contract assets that are expected to be settled within 12 months are RMB8,316,000 (2020: RMB13,296,000).

18. CONTRACT ASSETS AND LIABILITIES (cont'd)

Notes: (cont'd)

(b) Movements in contract liabilities:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	6,801	1,042
Decrease in contract liabilities as a result of recognising revenue or other income during the year that was included in the contract liabilities at the beginning of the year	(6,801)	(1,042)
Increase in contract liabilities excluding amounts recognised as revenue during the year	6,775	6,801
Balance at 31 December	6,775	6,801

At 31 December 2021, the contract liabilities that are expected to be settled within 12 months are RMB6,775,000 (2020: RMB6,801,000).

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

19. TRADE AND OTHER RECEIVABLES

	Note	2021 RMB'000	2020 RMB'000
Trade receivables, net of loss allowance	(a)	23,139	18,868
Loan receivables from third parties	(b)	14,245	25,103
Less: loss allowance of loan receivables		(14,245)	(22,291)
Loan receivables, net of loss allowance	(c)-(d)	–	2,812
Prepayments made to suppliers, net of impairment	(e)	27,633	32,057
Deposits and other receivables, net of loss allowance		22,275	7,692
		49,908	39,749
		73,047	61,429

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

19. TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

(a) As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2021 **RMB'000**	2020 RMB'000
Within 1 month	**13,283**	11,059
Over 1 month but less than 3 months	**666**	4,739
Over 3 months but less than 1 year	**6,031**	3,070
Over 1 year but less than 2 years	**3,159**	–
Over 2 years	**–**	–
	23,139	18,868

Trade receivables are generally due within 90 (2020: 90) days from the date of billing. Further details of the Group's credit policy are set out in note 28(a) to these consolidated financial statements.

(b) At 31 December 2021, loan receivables of RMB14,245,000 were unsecured, carried at fixed interest rates of ranging from 7% to 12% per annum and overdue. All loan receivables were denominated in HK$.

At 31 December 2020, (1) loan receivable of RMB2,812,000 was unsecured, carried at fixed interest rate of 10% per annum and within the respective maturity date; and (2) remaining loan receivables of RMB22,291,000 were unsecured, carried at fixed interest rates of ranging from 7% to 12% per annum and overdue. All loan receivables were denominated in HK$.

(c) The maturity profile of the loan receivables and net of allowance at the end of the reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	2021 **RMB'000**	2020 RMB'000
Repayable		
Within 1 month	**–**	2,812
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 1 year	**–**	–
	–	2,812

(d) As of the end of the reporting period, the ageing analysis of loan receivables (which are included in trade and other receivables), based on loan drawn down date and net of loss allowance, is as follows:

	2021 **RMB'000**	2020 RMB'000
Within 1 month	**–**	–
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 1 year	**–**	2,812
	–	2,812

Further details of the Group's credit policy are set out in note 28(a) to these consolidated financial statements.

19. TRADE AND OTHER RECEIVABLES (cont'd)

Notes: (cont'd)

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

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

At 31 December 2021, the unutilised prepayments, net of impairment amounted to RMB27,633,000 (2020: RMB32,057,000). The directors have reassessed the recoverability of the unutilised prepayment based on all relevant information available to the Group. The directors consider that the carrying amounts are not impaired.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentrations of credit risk as 36% (2020: 32%) and 72% (2020: 48%) of the total prepayment made to the Group's largest supplier and the five largest suppliers respectively.

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

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

	2021 **RMB'000**	2020 RMB'000
Cash on hand	**34**	30
Deposits on demand	**115,602**	99,892
Cash and bank deposits (note(i))	**115,636**	99,922

Note:

(i) Included in cash and bank deposits were approximately RMB87,968,000 (2020: approximately RMB81,493,000) placed in financial institutions in the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

20. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities RMB'000 (Note 14)	Interest-bearing borrowing RMB'000 (Note 22)	Total RMB'000
At 1 January 2020	3,199	16,214	19,413
Change from financing cash flows:			
Repayment of interest-bearing borrowings	–	(5,000)	(5,000)
Repayment of lease liabilities	(2,434)	–	(2,434)
Interest expenses paid	(111)	(1,112)	(1,223)
Total changes from financing cash flows	(2,545)	(6,112)	(8,657)
Other changes:			
Finance costs	111	1,112	1,223
Written off	(486)	–	(486)
New lease liabilities	2,129	–	2,129
Exchange adjustments	–	(1,396)	(1,396)
Total other changes	1,754	(284)	1,470
At 31 December 2020	2,408	9,818	12,226

	Lease liabilities RMB'000 (Note 14)	Interest-bearing borrowing RMB'000 (Note 22)	Total RMB'000
At 1 January 2021	2,408	9,818	12,226
Change from financing cash flows:			
Repayment of lease liabilities	(1,637)	–	(1,637)
Interest expenses paid	(78)	(86)	(164)
Total changes from financing cash flows	(1,715)	(86)	(1,801)
Other changes:			
Finance costs	78	637	715
Exchange adjustments	–	(312)	(312)
Total other changes	78	325	403
At 31 December 2021	**771**	**10,057**	**10,828**

21. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	4,116	3,808
Non-trade payables and accrued expenses	5,120	5,064
Other tax payables	722	1,232
	9,958	10,104

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

The credit period of trade payables is normally within 90 (2020: 90) days. As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Due within 1 month or on demand	3,701	480
Due after 1 month but within 3 months	–	3,118
Due after 3 months but within 6 months	18	200
Due after 6 months but within 1 year	16	10
Due after 1 year	381	–
	4,116	3,808

22. INTEREST-BEARING BORROWINGS

	Notes	2021 RMB'000	2020 RMB'000
Loan from a third party, unsecured and unguaranteed	(a)	4,086	4,216
Loan from a former fellow subsidiary, unsecured and unguaranteed	(b)	5,971	–
Loan from a fellow subsidiary, unsecured and unguaranteed	(b)	–	5,602
		10,057	9,818

Notes:

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

The loan due to an independent third party is denominated in HK$ (2020: HK$), unsecured, carried interest rate of 2% (2020: 2%) per annum and is repayable within one year.

(b) Loan from a former fellow subsidiary (2020: a fellow subsidiary), unsecured and unguaranteed

The loan due to a former fellow subsidiary (2020: a fellow subsidiary) is denominated in HK$ (2020: HK$), unsecured, carried interest rate of 10% (2020: 10%) per annum and overdue (2020: is repayable within one year).

23. DEFERRED TAXATION

(a) Deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Write-down of inventory RMB'000
At 1 January 2020 and 31 December 2020	346
Charged to profit or loss	(346)
At 31 December 2021	–

(b) Deferred tax assets not recognised

	2021 RMB'000	2020 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**75,521**	71,786
Tax losses	**68,359**	56,551
At end of the reporting period	**143,880**	128,337

No deferred tax asset has been recognised due to the unpredictability of future profit streams. Deductible temporary differences do not expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2021 RMB'000	2020 RMB'000
Tax loss without expiry date	**37,422**	35,025
Tax losses expiring on 31 December 2024	**14,187**	14,187
Tax losses expiring on 31 December 2025	**7,339**	7,339
Tax losses expiring on 31 December 2026	**9,412**	–
	68,360	56,551

(c) Deferred tax liabilities not recognised

At 31 December 2021, there is no temporary difference relating to the undistributed profits of subsidiaries.

At 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB7,003,000. Deferred tax liabilities of approximately RMB350,000 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

24. SHARE CAPITAL AND RESERVES

(a) Share capital

	2021		2020	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000,000**	**1,000,000,000**	10,000,000,000	1,000,000,000
Issued and fully paid:				
At 1 January	**758,172,933**	**75,817,293**	526,508,982	52,650,898
Issue of placing shares (note (i))	**–**	**–**	105,301,796	10,530,180
Issue of placing shares (note (ii))	**–**	**–**	126,362,155	12,636,215
Issue of rights shares (note (iii))	**375,681,838**	**37,568,184**	–	–
Issue of placing shares (note (iv))	**226,770,954**	**22,677,096**	–	–
At 31 December	**1,360,625,725**	**136,062,573**	758,172,933	75,817,293
		RMB equivalent		RMB equivalent
		114,835,503		64,904,550

