Shanghai Qingpu Fire-Fighting Equipment Co., Ltd.*
上海青浦消防器材股份有限公司

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

(Stock Code: 8115)

ANNUAL REPORT 2020

* *For identification purposes only*

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent Non-Executive Directors

Mr. Wang Guo Zhong
Mr. Yang Chun Bao
Mr. Song Zi Zhang

AUDIT COMMITTEE

Mr. Song Zi Zhang
Mr. Yang Chun Bao
Mr. Wang Guo Zhong

AUTHORISED REPRESENTATIVE

Mr. Chan Chi Wai Benny
Mr. Shi Hui Xing

COMPANY SECRETARY

Mr. Chan Chi Wai Benny

AUDITORS

Ascenda Cachet CPA Limited

PRINCIPAL BANKERS

China Construction Bank Huaxin Sub-branch
Shanghai Rural Commercial Bank Co., Ltd
Chonggu branch

H SHARE SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

1988 Jihe Road
Hua Xin Town
Qingpu District, Shanghai
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2605, Island Place Tower
510 King's Road
North Point Hong Kong

CHAIRMAN'S STATEMENT

RESULTS FOR THE YEAR

For the year ended 31 December 2020, the Group recorded total revenue of RMB72,517,000 and loss attributable to owners of the Company for the year of RMB1,403,000. The Group's revenue was derived principally from its manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products) in the PRC (excluding Hong Kong) and overseas, provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment and sales of aquarium products and other products.

SALES

The Group's revenue decreased by RMB5,499,000 from RMB78,016,000 in 2019 to RMB72,517,000 in 2020.

BUSINESS REVIEW

The Company's fire extinguisher products cover three categories, carbon dioxide, water-based, and dry powder. The wide product range offered by the Company can meet the diversified needs of the customers. In addition, the Company's fire extinguishers for non-marine use are granted the Certificate for Product Type Approval by the CCCF and its fire extinguishers for marine use are granted the Certificates of Type Approval by the China Classification Society, Shanghai Branch ("CCS"). The Company's pressure cylinders have obtained the manufacture licence in the PRC and they meet the quality standards or requirements of the USA and the European Union.

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the prevention and control of the COVID-19 has been going on throughout China. Facing the epidemic situation, the Group, while cooperating with the government to fight the epidemic situation, actively took measures to avoid the economic loss of the Group. In the first half of 2020, due to COVID-19, the Group had promoted employees' home office and network office and maintained close contact with suppliers and customers and had minimal business activities because of the epidemic. However, with the help of a subsidiary, 上海高壓特種氣瓶有限公司 (literally translated as "Shanghai Pressure Special Gas Cylinder Co., Limited", "Special Cylinder") leasing out the entire factory which reduces overhead costs and provide stable income, the impact was reduced. In the second half of 2020, a subsidiary of the Company, 上海荻野生物科技有限公司 (literally translated "Shanghai Ogino Biotechnology Co., Limited", "Shanghai Ogino"), entered into certain agreements (the "Transaction") to purchase 6 properties with a total building area of approximately 3,233 sq. m., located at 天億健康產業園 (literally translated as "Tian Yi Health Industrial Park") (the "Properties"), in Ci Xi, Zhejiang Province of the PRC, for an aggregate consideration of approximately RMB12,817,000 (the "Purchase Consideration"). The Purchase Consideration was fully paid by Shanghai Ogino's internal resources and by bank borrowings in the PRC.

CHAIRMAN'S STATEMENT

PROSPECT

The recent launch of various COVID-19 vaccines may provide protection and should have a positive effect to the economy. Together with change in business strategies since 2019 and all the follow up work done in 2020 by the Company, we believe we can sharpen our competitive edge and further improve our result with a new production plant in the Properties expected to be completed in 2021, sale of aquarium product could be boosted further because of better production capacity and better corporate image to attract new customers. The Company will also prudently consider acquiring relevant enterprises which possess sound profitability by way of capital increment in accordance with the relevant laws and regulations in order to accelerate the growth of our profitability so that the Company will become a major enterprise in the manufacturing, sale of fire-fighting equipment and fire fighting service provider in the PRC.

OUR PEOPLE

The Group will further optimize its staff structure. The Board would like to express its gratitude to the employees of the Company for their invaluable contribution to the business of the Group.

DIRECTORS

My thanks go to the directors of the Company for their professional work. The Board will endeavor to work professionally and painstakingly for achieving prosperous performance of the Group in the future.

Zhou Jin Hui
Chairman

Shanghai, the PRC
25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB72,517,000 (year ended 31 December 2019: RMB78,016,000), representing a decrease of approximately 7% over last year mainly because of (i) prevention and control of the Coronavirus Disease 2019 ("COVID-19") being taken place during which most of the business activities have been suspended; (ii) the termination of operation of two factories by end of 2019 leading to the significant decrease in sales of pressure vessels and (iii) the Company's subsidiary, Special Cylinder, has leased a vacated factory for 15 years provides stable rental income for the Group which offset the negative results mentioned in (i) and (ii) above.

GROSS PROFIT

For the year ended 31 December 2020, the Group recorded overall gross profit of approximately RMB21,881,000 (year ended 31 December 2019: RMB15,728,000). The gross profit ratio is approximately 30% and 20% for the years ended 31 December 2020 and 2019 respectively. The increase in gross profit ratio is mainly due to rental income gained from a vacated factory leased out for rent.

OTHER INCOME AND GAINS

Other income and gains increased from approximately RMB2,366,000 for the year ended 31 December 2019 to approximately RMB2,879,000 for the year ended 31 December 2020 because of the fair value gain on investment properties.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2020, the Group's selling and distribution expenses decreased to approximately RMB1,753,000 from RMB3,081,000, representing an decrease of 43% over the corresponding period of last year. This is mainly due to decrease in sale of pressure vessels.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB15,037,000, (year ended 31 December 2019: approximately RMB21,542,000), representing a decrease of 30%. The decrease is mainly due to (i) the termination of operation of two factories by the end of 2019 leading to non-recurrence of such expenses in 2020; and (ii) operation suspended because of COVID-19 epidemic leading to less expenses in 2020.

FINANCE COSTS

Finance costs for the year ended 31 December 2020 of RMB160,000 (year ended 31 December 2019: RMB80,000) included (i) interest on bank borrowings, secured of RMB99,000 (year ended 31 December 2019: RMB Nil); and (ii) interest on lease liabilities of RMB61,000 (year ended 31 December 2019: RMB80,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2019: Nil).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate applicable to small-scale enterprises with low profitability that meet certain conditions including the assessable profit not more than RMB3,000,000 shall be reduced to 20%. Seven (2019: six) of the Company's subsidiaries have been designated as a small-scale enterprise, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "1st Assessable Profits") of these subsidiaries is effective taxable at 5% (i.e. 20% on 25% of the 1st Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "Remaining Assessable Profits") is 10% (i.e. 20% on the 50% of the Remaining Assessable Profits).

Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% (2019: 25%) on the Group's estimated assessable profits for the year ended 31 December 2020.

The effective tax rate of the Group is 27% for the year ended 31 December 2020 (year ended 31 December 2019: (4)%). It is due to the loss in certain subsidiaries, which are not allowed to offset assessable profits arising from other subsidiaries of the Group.

The increase in income tax expenses mainly attributable to six subsidiaries which were generated assessable profit in 2020 (2019: two subsidiaries).

NON-CONTROLLING INTERESTS

For the year ended 31 December 2020, profit for the year attributable to non-controlling interests is approximately RMB4,075,000 (year ended 31 December 2019: loss of RMB1,296,000).

LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

For the year ended 31 December 2020, the Group recorded loss for the year attributable to the owners of the Company of approximately RMB1,403,000 (year ended 31 December 2019: RMB10,499,000). The decrease in loss was primarily attributable to profit from sale of aquarium products and decrease in administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

NET CURRENT ASSETS

As at 31 December 2020, the Group had current assets of approximately RMB54,678,000, based on which, the current ratio was 2.5 (31 December 2019: 3.0). The decrease was mainly caused by decrease in trade and bills receivables. The current liabilities increased from RMB18,536,000 as at 31 December 2019 to RMB21,757,000 as at 31 December 2020 mainly attributable to increase in other payables and accruals. Current assets as at 31 December 2020 mainly comprised inventories of approximately RMB8,391,000 (31 December 2019: RMB7,954,000), trade and bills receivables of approximately RMB10,170,000 (31 December 2019: RMB15,769,000), prepayments, deposits and other receivables of approximately RMB4,745,000 (31 December 2019: RMB4,312,000) and cash and bank deposits of approximately RMB30,596,000 (31 December 2019: RMB26,505,000). The inventories turnover days for the year is 58 days (31 December 2019: 47 days). The increase is mainly because of the stock clearance sale started in fourth quarter of 2019 and finished in early 2020. Trade and bills receivables decreased by 36% mainly because of decrease in sales. Current liabilities mainly comprised trade payables of approximately RMB5,769,000 (31 December 2019: RMB6,892,000), the decrease was due to decrease in production of five-fighting equipment. Other payables and accruals increased by 133% to approximately RMB10,472,000 (31 December 2019: RMB4,485,000). The increase is mainly due to rental deposit received from the vacated factory leased out for rent.