Notes:

(i) On 4 February 2020, the Company allotted and issued an aggregate of 105,301,796 shares at a placing price of HK$0.249 per share to not less than six placees for cash. The net proceeds of approximately RMB22,905,000 (equivalent to HK$25,410,000) was received and approximately RMB1,352,000 (equivalent to HK$1,500,000) was used for repayment of interest-bearing borrowings, approximately RMB8,032,000 (equivalent to HK$8,910,000) was used for general working capital of the Group; approximately RMB13,521,000 (equivalent to HK$15,000,000) was used as part of deposit payment for a development project. The closing market price of the Company's shares as at the issue date was HK$0.34 per share.

(ii) On 17 November 2020, the Company allotted and issued an aggregate of 126,362,155 shares at a placing price of HK$0.168 per share to an independent third party for cash. The net proceeds of approximately RMB17,970,000 (equivalent to HK$21,128,000) was received and approximately RMB7,764,000 (equivalent to HK$9,128,000) was used for investment in listed securities; approximately RMB1,276,000 (equivalent to HK$1,500,000) was used for general working capital of the Group; and approximately RMB8,930,000 (equivalent to HK$10,500,0000) was used for loan financing business. The closing market price of the Company's shares as at the issue date was HK$0.185 per share.

(iii) On 7 May 2021, the shareholders of the Company approved a rights issue on the basis of one rights share for every two shares held at a subscription price of HK$0.12 per rights share. The rights issue became unconditional on 12 May 2021. 375,681,838 rights shares with the par value of HK$0.1 each were allotted and issued on 20 May 2021.

The Company planned to apply the net proceeds of approximately RMB36,711,000 (equivalent to HK$43,910,000) as to approximately (i) RMB3,340,000 (equivalent to HK$4,000,000) for loan financing business and securities investments; (ii) RMB8,210,000 (equivalent to HK$10,000,000) for the procurement for the Group's software business development; (iii) RMB25,161,000 (equivalent to HK$29,910,000) for the Group's operating expenses, overheads and general working capital of the Group.

The net proceeds from the rights issue were used as (i) approximately RMB3,340,000 (equivalent to HK$4,000,000) for loan financing business; (ii) approximately RMB3,730,000 (equivalent to HK$4,540,000) for the procurement of software license and related services; and (iii) approximately RMB14,710,000 (equivalent to HK$17,920,000) for the Group's operating expenses, overheads and general working capital, among which approximately RMB9,770,000 (equivalent to HK$11,900,000) is for staff cost, approximately RMB610,000 (equivalent to HK$740,000) is for rental payments, approximately RMB1,730,000 (equivalent to HK$2,110,000) is for professional fee and the remaining RMB2,600,000 (equivalent to HK$3,170,000) is for general administrative expenses. The remaining net proceeds of approximately RMB14,931,000 (equivalent to HK$17,450,000) will be used according to the intended use.

24. SHARE CAPITAL AND RESERVES (cont'd)

(a) Share capital (cont'd)

Notes: (cont'd)

(iv) On 29 December 2021, the Company allotted and issued an aggregate of 226,770,954 shares at a placing price of HK$0.1 per share to two independent third parties for cash. The net proceeds of approximately RMB18,286,000 (equivalent to HK$22,370,000) was received. The Company intended to apply (i) approximately RMB12,774,000 (equivalent to HK$15,640,000) for capital injection in Beijing Orient LegendMaker Software Development Co., Ltd. and (ii) approximately RMB5,512,000 (equivalent to HK$6,730,000) for general working capital of the Group. The closing market price of the Company's shares as at the issue date was HK$0.062 per share.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Other reserve

The application of the other reserve is set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in equity.

(iii) Share-based payment reserve

The share-based payment reserve comprises the fair value at the grant date of unexercised share options granted to and other share-based payment transactions with employees of the Group and is dealt with in accordance with the accounting policy as set out in note 1(t) to these consolidated financial statements.

(iv) PRC statutory reserve

Transfers from retained profits to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to reduce previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity shareholders.