GEARING RATIO

The Group's gearing ratio as at 31 December 2020 was 49% (31 December 2019: 35%), which was expressed as a percentage of the total liabilities divided by the total equity. The increase was mainly attributable to increase in other payables and accruals.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

In July 2020, the Group entered into certain sale and purchase agreements with an independent third party, pursuant to which, the Group acquired six properties (the "Tian Yi Properties") located at 天億健康產業園 in Ci Xi, Zhejiang Province of the PRC at an aggregate consideration of approximately RMB12,817,000. The Tian Yi Properties are still under development and have not been completed at the date of these consolidated financial statements. Except for this acquisition, there was no significant investment and material acquisition and disposal during the year ended 31 December 2020.

CHARGE ON ASSETS OF THE GROUP

As detailed in note 20(a) to the consolidated financial statements, the interest-bearing bank borrowings are pledged by the Tian Yi Properties, whereby deposits of RMB12,817,000 have been paid by the Group as at 31 December 2020.

COMMITMENTS

Please refer the details of commitments to note 33 to the consolidated financial statements.

LITIGATION

Please refer the details of litigation to notes 13(a), 14 and 34 to the consolidated financial statements.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net assets of approximately RMB73,380,000 (31 December 2019: RMB71,066,000). The Group's operations are financed principally by internal sources, shareholders' borrowings, interest-bearing bank borrowings, secured and shareholders' equity.

As at 31 December 2020, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2022 (2019: 30 May 2021). As at 31 December 2020 and 2019, the Facility has not been drawn down.

EMPLOYEES

As at 31 December 2020, the Group had 133 employees (2019: 125 employees). The increase is mainly due to new employed staff to fill the casual vacancy. Remuneration is determined by reference to market terms and the performance, qualifications, and experience of individual employee. Other benefits include contributions to retirement scheme.

Under relevant local government regulations, the Group is required to make contributions to a defined contribution retirement scheme for all qualified employees in the PRC. The Group has, in compliance with relevant local government regulations, made payment for such scheme during the year. The Group has no obligation for the payment of other retirement and non-retirement benefits of employees other than the contributions described above.

The Group has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Group's relationship with its employees to be good.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Jin Hui (周金輝), aged 50, has been an executive Director since July 2009. He is the chairman of the Company and a director of Liancheng HK, Liancheng, and Hengtai Real Estate. Mr. Zhou started management of business in 1996 when he co-founded Jiangshan Construction Decoration Engineering Ltd.* (江山市建築裝飾配套工程有限公司). He was a founder of Jiangshan Hengtai Real Estate Co. Ltd.* (江山市恒泰房地產有限公司) in 1998 which was converted into Hengtai Real Estate in 2003. Mr. Zhou completed the business administration programme in the International Business University of Beijing* (北京國際商務學院) in 1998 and the training programme for senior manager in Tsinghua University* (清華大學) in 2005. In addition, he was conferred the degree of Master of Business Administration from the University of Management and Technology, Commonwealth of Virginia, the United States of America in 2007.

Mr. Shi Hui Xing (史惠星), aged 62, has been an executive Director since April 2014, appointed as the General Manager of the Company in November 2014. He is also a director and the general manager of 上海高壓特種氣瓶有限公司 (Shanghai Pressure Special Gas Cylinder Co., Ltd.*) ("Special Cylinder"). Mr. Shi has been working in Special Cylinder since 2007. Mr. Shi graduated from the Shanghai Light Industry Bureau Committee China Communist Party School (中共上海市輕工業局委員會黨校) with studies in political party management (政黨管理) in 1992 and was conferred the qualification of senior occupational manager (grade 1) (高級職業經理人(一級)) in 2009 by the Appraisal Centre of Occupational Capability of Shanghai (上海市職業技能鑒定中心).

Mr. Zhou Guo Ping (周國平), aged 53, has been an non-executive director since June 2014 and re-designated to executive director in November 2014. He joined the Company as the deputy general manager in May 2011. He has more than 28 years of experience in factory management. He worked as the Vice General manager of ZheJiang Jiangshan Transformer Co., Ltd.* (浙江江山變壓器有限公司) before joining the Company. Mr. Zhou Guo Ping was a graduate from Wuhan Institute of Economic Management* (武漢經濟學院).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guo Zhong (王國忠), aged 63, has been an independent non-executive Director since October 2000. He has over 20 years of experience in legal practice. He had been the person in charge (主任) of Shanghai Keenmore Law Office* (上海市金馬律師事務所) since October 1992. Mr. Wang graduated from Shanghai Fudan University* (上海復旦大學) with a bachelor's degree in law in April 1983. He was conferred the qualification of professional lawyer by Shanghai Justice Bureau (上海市司法局) in January 1985.

Mr. Yang Chun Bao (楊春寶), aged 64, has been an independent non-executive Director since October 2000. He has more than 31 years of experience in finance and accounting. Mr. Yang was admitted as a certified public accountant and he joined Shanghai Huashen Certified Public Accountants Ltd.* (上海華申會計師事務所有限公司) in November 1973 and became a deputy supervisor (副主任) in June 2005. In July 2011, he was promoted to be the accountant-in-charge (主任會計師) of the firm. Mr. Yang was conferred a degree of Master of Science in Business Administration by Madonna University at Livonia, Michigan, the USA in December 1999.

Mr. Song Zi Zhang (宋子章), aged 74, has been an independent non-executive Director since November 2014. He has over 40 years' experience in factory management. He has been appointed as the Supervisor Committee Chairman of Shanghai Chenglong Group Co., Ltd. (上海晟隆(集團)有限公司) since 2007, after retiring from the position of General Manager in Shanghai Moshida Enterprise Development Company Limited (上海摩士達企業發展有限公司). He completed the program of Enterprise Operation and Management in Shanghai Open University and is a Senior Economist.

SENIOR MANAGEMENT

Mr. Luo Jun (駱軍), aged 46, is the technical manager of the Company. He has more than 10 years of experience in industrial techniques. He joined the Company in January 2004 and had been working as technician and technical manager. He had worked as a technician in Baosteel People's Machinery Factory* (寶鋼集團人民機械廠) during the period from August 1996 to January 2000. Mr. Luo graduated from Nanchang Hankong Industrial College* (南昌航空工業學院) with studies in metal forming process and equipment in 1996.

Ms. Huang Ming Zhen (黃明禎), aged 45, is the manager of quality inspection department of the Company. She has over 20 years of experience in quality control. She joined the Company in December 2004 to work in quality inspection department. Ms. Huang completed professional studies from North Jiangxi Industry School* (贛北工業學校).

Mr. Sun Qiang (孫強), aged 41, was promoted to Financial Controller of the Company in October 2015. He joint the Company in 2011 and has over 15 years of accounting and finance experience. He graduated from Shanghai Commerce and Accounting School* (上海商業會計學校) in 1998 and obtained a Diploma in Management Accounting from Shanghai LiXin Accounting Colleague* (上海立信會計學院) in 2011. He was admitted to Senior International Finance Manager of International Financial Management Associations in 2017. He also possesses a certificate of Senior Operating Manager issued jointly by the Ministry of Commerce and the Ministry of Labor People's Republic of China.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chan Chi Wai, Benny (陳智偉), aged 50, obtained a Bachelor of Business (Accountancy) in Queensland University of Technology. He has over 20 years' experience in auditing, accounting and financial management. Prior to joining the Company, he has moved to Shanghai and worked for a domestic company preparing to be listed in the Shanghai Stock Exchange. Before moving to Shanghai, he had worked for Ernst and Young and a couple of companies which shares are listed in the Stock Exchange of Hong Kong. He has been admitted to the status of certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) since 1999.

SUPERVISORS

In accordance with Articles 124 of the Company's Articles of Association, Supervisors shall be elected at general meetings of the Company for a term of three years. Mr. Zhao Da Rong, Mr. Qiu Ning Song and Mr. Liu Jin were the Supervisors of the Company during the year.

Mr. Qiu Ning Song (邱寧松), aged 55, is the head of fire-fighting equipments production line. He joined the Company in April 2011. Before joining the Company, he is the factory manager of JiangShang DaZhong Boiler Co., Ltd. ("江山市大眾鍋爐廠").

Mr. Zhao Da Rong (趙大榮), aged 50, has been the office manager of the Company since November 2006. He has over 20 years of experience in general management. Before he joined the Company, he had worked as the deputy office manager and office manager of Shanghai Huasheng during the period from December 1997 to November 2006, and as the office manager and deputy general manager of Shanghai Huasheng Fine Chemicals Co., Ltd.* (上海華盛精細化工有限公司) from February 1992 to December 1997. Mr. Zhao graduated from Shanghai Anting Teachers Training School with a major in education in July 1988. He completed the training course of intermediate professional manager (national professional qualification Grade 2) (中級職業經理人(國家職業資格二級)培訓班) held by Shanghai Centre for Quality of Management (上海卓越管理中心) in August 2008.

Mr. Liu Jin (劉金), aged 37, is the Operation Manager of LianCheng Fire-Fighting Group Company Limited ("LianCheng"). Before joining LianCheng in 2009, he was the Chief of International Procurement Department in Foxconn Technology Group. Mr. Liu was graduated from JiLin University in 2005.

COMPLIANCE OFFICER

Mr. Shi Hui Xing was as the compliance officer during the year.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) and Appendix 15 of the GEM Listing Rules, the Company wishes to state that it has complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in the Appendix 15 of the GEM Listing Rules during the year.

(1) CORPORATE GOVERNANCE PRACTICES

The Company is committed to promote good corporate governance, with the objectives of (i) the maintenance of responsible decision making; (ii) the improvement in transparency and disclosure of information to shareholders; (iii) the continuance in respect of the rights of shareholders and the recognition of the legitimate interests of the shareholders; and (iv) the improvement in management of risk and the enhancement of performance by the Company. The Company has applied in Appendix 15 of the GEM Listing Rules with these objectives in mind.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the directors of the Company, all directors have complied with the required standard of dealings and code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board comprises of six members, including three executive Directors, Mr. Zhou Jin Hui, Mr. Shi Hui Xing and Mr. Zhou Guo Ping and three independent non-executive Directors, Mr. Wang Guo Zhong, Mr. Yang Chun Bao and Mr. Song Zi Zhang. Their term of office will end upon the commencement of the 2023 annual general meeting where re-election would be conducted.

The Board conducted 5 meetings in 2020 to discuss and decide on development strategies, critical operational matters, financial affairs and other matters stipulated in the articles of association of the Company. The following table sets out the attendance of Directors' meetings in 2020 in details:

Directors		**Number of Meetings/attendance**
Executive Directors	Mr. Zhou Jin Hui	5/5
	Mr. Shi Hui Xing	5/5
	Mr. Zhou Guo Ping	5/5
Independent non-executive Directors	Mr. Wang Guo Zhong	5/5
	Mr. Yang Chun Bao	5/5
	Mr. Song Zi Zhang	5/5

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

During the year 2020, Mr. Zhou Jin Hui and Mr. Shi Hui Xing is chairman and general manager, respectively, which are two clearly defined positions. The chairman is responsible for the operation of the Board while the general manager (equivalent to a chief executive) is in charge of daily management. The Articles of Association of the Company set out the respective functions of the chairman and the general manager in detail.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through an assessment of the Company and its subsidiaries conducted by a team of professionals on an ongoing basis, the management has determined whether the internal controls and risk management systems are able to meet the expected objectives, and has made recommendations for improving any control deficiency in the systems.

EMOLUMENTS OF DIRECTORS

In 2020, all Directors (other than executive director, Mr. Zhou Jin Hui) of the Company received emoluments for the year ended 31 December 2020. Details of emoluments of Directors are set out in note 8 of the consolidated financial statements.

APPOINTMENT OF DIRECTORS

Directors of the Company are elected at general meetings with a term of three years for each session. Directors can be re-elected upon expiration of the term. On 30 June 2017, the Company has appointed new Directors with a term until the commencement of the 2020 general meeting where re-election would be conducted.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee according to "A Guide For The Formation of An Audit Committee" compiled by the Hong Kong Institute of Certified Public Accountants. In compliance with Rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee have been properly written out. The audit committee for the year 2020 comprises of Yang Chun Bao, Wang Guo Zhong and Song Zi Zhang, who are independent non-executive Directors. Yang Chun Bao possess appropriate professional qualification and financial experience.

The primary duties of the Audit Committee are mainly (i) reviewing the Group's consolidated financial statements and providing material advice in respect of the financial reporting; (ii) making recommendations to the Board on appointment, re-appointment and removal of external auditors as well as approval on their remuneration and terms of engagement; (iii) overseeing financial reporting system, risk management and internal control systems of the Company.

A total of 5 meetings have been conducted by the audit committee in 2020 for reviewing and discussion of the operating results, financial position and significant accounting policies and internal auditing issues of the Company for the year ended 31 December 2019, for the six months ended 30 June 2020 and for the three months ended 31 March 2020 and 30 September 2020, and meeting with auditors of the Company before the commencement of the audit for the year ended 31 December 2020.

The following table sets out the attendance of the committee's meeting in 2020:

Committee members	Attendance/number of meetings
Yang Chun Bao	5/5
Song Zi Zhang	5/5
Wang Guo Zhong	5/5

REMUNERATION COMMITTEE

The Remuneration Committee of the Company for the year 2020 comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the remuneration committee. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for Directors and senior management of the Company and the establishment of formal and transparent procedures for formulating the remuneration policy.

The following table sets out the attendance of the committee's meeting in 2020:

Committee members	Attendance/number of meetings
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Song Zi Zhang	1/1

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has established the Nomination Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary responsibilities include (i) reviewing and supervising the framework, number of members and composition of the Board and making proposals to the Board in respect of any changes to be made and identifying and nominating suitable persons for appointment of Director; (ii) to assess the independence of independent non-executive Directors and review their annual confirmations on the independence; and (iii) to review the Board diversity policy and the progress on achieving the objectives set for implementing the policy.

The Nomination Committee for the year 2020 comprises of one executive Director, Mr. Zhou Jin Hui and two independent non-executive Directors, Mr. Yang Chun Bao and Mr. Song Zi Zhang, which is in compliance with the requirement of the GEM Listing Rules that independent non-executive Directors should form the majority of the nomination committee.

The following table sets out the attendance of the committee's meeting in 2020:

Committee members	**Attendance/number of meetings**
Zhou Jin Hui	1/1
Yang Chun Bao	1/1
Song Zi Zhang	1/1

DIVERSITY OF THE BOARD

The Group has adopted a policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with the code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

COMPANY SECRETARY

The Board had appointed Mr. Chan Chi Wai Benny ("Mr. Chan") as the company secretary (the "Company Secretary") and an authorised representative of the Company on 9 April 2014. During the year, Mr. Chan undertook over 15 hours professional training to update his skill and knowledge in compliance with Rule 5.15 of the GEM Listing Rules.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that board procedures are followed and facilitating communications among Directors as well as with Shareholders and management.

The Company Secretary's biographies are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this report.

AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company by the auditors of the Company, Ascenda Cachet CPA Limited, amounted to HK$1,160,000 and HK$25,000 (equivalent to RMB969,000 and RMB21,000), respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This report is compiled with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the GEM Listing Rules and aims to disclose to investors the contributions made by Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. and its subsidiaries (the "Group") in the aspects of environment and community activities from 1 January 2020 to 31 December 2020.

The Group understands that "sustainability" is particularly important to the long-term development of the Group, the society as well as our next generation. The Group maintained a high standard of corporate social responsibility and strictly complied with relevant laws and regulations.

The Group participated in below in the "Environmental" and "Social" sections and sincerely hopes that the work can foster the "sustainability" development of the society.

ENVIRONMENTAL

In recent years, the problem of human-made pollution to the natural ecology has become increasingly serious. Since 2016, the Group has formally included environmental protection into its operational objectives and responsibilities. The Group is committed to reducing the harm done by operational activities to the natural ecology, improving the Group's staff's habit of energy consumption in the Company, encouraging staff to use natural resources in a responsible manner and reduce waste in daily life. As the Group's principal business activities involve plant production and office administration, the Group's environmental protection work mainly focuses on energy-saving at office and environmental-friendly production.

Emissions

As the Group's manufacturing process produces a small amount of waste water, solid wastes and to a lesser extent gases. Such process does not cause any material damage to the environment, therefore, the Group does not have significant air emissions and discharges into water, besides the non-hazardous solid wastes generated manufacturing plant during our operations.

There were no non-compliance cases noted in relation to environmental laws and regulations as of 31 December 2020.

Energy-saving at office

The Group encourages staff member to save energy during daily work so as to contribute to the environment. Lights and air conditioners are turned off when they are not in use, or are set at the energy-saving mode. In the daytime, the Group makes good use of daylight.

Environmentally friendly production

Since mid-2016, the Group's environmental requirements include efficient use of raw materials and minimize production wastage.

SOCIAL

I. Employment and Labour Practices

Employment and Labour Standards

The remuneration policy of the Group adjusts employees' salary level based on their nature of work, education and experience, etc. to ensure that all employees are entitled to reasonable rewards.

The Group attaches great importance to the cultivation of talents. When the Group expands its business and there are management vacancies, internal promotion will be first considered for those who are competent.

The Group is building a team which allows employees to have equal promotion opportunities when opportunities arise. The Group strictly complies with Labour Law in China which includes anti-discrimination sections and does not engage in any fraud or child labour. In the process of annual appraisal, the Group decides the level of salary increase and promotion opportunities based solely on the work performance, experience and skills of employees.

Staff are required to have good standards of professional ethics and personal qualities. There are strict requirements regarding staff's conduct in the Group's human resources policy. All staff are aware of the policy.

There were no non-compliance cases noted in relation to labour standards law and regulations as of 31 December 2020.

Staff Composition

As at 31 December 2020, the Group employed a total of 133 staff members within the Group. All staff members are allocated in China. The Gender ratio is 64% Male to 36% Female. 12% of staff within the age from 18 to 29, 23% of staff within the age from 30 to 39, 23% of staff within the age from 40 to 49, 42% of staff age 50 or above.

Employee Health and Safety

The Group recognizes the importance of providing a safe and enjoyable working environment to staff. The keys to maintaining the health of our staff are to maintain adequate communication with them, fully understand and take care of their needs, and improve their working conditions as well. There were no non-compliance cases noted in relation to health and safety law and regulations as of 31 December 2020.