24. SHARE CAPITAL AND RESERVES (cont'd)

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

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from the hedges of the net investment in their foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

(c) Capital management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing borrowings less cash and capital is defined as the total equity. As at 31 December 2021, the Group had cash in excess of interest-bearing borrowings. It is the management's intention to restrict the ratio below 50% in the long run. To achieve this end, the Group may adjust the amount of dividends to be paid to shareholders, issue new shares or raise new debts.

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

25. SHARE OPTION

(a) Share option scheme

On 26 May 2016, with approval by the shareholders, the Company adopted a new share option scheme (the "Scheme") for a period of 10 years to replace the share option scheme approved on 18 December 2006 that would otherwise expire on 17 December 2016.

Under the Scheme, the Company may grant options to directors, employees, suppliers, customers, consultants, agents and advisers of the Company and the subsidiaries and any person who, in the sole discretion of the Board, has contributed or may contribute to the Group in recognition of their contribution to the Group. The options will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee's employment with the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Under the Scheme, the options granted may be accepted by a participant within 28 days from the date of such offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option. The exercise period of the share options granted is determinable by the directors of the Company and ends on a date which is not later than 10 years from the date of offer of the share options. The subscription price for shares payable on exercise of share options granted under the Scheme shall be a price determined by the directors of the Company, but shall in any event not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of share.

The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Scheme.

25. SHARE OPTION (cont'd)

(b) Movement in share option granted:

The following table discloses movements of the Company's share options held by directors and employees of the Group:

Name of category of participant	Date of grant	Exercise period	Exercise price HK$	Year ended 31 December 2021 Outstanding at 1 January 2021	Adjustment*	Reallocation#	Forfeited during the year	Outstanding at 31 December 2021	The closing price of the Company's shares quoted on the Stock Exchange immediately before the date of grant HK$
Directors in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2063*	6,500,000	5,759	6,481,413	(6,505,759)	6,481,413	0.201
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2063*	31,750,000	914,263	(6,481,413)	–	26,182,850	0.201
				38,250,000	920,022	–	(6,505,759)	32,664,263	
Weighted average exercise price (HK$)				0.2122	–	–	–	0.2063	

* Subsequent to the grant date, the number of outstanding share options has been adjusted from 31,950,000 to 32,870,022 and the exercise price has been adjusted from HK$0.2122 per share to HK$0.2063 per share to reflect the bonus element of rights issue completed on 18 May 2021. Details are set out in the Company's announcement dated 18 May 2021.

\# At the date of the appointment as an executive director, Ms. Li Zhuoyang ("Ms. Li") was interested in an aggregate of 6,481,413 share options of the Company which shall entitle for her to subscribe for up to 6,481,413 shares of the Company at an exercise price of HK$0.2063 each (subject to adjustments). Before the appointment as an executive director, Ms. Li was served the Group as the director of certain non-wholly-owned subsidiaries of the Company.

During the year ended 31 December 2021, 6,505,759 adjusted share options were forfeited and the amount of approximately RMB469,000 previously recognised in share-based payment reserve is transferred to accumulated losses.

Name of category of participant	Date of grant	Exercise period	Exercise price HK$	Year ended 31 December 2020 Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2020	The closing price of the Company's shares quoted on the Stock Exchange immediately before the date of grant HK$
Directors in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2122	–	6,500,000	–	–	6,500,000	0.201
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030	0.2122	–	31,750,000	–	–	31,750,000	0.201
				–	38,250,000	–	–	38,250,000	
Weighted average exercise price (HK$)				–	0.2122	–	–	0.2122	

No share options were exercised for the years ended 31 December 2021 and 2020. As at 31 December 2021 and 2020, all share options were exercisable.

25. SHARE OPTION (cont'd)

(c) Fair value of share options and assumptions

The fair value of the share options granted is measured at the date of grant, using the binomial option pricing model, taking into account the terms and conditions of the share-based arrangement The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The inputs into the model are as follows:

Grant date	**Fair value at grant date** HK$ per share option	**The closing price of the Company's shares quoted on the Stock Exchange at grant date** HK$ per share	**Exercise Price** HK$ per share	**Risk-free interest rate**	**Expected Volatility**	**Expected life**	**Expected dividend yield**
1 September 2020	0.081	0.200	0.2122	0.60%	89.57%	10 years	N/A

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

During the year ended 31 December 2020, the fair value of equity-settled share-based payment in respect of the Scheme of RMB2,760,000 was recognised in profit or loss.

26. RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. The contribution rates of the PRC subsidiaries employees administered by various municipal governments are ranged from 12% to 22% (2020: 8% to 12%).

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

26. RETIREMENT BENEFITS (cont'd)

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

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

27. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Related party relationship	Nature of transaction	2021 RMB'000	2020 RMB'000
A fellow subsidiary	Loan interest expenses	–	528
A related company^	Loan interest income	–	(189)

^ The related company was controlled by the controlling shareholder.

(b) Remuneration to key management personnel

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	6,933	5,766
Post-employment benefits	356	239
Equity-settled share-based payment	–	1,379
	7,289	7,384

The remuneration to key management personnel includes directors whose remuneration is detailed in note 7 to these consolidated financial statements.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

Cash and cash equivalents

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidation statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade and other receivables and contract assets

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of Software Business are usually required to settle the payment based on the agreed schedule in according to the sales contract. Customers with balances overdue are normally requested to settle all outstanding balances before further service is provided. Normally, the Group does not obtain collateral from its customers.

The Group measures loss allowances on trade and other receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

(a) Credit risk (cont'd)

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

Trade receivables

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

	Expected loss rate %	Gross carrying amount RMB'000	Loss Allowance RMB'000
As at 31 December 2021			
Current (not past due)	**1.36**	**14,143**	**193**
Less than 3 months past due	**13.23**	**499**	**66**
Over 3 months to 1 year past due	**21.91**	**7,169**	**1,571**
Over 1 year to 2 years past due	**51.90**	**6,565**	**3,407**
Over 2 years past due	**100.00**	**1,959**	**1,959**
		30,335	**7,196**
As at 31 December 2020			
Current (not past due)	2.69	15,299	412
Less than 3 months past due	38.88	4,930	1,917
Over 3 months to 1 year past due	53.97	2,103	1,135
Over 1 year to 2 years past due	100.00	1,560	1,560
Over 2 years past due	100.00	872	872
		24,764	5,896

The Group does not hold any collateral over trade receivables as at 31 December 2021 and 2020.

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

	2021 RMB'000	2020 RMB'000
At 1 January	**5,896**	2,025
Provision for loss allowance	**1,300**	3,871
At 31 December	**7,196**	5,896

As at 31 December 2021, the Group has recognised an allowance for credit losses on trade receivables amounted to approximately RMB7,196,000 (2020: approximately RMB5,896,000), of which approximately RMB1,300,000 (2020: approximately RMB3,871,000) were collectively determined to be impaired under ECLs during the year.

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

(a) Credit risk (cont'd)

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

Loan receivables

Movements in the loss allowance account in respect of loan receivables during the year are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	22,291	28,906
Exchange adjustments	(576)	(1,367)
Amount written off	(7,470)	–
Reversal of loss allowance	–	(5,248)
At 31 December	14,245	22,291

As at 31 December 2021, the Group has recognised an allowance for credit losses on loan receivables amounted to approximately RMB14,245,000 (2020: approximately RMB22,291,000) of which approximately RMB14,245,000 (2020: approximately RMB22,291,000) was determined as credit impaired.

Contract assets

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

	2021 RMB'000	2020 RMB'000
At 1 January	474	19
(Reversal of) Provision for loss allowance	(360)	455
At 31 December	114	474

As at 31 December 2021, the Group has recognised an allowance for credit losses on contract assets amounted to approximately RMB114,000 (2020: approximately RMB474,000), of which approximately RMB360,000 was reversed (2020: approximately RMB474,000 was impaired) during the year.

An analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

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

(a) Credit risk (cont'd)

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

Deposits and other receivables

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

	2021 RMB'000	2020 RMB'000
At 1 January	16,125	14,049
Provision for loss allowance	5,883	2,076
At 31 December	22,008	16,125

As at 31 December 2021, the Group has recognised an allowance for credit losses on deposits and other receivables amounted to approximately RMB22,008,000 (2020: approximately RMB16,125,000) of which approximately RMB5,883,000 (2020: approximately RMB2,076,000) were individually determined to be impaired under ECLs during the year.