Training and Development

The Group hopes that our staff can grow together with the Group. All staff are encouraged to take part in external training courses related to their jobs.

II. Operating Practices

Supply Chain Management

The Group has internal control measures to ensure the impartiality of the process and the performance of all suppliers and contractors are reported and monitored. The factors that the Group takes into consideration during the selection of suppliers or contractors include: price, specification and quality of the product, service quality and product support.

Product Responsibility

Prior to appointing any supplier, the Group's purchasing team would conduct a field trip to obtain the supplier's valid production licence and business licence, the quality evaluation of the sample and other information. Only after confirming that the relevant raw materials are harmless to the environment would the Group use those materials for product manufacturing.

There were no non-compliance cases noted in relation to health and safety, advertising, labelling and privacy matters as of 31 December 2020.

Anti-Corruption

During the year, the management of the Group did not find any cases of bribery or fraud. Through the established code of conduct and reporting mechanism, as well as the controlled environment developed by all staff throughout the years, the Group believes that the risk of the occurrence of fraud behaviour has been minimized. The Group will continue to monitor the related risks so as to maximize the values for the shareholders and other related parties.

There were no non-compliance cases noted in relation to corruption related laws and regulations as of 31 December 2020.

Future Approach Towards Sustainable Development

Facing the future, the Group has the following prospects:

- Introduce the principles of environmentally-friendly production and operation to every production process and office operation;

- Encourage the staff to join more community activities, raise the civil awareness of all staff within the Group and offer help to those in need in the society; and

- Improve the all-round development of the staff and workers.

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company and its subsidiaries are the manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products), provision of fire technology inspection services, installation and inspection of marine fire-fighting equipment business, commission received on trading of sanitary-ware and sales of aquarium products and other products.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business can be found in the Management Discussion and Analysis set out on pages 5 to 8 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2020 and the Group's financial position at the date are set out in the consolidated financial statements on pages 35 to 127.

The directors of the Company do not recommend the payment of any dividend in respect of the year (2019: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 128. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant, equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the consolidated financial statements, respectively.

SHARE CAPITAL

There is no change in registered, issued and fully paid capital of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the year.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered by the Company during the year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2020, calculated under the Company Law of the People's Republic of China (the "PRC", being the jurisdiction in which the Company were established) amounted to Nil.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 43% of the total revenue and revenue contributed by the largest customer included therein accounted for approximately 15% of the total revenue.

Purchases from Group's five largest suppliers accounted for approximately 50% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 15% of the total purchases.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company as of the date of this report were:

Executive Directors:
Mr. Zhou Jin Hui
Mr. Shi Hui Xing
Mr. Zhou Guo Ping

Independent non-executive Directors:
Mr. Yang Chun Bao
Mr. Wang Guo Zhong
Mr. Song Zi Zhang

The Company has received annual confirmations of independence from Mr. Yang Chun Bao, Mr. Wang Guo Zhong and Mr. Song Zi Zhang and still considers them to be independent as at the date of this report.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of three years. Directors can be re-elected upon expiration of the term. On 30 June 2017, the Company has re-elected Directors with a term until the commencement of the 2020 general meeting where re-election would be conducted.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Company.

PERMITTED INDEMNITY PROVISION

No permitted indemnity provision as defined in Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by the directors of the Company during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries were a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company nor any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Approximate percentage of Share Capital total issued
Mr. Zhou Jin Hui *(Note 1)*	Held by controlled corporation	133,170,000	71.05%

Note:

1. Liancheng Fire-Fighting Group Company Limited ("Liancheng") holds 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Mr. Zhou Jin Hui was deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

Save as disclosed above, as at 31 December 2020, none of the Directors of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified to the Company of relevant interests and short positions in the issued share capital of the Company:

Name	**Capacity**	**Number of shares**	**Approximate percentage of Share capital total registered**
Liancheng Fire-Fighting Group Company Limited *(Note 3)*	Beneficial owner	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%
Mr. Zhou Jin Hui	Held by controlled corporation	131,870,000 *(Note 1)*	70.36%
	Held by controlled corporation	1,300,000 *(Note 2)*	0.69%

Notes:

1. All represent domestic shares of the Company.

2. Liancheng Fire-Fighting Group Company Limited ("Liancheng") hold 131,870,000 domestic shares of the Company. Liancheng Fire Protection Group (Hong Kong) Company Limited, a 100% subsidiary of Liancheng Fire-Fighting Group Company Limited, holds 1,300,000 H shares of the Company. Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. ("Hengtai") owns 80% of Liancheng Fire-Fighting Group Company Limited and Mr. Zhou Jin Hui owns 58% of Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. Accordingly, Zhejiang Hengtai Real Estate Joint Stock Co., Ltd. and Mr. Zhou Jin Hui were deemed to be interested in 131,870,000 domestic shares and 1,300,000 H shares in the Company.

   Liancheng is owned as to 80% by Hengtai and 20% by Mr. Zhou Jin Hui.

3. On 12 January 2017, the board of directors of the Company was notified that, an aggregate of 131,870,000 domestic shares of the Company (the "Pledged Shares") held by Liancheng have been pledged in favour of an independent third party (the "Lender") as a security for a loan amount of RMB198,000,000 provided by the Lender to Liancheng (the "2017 Loan"). The Pledged Shares will be released if Liancheng makes a partial repayment amounting to RMB63,000,000 to the Lender. Relevant shares pledge registration procedures have been completed with China Securities Depository and Clearing Corporation Limited. As of 12 January 2017 and the date of this report, the Pledged Shares represent approximately 70.36% and 100% of the issued share capital and domestic shares of the Company, respectively.

Save as disclosed above, as at 31 December 2020 the Company has not been notified by any substantial shareholders of the Company other than the Directors or chief executives, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions undertaken by the Company are set out in note 33 to the consolidated financial statements. The Company has sold fire extinguisher steel cylinders and aluminum cylinders to ZhongLian Cheng fire fighting Technology Group Company Limited and its subsidiaries and Zhejiang Hengtai Real Estate Joint Stock Co., Ltd.. These transactions are qualified for full exemption pursuant to GEM Listing Rules 20.74(1). Nevertheless, the independent non- executive Directors have examined and confirmed that:

(i) these transactions were executed in the ordinary and usual course of business of the Company;

(ii) these transactions were executed on normal commercial terms or on terms not less favourable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction was executed on normal commercial terms);

(iii) these transactions were executed in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole; and

(iv) these transactions have complied with the requirements under Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DIRECTORS' REPORT

AUDITORS

There have been no changes of auditors in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Zhou Jin Hui
Chairman

Shanghai, The PRC
25 March 2021

* *for identification purposes only*

INDEPENDENT AUDITORS' REPORT

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

TO THE MEMBERS OF
SHANGHAI QINGPU FIRE-FIGHTING EQUIPMENT CO., LTD.
(A joint stock limited company established in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 127, which comprise the consolidated statement of financial position as at 31 December 2020, 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 consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significant 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, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (CONTINUED)

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Impairment assessment of goodwill

Refer to notes 2.4 and 3 of the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 16 of the consolidated financial statements for further information.

The Key Audit Matter

The carrying amount of the Group's goodwill was approximately RMB4,211,000 as at 31 December 2020, which was recognised arising from business combination regarding the acquisition of the marine fire-fighting equipment cash generating units (the "Marine CGU").

For the purpose of impairment assessment of goodwill, the directors of the Company (the "Directors") engaged an independent valuer (the "Valuer") to perform a valuation (the "Business Valuation") regarding the goodwill of the Marine CGU based on management's assumptions. The management has prepared a cash flow forecast (the "Forecast") to determine the recoverable amount of the Marine CGU. Significant management judgement and estimation was used to determine the key assumptions underlying the Forecast and the Business Valuation, including the discount rate, growth rate, terminal growth rate, gross margin and turnover.

Based on the Business Valuation, no impairment of goodwill was considered necessary by the management as the recoverable amount is higher than its carrying amount.

For the above reasons, we identified the impairment assessment of goodwill as a key audit matter.

How our audit was addressed in the Key Audit Matter

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

— Discussing with management and the Valuer to understand the basis of valuation approach and methodology, which is prepared based on the Forecast;

— Challenging the management and the Valuer on the adoption of the assumptions and estimations in the Forecast and the Business Valuation;

— Evaluating the independence, professionalism and accuracy of the work performed by the Valuer;

— Evaluating the reasonableness and appropriateness of the Forecast and the Business Valuation and the assumptions, information and parameters used in the models, including the discount rate, growth rate, terminal growth rate, gross margin and turnover used by the management in assessing the recoverable amount of the Marine CGU; and

— Recalculating the provision of the impairment of goodwill, if any, and assessing the sufficiency of the impairment as at 31 December 2020.

KEY AUDIT MATTERS (CONTINUED)

2. Provision for inventories

Refer to notes 2.4 and 3 of the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 18 of the consolidated financial statements for further information.

The Key Audit Matter

The carrying amount of the Group's inventories was approximately RMB8,391,000 (net of provision for impairment of inventories of approximately RMB2,190,000) as at 31 December 2020.

For the purpose of impairment assessment of inventories, the Directors performed an assessment (the "Impairment Assessment"), including the provision for obsolete or slow moving inventories at the end of the reporting period based on their consideration of the obsolescence and the net realisable value of inventories. Significant management judgement and estimation was used to determine the key assumptions underlying the Impairment Assessment, including (i) condition of products; (ii) estimated selling prices in the ordinary course of business less estimated costs to completion; (iii) estimated selling expenses; and (iv) expectation of future sales orders.

Based on the Impairment Assessment, the Group recognised a provision for inventories of approximately RMB1,423,000 for the year.

For the above reasons, we identified the determination of the provision for inventories as a key audit matter.

How our audit was addressed in the Key Audit Matter

Our procedures in relation to management's assessment of the provision for inventories included:

— Discussing with management to understand the basis of approach and methodology of the Impairment Assessment;

— Challenging the management on the adoption of the assumptions and estimations in the Impairment Assessment;

— Identifying aged and/or damaged inventories during the physical inventory count;

— Obtaining the inventory ageing analysis;

— Assessing the methodology and assumptions used in the calculation of the provision for inventories;

— Checking, on a sample basis, the accuracy and relevance of the selling prices; cost to completion and selling expenses of the inventories subsequent to the end of the reporting period or closest to year end and the expectation of future sales orders;

— Checking, on a sample basis, aged inventories for subsequent sales or usage after the end of the reporting period; and

— Recalculating the provision for inventories and assessing the sufficiency of the provision as at 31 December 2020.

KEY AUDIT MATTERS (CONTINUED)

3. Loss allowance for impairment of trade receivables

Refer to notes 2.4 and 3 of the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates and note 19 of the consolidated financial statements for further information.

The Key Audit Matter

The carrying amount of the Group's trade receivables was approximately RMB9,263,000 (net of loss allowance of RMB2,716,000) as at 31 December 2020.

The Group has applied the simplified approach for determining the expected credit loss ("ECL") on trade receivables, which are assessed individually for customers which are credit impaired and collectively using a provision matrix.

For the purpose of assessing the ECL, the Directors performed an assessment (the "ECL Assessment") regarding ECL on trade receivables based on management's assumptions. Significant management judgement and estimation was used to determine the key assumptions underlying the ECL Assessment, including (i) the probability of default ("PD") and loss given default ("LGD"); and (ii) the selection and use of reasonable and supportable forward looking information without undue cost or effort in the ECL Assessment.

Based on the ECL Assessment, the Group provided ECL allowance on trade receivables of approximately RMB2,739,000 for the year.

For the above reasons, we identified the ECL allowance of trade receivables as a key audit matter.

How our audit was addressed in the Key Audit Matter

Our procedures in relation to management's assessment of the ECL allowance on trade receivables included:

— Discussing with management to understand the basis of approach and methodology of the ECL Assessment;

— Challenging the management on the adoption of the assumptions and estimations in the ECL Assessment;

— Evaluating the reasonableness and appropriateness of the ECL Assessment and the assumptions, information and parameters used in the model, including PD, LGD and forward-looking factors;

— Checking the information used by management to develop the provision matrix including ageing analysis of trade receivables, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices;

— Checking settlements subsequent to the end of the reporting period relating to the trade receivables as at 31 December 2020 on a sample basis; and

— Recalculating the ECL allowance on trade receivables, and assessing the sufficiency of the ECL allowance as at 31 December 2020.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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 entitles or business activities with the Group to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Yuk Tong.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**72,517**	78,016
Cost of sales and services	6	**(50,636)**	(62,288)
Gross profit		**21,881**	15,728
Other income and gains	5	**2,879**	2,366
Selling and distribution expenses		**(1,753)**	(3,081)
Administrative expenses		**(15,037)**	(21,542)
Finance costs	7	**(160)**	(80)
Impairment of trade receivables, net	19	**(2,739)**	(3,069)
Provision for impairment of inventories	6, 18	**(1,423)**	(1,699)
Profit/(Loss) before tax	6	**3,648**	(11,377)
Income tax expense	10	**(976)**	(418)
Profit/(Loss) for the year		**2,672**	(11,795)
Attributable to:			
Owners of the Company		**(1,403)**	(10,499)
Non-controlling interests		**4,075**	(1,296)
		2,672	(11,795)
LOSS PER SHARE	11		
Basic (RMB cents)		**(0.75)**	(5.60)
Diluted (RMB cents)		**(0.75)**	(5.60)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**2,672**	(11,795)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**-**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,672**	(11,795)
Attributable to:		
Owners of the Company	**(1,403)**	(10,499)
Non-controlling interests	**4,075**	(1,296)
	2,672	(11,795)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,809**	9,603
Right-of-use assets	15(a)	**1,416**	1,875
Investment properties	14	**24,300**	23,570
Goodwill	16	**4,211**	4,211
Intangible assets	17	**855**	1,035
Deposits and other receivables	20	**15,086**	–
Total non-current assets		**54,677**	40,294
CURRENT ASSETS			
Inventories	18	**8,391**	7,954
Trade and bills receivables	19	**10,170**	15,769
Prepayments, deposits and other receivables	20	**4,745**	4,312
Contract assets	21	**-**	74
Due from related companies	22	**776**	776
Cash and cash equivalents	23	**30,596**	26,505
Total current assets		**54,678**	55,390
CURRENT LIABILITIES			
Trade payables	24	**5,769**	6,892
Other payables and accruals	25	**10,472**	4,485
Contract liabilities	26	**-**	1,165
Interest-bearing bank borrowings, secured	27	**897**	–
Lease liabilities	15(b)	**623**	1,172
Due to immediate holding company	28	**906**	906
Due to non-controlling interests	28	**41**	1,451
Due to a related company	28	**2,477**	2,377
Tax payables		**572**	88
Total current liabilities		**21,757**	18,536
NET CURRENT ASSETS		**32,921**	36,854
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,598**	77,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings, secured	27	**7,850**	–
Lease liabilities	15(b)	**718**	614
Deferred tax liabilities	29(b)	**5,650**	5,468
Total non-current liabilities		**14,218**	6,082
Net assets		**73,380**	71,066
EQUITY			
Equity attributable to owners of the Company			
Paid-up capital	30	**18,743**	18,743
Reserves	31	**51,124**	52,527
		69,867	71,270
Non-controlling interests		**3,513**	(204)
Total equity		**73,380**	71,066

Zhou Jin Hui
Director

Shi Hui Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company									
	Paid-up capital	**Share premium***	**Capital reserve***	**Statutory reserve fund***	**Discretionary common reserve fund***	**Asset revaluation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 31(i))	(note 31(ii))	(note 31(iii))	(note 31(iv))					
At 1 January 2019:	18,743	10,910	43,655	6,936	1,500	11,299	(11,274)	81,769	1,092	82,861
Loss for the year and total comprehensive income for the year	-	-	-	-	-	-	(10,499)	(10,499)	(1,296)	(11,795)
Transfer to statuary reserve funds	-	-	-	125	-	-	(125)	-	-	-
At 31 December 2019	18,743	10,910	43,655	7,061	1,500	11,299	(21,898)	71,270	(204)	71,066
At 1 January 2020:	**18,743**	**10,910**	**43,655**	**7,061**	**1,500**	**11,299**	**(21,898)**	**71,270**	**(204)**	**71,066**
Profit for the year and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(1,403)**	**(1,403)**	**4,075**	**2,672**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(358)**	**(358)**
Transfer to statuary reserve funds	**-**	**-**	**-**	**510**	**-**	**-**	**(510)**	**-**	**-**	**-**
At 31 December 2020	**18,743**	**10,910**	**43,655**	**7,571**	**1,500**	**11,299**	**(23,811)**	**69,867**	**3,513**	**73,380**

* These reserve accounts comprise the consolidated reserves of approximately RMB51,124,000 (2019: approximately RMB52,527,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**3,648**	(11,377)
Adjustments for:			
Provision for litigations	*6*	**2,000**	–
Write off of property, plant and equipment	*6, 13*	**138**	–
Finance costs	*7*	**160**	80
Depreciation of property, plant and equipment	*6, 13*	**529**	849
Depreciation of right-of-use assets	*6, 15(a)*	**747**	641
Amortisation of intangible assets	*6, 17*	**180**	180
Write-back of other payables and amount due to a related company	*5*	**-**	(770)
(Gain)/Loss on disposal of property, plant and equipment	*6*	**(169)**	1,533
Fair value gain on investment properties	*5, 14*	**(730)**	(60)
Provision for impairment of inventories	*6*	**1,423**	1,699
Impairment of trade receivables	*6, 19*	**2,739**	3,389
Reversal of impairment of trade receivables	*19*	**-**	(320)
Interest income	*5*	**(46)**	(29)
Income from investment products	*5*	**(490)**	(427)
		10,129	(4,612)
(Increase)/Decrease in inventories		**(1,860)**	4,236
Decrease/(Increase) in trade and bills receivables		**1,063**	(1,367)
Increase in prepayments, deposits and other receivables		**(905)**	(455)
Decrease in contract assets		**74**	63
Decrease in trade payables		**(1,123)**	(1,316)
Increase in other payables and accruals		**2,842**	231
Decrease in contract liabilities		**(20)**	(385)
Decrease in amounts due from related companies		**-**	7
Increase in amount due to related companies		**-**	50
Cash flows from/(used in) operations		**10,200**	(3,548)
Interest paid		**(99)**	–
Corporate income tax paid		**(310)**	(586)
Net cash flows from/(used in) operating activities		**9,791**	(4,134)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(155)**	(605)
Proceeds from disposal of property, plant and equipment		**451**	1,679
Interest received		**46**	29
Income received from investment products		**490**	427
Deposits paid for the acquisition of properties	20(a)	**(12,817)**	–
Net cash flows (used in)/from investing activities		**(11,985)**	1,530
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings, secured	32(a)	**8,972**	–
Repayment of bank borrowings, secured	32(a)	**(225)**	–
Repayment to non-controlling interest	32(a)	**(1,410)**	–
Advances from a related company	32(a)	**100**	–
Dividend paid to non-controlling interests	32(a)	**(358)**	–
Principal portion of lease payments	32(a)	**(733)**	(479)
Interest portion of lease payments	32(a)	**(61)**	(80)
Net cash flows from/(used in) financing activities		**6,285**	(559)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,091**	(3,163)
Cash and cash equivalents at beginning of year		**26,505**	29,668
CASH AND CASH EQUIVALENTS AT END OF YEAR		**30,596**	26,505
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**30,596**	26,505