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

(b) Liquidity risk

The individual subsidiaries within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The maturity profile of the Group's non-derivative financial liabilities at end of the reporting period, based on contractual discounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at end of the reporting period) are summarised below:

	Carrying Amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000
As at 31 December 2021				
Non-derivative financial liabilities				
Interest-bearing borrowings	**10,057**	**10,736**	**10,736**	**–**
Lease liabilities	**771**	**803**	**803**	**–**
Trade and other payables	**7,938**	**7,938**	**7,938**	**–**
	18,766	**19,477**	**19,477**	**–**

	Carrying Amount RMB'000	Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000
As at 31 December 2020				
Non-derivative financial liabilities				
Interest-bearing borrowings	9,818	10,464	10,464	–
Lease liabilities	2,408	2,495	1,715	780
Trade and other payables	7,796	7,796	7,796	–
	20,022	20,755	19,975	780

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other than bank balances with variable interest rate, loan receivables with fixed interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises primarily from cash and cash equivalents, loan receivables and interest-bearing borrowings issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the end of each reporting period is as follows:

	2021		2020	
	Effective weighted average interest rates % (annual)	RMB'000	Effective weighted average interest rates % (annual)	RMB'000
Fixed rate instruments				
Interest-bearing borrowings	6.75	(10,057)	6.56	(9,818)

(ii) Sensitivity analysis

The directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account no variable interest-bearing borrowing as at 31 December 2021 and 31 December 2020. Accordingly, no sensitivity analysis on interest rate risk is presented.

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

(d) Foreign currency risk

The loan from a former fellow subsidiary amounted to approximately RMB5,971,000 is denominated in Hong Kong Dollars ("HKD") which are different from the functional currency of the Group entities, i.e. RMB, which expose the Group to currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its foreign currency risk by monitoring the movement of the foreign currency rate and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2021, if RMB had weakened/strengthened by 5% against HKD and USD with all other variables held constant, the Group's loss after tax for the year would have been approximately RMB299,000 higher/lower, arising mainly as a result of the foreign exchange differences on borrowings denominated in HKD. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency are excluded.

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

(e) Equity price risk

The Group is exposed to equity price risk arising from financial assets at FVPL. The sensitivity analysis has been determined based on the exposure to equity price risk.

At end of the reporting period, if the fair value had been 21% (2020: 36%) higher or lower while all other variables were held constant, the Group's net loss before tax would decrease or increase by RMB2,365,000 (2020: RMB3,682,000) as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly during the year mainly due to more volatile price fluctuation.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the equity prices or other relevant risk variables had occurred at end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the equity prices or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant equity price or the relevant risk variables over the period until the end of the next annual reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of each reporting period does not reflect the exposure during the year.

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

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

(a) Assets measured at fair value

	31 December 2021 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVPL				
– Listed equity securities	11,329	11,329	–	–

	31 December 2020 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at FVPL				
– Listed equity securities	10,236	10,236	–	–

During the years ended 31 December 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurements.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2021 and 2020.

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

(g) Financial instruments by category

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

	2021 RMB'000	2020 RMB'000
Financial assets		
– Financial assets measured at amortised cost	**160,450**	127,775
Financial liabilities		
– Financial liabilities measured at amortised cost	**20,064**	21,016

29. EVENTS AFTER THE REPORTING PERIOD

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

Proposed capital reorganisation

On 14 December 2021, the Board proposed to implement the capital reorganisation which comprises the following:

(a) The share consolidation by which every twenty issued and unissued existing shares will be consolidated into one consolidated share of HK$2.0;

(b) The capital reduction by which: (a) any fractional consolidated share in the issued share capital of the Company arising from the share consolidation shall be cancelled; and (b) the par value of all the then issued consolidated shares shall be reduced from HK$2.0 each to HK$0.1 each by cancelling the paid-up capital of the Company to the extent of HK$1.9 on each of the then consolidated shares in issue; and

(c) The share subdivision of every unissued consolidated share of HK$2.0 each in the authorised share capital of the Company into twenty adjusted shares of HK$0.1 each.