1. CORPORATE AND GROUP INFORMATION

Shanghai Qingpu Fire-Fighting Equipment Factory was transformed into a joint stock limited liability company in the People's Republic of China (the "PRC") on 1 December 2000 and was renamed as Shanghai Qingpu Fire-Fighting Equipment Co., Ltd. ("上海青浦消防器材股份有限公司") (the "Company"). The registered office of the Company is located at No. 1988, Jihe Road, Hua Xin Town, Qingpu District, Shanghai, the PRC and its principal place of business in Hong Kong is situated at Unit 2605, Island Place Tower, 510 King's Road, North Point, Hong Kong.

The Company's H shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Group was involved in the following principal activities:

- manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);
- provision of fire technology inspection services;
- sales of marine fire-fighting equipment and provision of related installation and inspection services;
- trading of other products; and
- sales of aquarium products.

In the opinion of the directors of the Company (the "Directors"), the Company's immediate holding company is 聯城消防集團股份有限公司 (literally translated as "Liancheng Fire-Fighting Group Joint Stock Co., Ltd.", "Liancheng"), which is a limited liability company established in the PRC, and the ultimate holding company is 浙江恒泰房地產有限公司 (literally translated as "Zhejiang Hengtai Real Estate Company Limited", "Zhejiang Hengtai"), which is a limited liability company established in the PRC.

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries

Particulars of the subsidiaries of the Company are as follows:

Name	Place of establishment and business	Registered capital/paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
上海黎明消防檢測有限公司*+ (Shanghai Liming Fire Testing Co., Limited) ("Liming")	The People's Republic of China (The "PRC")	RMB5,000,000	90%	–	Provision of fire technology inspection services
上海鐵錨壓力容器(集團)有限公司*+ (Shanghai Anchor Pressure Vessel (Group) Limited) ("Anchor")	PRC	RMB70,000,000	90%	9%	Investment holding
上海元奉高壓容器有限公司*+ (Shanghai Yuanfeng Pressure Vessels Co., Limited) ("Yuanfeng")	PRC	RMB5,000,000	–	94.05%	Manufacturing and sales of pressure vessels
上海元蓬國際貿易有限公司*+ (Shanghai J.S.X. International Trading Corporation)	PRC	RMB5,000,000	–	94.05%	Trading of pressure vessels and other products
上海高壓特種氣瓶有限公司*@+ (Shanghai Pressure Special Gas Cylinder Co., Limited) ("Special Cylinder")	PRC	RMB19,170,000	–	59.4%	Manufacturing and sales of pressure vessels
上海安航海上消防設備有限公司*+ (Shanghai An Hang Marine Fire-Fighting Equipment Co., Limited) ("Shanghai An Hang")	PRC	RMB5,000,000	90%	9%	Sales of marine fire-fighting equipment and provision of related installation and inspection
上海荻野生物科技有限公司*+ (Shanghai Ogino Biotechnology Co., Limited) ("Shanghai Ogino")	PRC	RMB4,000,000	–	44.1%^	Sales of aquarium products
寧波狄野生物科技有限公司*+ (Ningbo Ogino Biotechnology Co., Limited) ("Ningbo Ogino")	PRC	RMB1,000,000	–	44.1%^	Sales of aquarium products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

* Ascenda Cachet CPA Limited is not the statutory auditor of these subsidiaries.

+ These subsidiaries are registered as limited liability companies in the PRC.

@ Pursuant to the supplemental agreement entered into by Anchor and the non-controlling interest (上海洋涇工業公司 (literally translated as Shanghai Yangjing Industrial Co., "Yangjing")), 54% and 46% of the net profit of Special Cylinder would be shared by Anchor and Yangjing, respectively.

^ Shanghai Ogino and Ningbo Ogino are classified as subsidiaries of the Group by virtue of the Company's control over them.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) promulgated by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. RMB is the Group's functional and presentation currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform 2[2]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[1]
IFRS 17	Insurance Contracts[4]
Amendments to IFRS 17	Insurance Contracts[4,7]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4,6]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[3]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 No mandatory effective date yet determined but available for adoption
6 As a consequence of the amendments to IAS 1, International Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
7 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments will apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group had certain interest-bearing bank borrowings denominated in Renminbi based on the prime rate of the National Interbank Funding Center (全國銀行間同業拆借中心) as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is 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)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The useful lives for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 40 years
Machinery	8 to 10 years
Furniture, fixtures and computer equipment	6 to 10 years
Motor vehicles	4 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of the investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents and Licenses

Patents and licenses are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	2 to 20 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payment include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

As a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases is recognised as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

When the Group is an intermediate lessor, a sublease is classified as an operating lease with reference to the right-of-use asset arising from the head lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as follows:

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and bills receivables, deposits and other receivables, the amounts due from related companies and cash and bank balance.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, secured and amount due to the immediate holding company, non-controlling interest and a related company. The financial liabilities are classified and accounted for as loans and borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings).

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

Warranty provisions

The Group provides warranties in relation to the sale of marine fire-fighting equipment for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Employee benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(a) Sale of pressure vessels, aquarium products and marine fire-fighting equipment

Revenue from sale of equipment and products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment and products.

Certain contracts provide a customer with a right to return the goods within a specified period. The rights of return give rise to variable consideration. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Fire technology inspection services and marine fire-fighting equipment inspection services

Revenue from inspection services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Trading of other products

The Group has contracts with customers to acquire, on their behalf, other products produced by foreign suppliers. The Group is acting as an agent in these arrangements.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Consolidation of entities in which the Group holds less than a majority of effective equity interest

The Group determines whether an equity investment should be classified as a subsidiary and has developed criteria in making that judgement. A subsidiary is an entity controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Judgement is made on an individual basis to determine the extent of power the Group held over the investee. The Group considers that it controls Shanghai Ogino even though it owns less than 50% of the effective equity interest.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use 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. The carrying amount of goodwill at 31 December 2020 was RMB4,211,000 (2019: RMB4,211,000). Further details are given in note 16 to the consolidated financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items. Management reassesses these estimates at the end of each reporting period.

Impairment of non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Write off of trade receivables and provision for expected credit losses of trade receivables

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other than write off trade receivables, the Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions may also not be representative of a customer's actual default in the future.

Further details on the ECLs on the Group's trade receivables are set out in note 19 to the consolidated financial statements.

Leases — Estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of property, plant and equipment and right of use assets

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group's management uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions in response to severe industry cycle. Management will revise the depreciation charge where useful lives are different from previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets

The estimated useful life is generally the term of the patent and trademark. Using the patent and trademark term reflects the period over which the Group will receive economic benefit. The estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the patent and trademark. The economic lives are periodically reviewed taking into consideration such factors as changes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB24,300,000 (2019: RMB23,570,000).

Further details, including the key assumptions used for fair value measurement are given in note 14 to the consolidated financial statements.

Provision for litigations

The Group has been involved in certain litigations during the year. Provision for these litigations has been assessed by management with reference to legal advices and are made based on management's best estimates and judgements. Further details are set out in notes 13(b), 14 and 34 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(i) Fire-fighting equipment segment — manufacture and sale of pressure vessels (including fire-fighting equipment products and pressure vessels products);

(ii) Aquarium products segment — sale of aquarium products;

(iii) Marine fire-fighting equipment segment — sales of marine fire-fighting equipment and provision of related installation services;

(iv) Inspection services segment — provision of fire technology inspection services and marine fire-fighting equipment inspection services;

(v) Property investment segment — investment in office building and industrial properties for its rental income potential; and

(vi) Trading segment — trading of other products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, gain on disposal of property, plant and equipment, government grant, and income from investment products as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to immediate holding company, non-controlling interests and a related company, tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Property investment RMB'000	Trading RMB'000	Total RMB'000
Segment revenue *(note 5)*:							
Sales/services provided to external customers	**19,028**	**25,944**	**9,752**	**12,652**	**-**	**400**	**67,776**
Gross rental income	**-**	**-**	**-**	**-**	**4,741**	**-**	**4,741**
	19,028	**25,944**	**9,752**	**12,652**	**4,741**	**400**	**72,517**
Segments results	**(10,106)**	**5,247**	**(179)**	**3,051**	**5,150**	**47**	**3,210**
Interest income							**46**
Income from investment products							**490**
Gain on disposal of property, plant and equipment							**169**
Government grant							**585**
Corporate and unallocated income							**828**
Corporate and unallocated expenses							**(1,680)**
Profit before tax							**3,648**
Segment assets	**15,023**	**23,084**	**8,628**	**3,140**	**28,759**	**125**	**78,759**
Unallocated assets							**30,596**
Total assets							**109,355**
Segment liabilities	**8,972**	**10,557**	**2,657**	**1,463**	**1,711**	**-**	**25,360**
Unallocated liabilities							**10,615**
Total liabilities							**35,975**
Capital expenditure*	**155**	**-**	**-**	**-**	**288**	**-**	**443**
Impairment of trade receivables, net	**1,929**	**-**	**680**	**-**	**-**	**130**	**2,739**
Provision for impairment of inventories	**1,423**	**-**	**-**	**-**	**-**	**-**	**1,423**
Depreciation and amortisation	**735**	**372**	**-**	**315**	**34**	**-**	**1,456**

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Property investment RMB'000	Trading RMB'000	Total RMB'000
Segment revenue *(note 5)*:							
Sales/services provided to external customers	41,107	17,585	8,673	9,849	–	–	77,214
Gross rental income	–	–	–	–	802	–	802
	41,107	17,585	8,673	9,849	802	–	78,016
Segments results	(13,091)	2,606	316	1,633	862	(3,389)	(11,063)
Interest income							29
Income from investment products							427
Government grant							579
Corporate and unallocated income							216
Corporate and unallocated expenses							(1,565)
Loss before tax							(11,377)
Segment assets	25,577	8,171	7,888	3,336	24,042	166	69,180
Unallocated assets							26,504
Total assets							95,684
Segment liabilities	6,164	2,323	2,901	1,979	–	–	13,367
Unallocated liabilities							11,251
Total liabilities							24,618
Capital expenditure*	439	166	–	–	–	–	605
Provision for impairment of inventories	1,699	–	–	–	–	–	1,699
Impairment of trade receivables, net	(320)	–	–	–	–	3,389	3,069
Depreciation and amortisation	868	481	–	321	–	–	1,670

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Revenue from external customers*

	2020 **RMB'000**	2019 RMB'000
The PRC	**55,962**	63,280
European countries	**16,555**	8,799
Other countries	**-**	5,937
	72,517	78,016

(b) *Non-current assets*

Non-current assets are principally located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue are as follows:

	2020 **RMB'000**	2019 RMB'000
Customer A*	**10,908**	N/A#
Customer B**	**10,842**	N/A#
Customer C*	**9,494**	N/A#
	31,244	N/A

* Revenue from aquarium products segment.

** Revenue from fire-fighting equipment segment.

\# The corresponding revenue from such customer did not contribute 10% or more of the Group's total revenue for the year ended 31 December 2019.

For the year ended 31 December 2019, there was no revenue from sales to any single external customer that contributed over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers:		
Sales of pressure vessels	**19,028**	41,107
Sales of aquarium products	**25,944**	17,585
Sales of marine fire-fighting equipment	**9,752**	8,673
Inspection services fee	**12,652**	9,849
Trading of other products	**400**	–
	67,776	77,214
Revenue from other sources:		
Gross rental income	**4,741**	802
	72,517	78,016

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregate revenue information

Year ended 31 December 2020

Segments	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Trading RMB'000	Total RMB'000
Type of goods or services						
Sales of goods	**19,028**	**25,944**	**9,752**	**-**	**400**	**55,124**
Inspection services	**-**	**-**	**-**	**12,652**	**-**	**12,652**
Total revenue from contracts with customers	**19,028**	**25,944**	**9,752**	**12,652**	**400**	**67,776**
Geographical markets						
The PRC	**2,473**	**25,944**	**9,752**	**12,652**	**400**	**51,221**
European countries	**16,555**	**-**	**-**	**-**	**-**	**16,555**
Other countries	**-**	**-**	**-**	**-**	**-**	**-**
Total revenue from contracts with customers	**19,028**	**25,944**	**9,752**	**12,652**	**400**	**67,776**
Timing of revenue recognition						
Goods transferred at a point in time	**19,028**	**25,944**	**9,752**	**-**	**400**	**55,124**
Services transferred over time	**-**	**-**	**-**	**12,652**	**-**	**12,652**
Total revenue from contracts with customers	**19,028**	**25,944**	**9,752**	**12,652**	**400**	**67,776**
Revenue from contracts with customers						
External customers	**19,028**	**25,944**	**9,752**	**12,652**	**400**	**67,776**

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregate revenue information (Continued)

Year ended 31 December 2019

Segments	Fire-fighting equipment RMB'000	Aquarium products RMB'000	Marine fire-fighting equipment RMB'000	Inspection services RMB'000	Trading RMB'000	Total RMB'000
Type of goods or services						
Sales of goods	41,107	17,585	8,673	–	–	67,365
Inspection services	–	–	–	9,849	–	9,849
Total revenue from contracts with customers	41,107	17,585	8,673	9,849	–	77,214
Geographical markets						
The PRC	26,371	17,585	8,673	9,849	–	62,478
European countries	8,799	–	–	–	–	8,799
Other countries	5,937	–	–	–	–	5,937
Total revenue from contracts with customers	41,107	17,585	8,673	9,849	–	77,214
Timing of revenue recognition						
Goods transferred at a point in time	41,107	17,585	8,673	–	–	67,365
Services transferred over time	–	–	–	9,849	–	9,849
Total revenue from contracts with customers	41,107	17,585	8,673	9,849	–	77,214
Revenue from contracts with customers						
External customers	41,107	17,585	8,673	9,849	–	77,214

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (Continued)

(i) Disaggregate revenue information (Continued)

As at 31 March 2020, no contract liabilities are expected to be settled after more than 12 months.

The Group has applied practical expedient in IFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as the performance obligation is part of a contract that has an original expected duration of one year or less.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of pressure vessels, aquarium products and marine fire-fighting equipment

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within two months from delivery, except for new customers, where payment in advance is normally required.

Fire technology inspection services and marine fire-fighting equipment inspection services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of installation and customer acceptance.

Trading of other products

The performance obligation is satisfied at a point in time upon delivery of the products.

Other income and gains

	2020	2019
	RMB'000	RMB'000
Interest income	**46**	29
Income from investment products	**490**	427
Gain on disposal of property, plant and equipment	**169**	–
Sales of scraps	**31**	178
Fair value gain on investment properties *(note 14)*	**730**	60
Exchange gains, net	**-**	107
Government grant	**585**	579
Write-back of other payables and amount due to a related company	**-**	770
Others	**828**	216
Total other income and gains	**2,879**	2,366

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	**2020** **RMB'000**	2019 RMB'000
Cost of inventories sold		**42,090**	55,418
Cost of services provided		**8,546**	6,870
		50,636	62,288
Depreciation of right-of-use assets	*15(a)*	**747**	641
Amortisation of intangible assets*	*17*	**180**	180
Depreciation of property, plant and equipment	*13*	**529**	849
Lease payments not included in the measurement of lease liabilities	*15(c)*	**13**	65
Auditors' remuneration:			
Assurance services		**969**	1,052
Other services		**21**	14
		990	1,066
Provision for impairment of inventories	*18*	**1,423**	1,699
Write off of property, plant and equipment	*13*	**138**	–
Impairment of trade receivables	*19*	**2,739**	3,389
Reversal of impairment of trade receivables	*19*	**-**	(320)
Provision for litigations	*25*	**2,000**	–
Employee benefits expenses (including directors' and supervisors' remuneration):			
Wages and salaries		**10,483**	13,312
Redundancy payment		**-**	3,749
Pension scheme contributions		**842**	2,936
		11,325	19,997
Exchange losses/(gains), net	*5*	**126**	(107)
(Gain)/Loss on disposal of property, plant and equipment	*5*	**(169)**	1,533
Fair value gain on investment properties	*5, 14*	**(730)**	(60)
Interest income	*5*	**(46)**	(29)
Income from investment products	*5*	**(490)**	(427)

* The amortisation of patents and trademark for the year are included in "administrative expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities *(note 15(b))*	**61**	80
Interest on bank borrowings, secured *(note 27)*	**99**	–
	160	80

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the GEM Listing Rules, the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2020	2019
	RMB'000	RMB'000
Directors' fees:		
Independent non-executive directors	**90**	90
Other emoluments:		
Salaries, allowances and benefits in kind	**446**	251
Pension scheme contributions	**15**	20
	461	271
	551	361
Supervisors' emoluments:		
Salaries, allowances and other benefits in kind	**71**	70

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors of the Company

The fees paid to independent non-executive directors during the year were as follows:

	2020	2019
	RMB'000	RMB'000
Mr. Yang Chun Bao	**30**	30
Mr. Wang Guo Zhong	**30**	30
Mr. Song Zi Zhang	**30**	30
	90	90

There was no other emolument payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors and supervisors

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2020				
Executive directors of the Company				
Mr. Zhou Jin Hui	**-**	**195**	**-**	**195**
Mr. Shi Hui Xing	**-**	**176**	**-**	**176**
Mr. Zhou Guo Ping	**-**	**75**	**15**	**90**
	-	**446**	**15**	**461**
Supervisors of the Company				
Mr. Zhao Da Rong	**-**	**56**	**15**	**71**
Mr. Qiu Ning Song	**-**	**-**	**-**	**-**
Mr. Liu Jin	**-**	**-**	**-**	**-**
	-	**56**	**15**	**71**
Year ended 31 December 2019				
Executive directors of the Company				
Mr. Zhou Jin Hui	–	–	–	–
Mr. Shi Hui Xing	–	176	–	176
Mr. Zhou Guo Ping	–	75	20	95
	–	251	20	271
Supervisors of the Company				
Mr. Zhao Da Rong	–	55	15	70
Mr. Qiu Ning Song	–	–	–	–
Mr. Liu Jin	–	–	–	–
	–	55	15	70

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2019: one) director, details of whose remuneration are set out in note 8 to the consolidated financial statements above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor supervisor of the Company, are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**722**	623
Pension scheme contributions	**87**	101
	809	724

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
Nil to RMB1,000,000	**4**	4

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the year ended 31 December 2020 (2019: Nil).