Details of rights issue is set out in the announcement of the Company dated 3 January 2022.

The proposed capital reorganisation was passed by the shareholders of the Company at an extraordinary general meeting of the Company held on 26 January 2022.

The Grant Court has granted on 22 March 2022 an order confirming the capital reduction, and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the capital reduction was filed on 24 March 2022. All conditions have been fulfilled and the capital reorganisation became effective on 25 March 2022.

Following the capital reorganisation becoming effective, the Company has 68,031,274 adjusted shares in issue and a credit of approximately HK$129 million arose as a result of following the completion of the capital reorganisation. The credit arising from capital reorganisation will be applied towards offsetting part of the balance of the accumulated losses of the Company up to the effective date of the capital reorganisation on 25 March 2022.

30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company-level statement of financial position

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries		**11**	11
Due from subsidiaries	30(c)	**88,090**	63,605
		88,101	63,616
Current assets			
Due from subsidiaries	30(d)	**16,268**	35,503
Deposits and other receivables		**325**	169
Bank balances and cash		**19,390**	621
		35,983	36,293
Current liabilities			
Other payables and accrued expenses		**2,762**	2,433
Interest-bearing borrowings		**4,086**	4,216
		6,848	6,649
Net current assets		**29,135**	29,644
Total assets less current liabilities		**117,236**	93,260
Non-current liability			
Due to subsidiaries		**1**	1
NET ASSETS		**117,235**	93,259
Equity and reserves			
Share capital	24(a)	**114,835**	64,905
Reserves	30(b)	**2,400**	28,354
TOTAL EQUITY		**117,235**	93,259

This statement of financial position was approved and authorised for issue by the Board of Directors on 31 March 2022 and signed on its behalf by

Li Zhuoyang
Director

Cai Jinliang
Director

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

(b) Company-level reserves

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

	Share premium RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	530,446	32,962	–	(497,177)	66,231
Loss for the year	–	–	–	(56,253)	(56,253)
Other comprehensive loss:					
Exchange difference on translation of financial statements of overseas operations	–	(5,065)	–	–	(5,065)
Total comprehensive loss for the year	–	(5,065)	–	(56,253)	(61,318)
Transactions with owners:					
Contributions and distributions:					
Issue of placing shares, net of expenses (note 24(a)(i))	13,413	–	–	–	13,413
Issue of placing shares, net of expenses (note 24(a)(ii))	7,268	–	–	–	7,268
Equity-settled share-based payments (note 25)	–	–	2,760	–	2,760
Total transactions with owners	20,681	–	2,760	–	23,441
At 31 December 2020 and 1 January 2021	551,127	27,897	2,760	(553,430)	28,354
Loss for the year	**–**	**–**	**–**	**(27,734)**	**(27,734)**
Other comprehensive loss:					
Exchange difference on translation of financial statements of overseas operations	**–**	**(3,287)**	**–**	**–**	**(3,287)**
Total comprehensive loss for the year	**–**	**(3,287)**	**–**	**(27,734)**	**(31,021)**
Transactions with owners:					
Contributions and distributions:					
Issue of right shares, net of expenses (note 24(a)(iii))	**5,303**	**–**	**–**	**–**	**5,303**
Issue of placing shares, net of expenses (note 24(a)(iv))	**(236)**	**–**	**–**	**–**	**(236)**
Share options forfeited (note 25)	**–**	**–**	**(469)**	**469**	**–**
Total transactions with owners	**5,067**	**–**	**(469)**	**469**	**5,067**
At 31 December 2021	**556,194**	**24,610**	**2,291**	**(580,695)**	**2,400**

(c) The amounts due from subsidiaries are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(d) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demands.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these consolidated financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2021 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

Amendments to IFRS 16	Covid-19-related rent concessions beyond 30 June 2021[1]
Amendments to IAS 16	Proceeds before Intended Use[2]
Amendments to IAS 37	Cost of Fulfilling a Contract[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Annual Improvements to IFRSs	2018–2020 Cycle[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 The effective date to be determined

The directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the results of the Group.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.