Under the Corporate Income Tax Law, the corporate income tax ("CIT") rate applicable to small-scale enterprises with low profitability that meet certain conditions including the assessable profits not more than RMB3,000,000, shall be reduced to 20%. Seven (2019: Six) of the Company's subsidiaries have been designated as a small-scale enterprise, pursuant to which, (i) the first RMB1,000,000 of assessable profits (the "1st Assessable Profits") of these subsidiaries is effectively taxable at 5% (i.e. 20% on 25% of the 1st Assessable Profits); and (ii) the remaining assessable profits not over RMB3,000,000 (the "Remaining Assessable Profits") is effectively taxable at 10% (i.e. 20% on 50% of the Remaining Assessable Profits).

10. INCOME TAX EXPENSE (CONTINUED)

Under the Corporate Income Tax Law, the CIT for other companies in the Group is calculated at a rate of 25% (2019: 25%) on the estimated assessable profits for the year ended 31 December 2020.

	2020	2019
	RMB'000	RMB'000
Current — the PRC:		
Charge for the year	**768**	401
Under-provision in prior year	**26**	2
	794	403
Deferred tax *(note 29(b))*	**182**	15
Total tax charge for the year	**976**	418

The deferred tax effect of tax losses was not recognised in the consolidated financial statements due to the uncertainty of future profits streams against which the assets can be utilised. As at 31 December 2020, these tax loss benefits of approximately RMB39,104,000 (2019: RMB42,799,000) arising in the PRC will be expired in the next five years.

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Group are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2020		2019	
	RMB'000	**%**	RMB'000	%
Profit/(Loss) before tax	**3,648**		(11,377)	
Tax at statutory tax rate at 25%	**912**	**25**	(2,844)	25
Effect of concessionary tax rates	**(1,438)**	**(39)**	(303)	3
Tax effect of expenses not deductible	**2,244**	**61**	307	(3)
Tax effect of income not taxable	**(541)**	**(15)**	(2,136)	19
Tax effect on temporary differences not recognised	**356**	**10**	627	(6)
Tax effect of tax losses not recognised	**265**	**7**	4,778	(42)
Tax effect of tax losses utilised	**(886)**	**(24)**	–	–
Under-provision in prior year	**26**	**1**	2	–
Others	**38**	**1**	(13)	–
Tax charge at the Group's effective tax rate	**976**	**27**	418	(4)

11. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of RMB1,403,000 (2019: RMB10,499,000) and the number of ordinary shares of 187,430,000 (2019: 187,430,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

12. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2020					
At 1 January 2020:					
Cost	**10,231**	**9,915**	**2,477**	**2,419**	**25,042**
Accumulated depreciation	**(2,055)**	**(8,997)**	**(2,103)**	**(2,284)**	**(15,439)**
Net carrying amount	**8,176**	**918**	**374**	**135**	**9,603**
At 1 January 2020, net of accumulated depreciation	**8,176**	**918**	**374**	**135**	**9,603**
Additions	**-**	**31**	**124**	**-**	**155**
Write off	**-**	**(85)**	**(44)**	**(9)**	**(138)**
Disposals	**-**	**(273)**	**-**	**(9)**	**(282)**
Depreciation provided during the year *(note 6)*	**(253)**	**(121)**	**(114)**	**(41)**	**(529)**
At 31 December 2020, net of accumulated depreciation	**7,923**	**470**	**340**	**76**	**8,809**
At 31 December 2020:					
Cost	**10,231**	**4,260**	**2,206**	**2,081**	**18,778**
Accumulated depreciation	**(2,308)**	**(3,790)**	**(1,866)**	**(2,005)**	**(9,969)**
Net carrying amount	**7,923**	**470**	**340**	**76**	**8,809**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	10,056	33,428	3,019	2,496	48,999
Accumulated depreciation	(1,816)	(29,203)	(2,654)	(2,267)	(35,940)
Net carrying amount	8,240	4,225	365	229	13,059
At 1 January 2019, net of accumulated depreciation	8,240	4,225	365	229	13,059
Additions	175	267	163	–	605
Disposals	–	(3,133)	(43)	(36)	(3,212)
Depreciation provided during the year *(note 6)*	(239)	(441)	(111)	(58)	(849)
At 31 December 2019, net of accumulated depreciation	8,176	918	374	135	9,603
At 31 December 2019:					
Cost	10,231	9,915	2,477	2,419	25,042
Accumulated depreciation	(2,055)	(8,997)	(2,103)	(2,284)	(15,439)
Net carrying amount	8,176	918	374	135	9,603

The buildings together with the leasehold land (note 15(a)) are situated in the PRC under medium term leases.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Certain of the Group's machineries and buildings (the "Machineries and Buildings") were situated on land and buildings (including certain buildings (the "Leased Property With Certificate") with area of 2,729m^2 with land use rights certificate while certain buildings (the "Leased Property Without Certificate") with area of 4,902.3m^2 without land use rights certificate, (collectively, the "Leased Properties"), which were previously owned by the former immediate holding company, 上海華盛企業(集團)有限公司 (literally translated as "Shanghai Huasheng Enterprises (Group) Co., Ltd. ("Huasheng")). While the Leased Properties had been pledged to secure bank loans granted by a bank (the "Bank") to Huasheng in March 2005, Huasheng had granted a lease (the "Original Tenancy") to use of the Leased Properties to the Company at annual rental of approximately RMB246,000 in October 2008. In May 2012, the Bank put the Leased Properties into auction (the "Auction"). The Leased Properties were acquired by the current landlord (the "Current Landlord", an independent third party) on 9 May 2013.

In 2015, the Current Landlord filed a suit (the "First Legal Case") in the Qingpu District People's Court ("青浦區人民法院") (the "Court") against the Company in respect of (i) requesting the Company to move out from the Leased Property With Certificate; and (ii) paying rental expenses for the period from 9 May 2013 to 8 May 2015 for the use of the Leased Property With Certificate as the Current Landlord was of the view that the Original Tenancy was not legally valid because the Original Tenancy was entered into between Huasheng and the Company without consent by the Bank at the time or subsequently rectified by the Current Landlord. In 2016, the Court decided that (i) the Company has to move out from the Leased Property With Certificate within 10 days of the civil judgment; and (ii) the Company had to pay the related rental expenses for the period from 9 May 2013 to the date having moved out from the Leased Property With Certificate. The Company moved out from the Leased Property With Certificate on 11 July 2017 as well as settlement of the rent up to 31 December 2016. After having moved out from the Leased Property With Certificate, the Current Landlord filed an execution requisition (the "Execution Requisition") to the Court in respect of, inter alia, requesting the Company to move out those Machineries and Buildings from the remaining parts of the Leased Property With Certificate. In 2019, the remaining rental expenses of approximately RMB254,000 for the period from 1 January 2017 to 11 July 2017 (the date moved out from the Leased Property With Certificate) was settled after offsetting the construction costs of RMB150,000 of the Second Legal Case mentioned below. The Execution Requisition has not been uplifted as at the date of these consolidated financial statements.

In October 2016, the Company filed a suit (the "Second Legal Case") with the Court against the Current Landlord for recovering the construction costs of the underground facilities and the buildings (the "Counter-claimed Constructions") as the Company was of the view that (i) the Counter-claimed Constructions were constructed by the Company with the approval of Huasheng and therefore belonged to the Company; and (ii) the Counter-claimed Constructions had been excluded from the First Legal Case and the Auction. However, the valuer appointed by the Court cannot assess the status of the Counter-claimed Constructions and the Second Legal Case was withdrawn by the Company. After collection of more evidences, the Company filed a suit with the Court against the Current Landlord for the Counter-claimed Constructions again with the same view of the Second Legal Case. In 2018, the court judged that the Current Landlord has to pay for the construction costs of the underground facilities to the Company for the amount of RMB150,000. The construction costs have been offset by the Company upon the settlement of the rental expenses of the First Legal Case in 2019.

Although the Company had already moved out from the Leased Property With Certificate in accordance with the Court order in the First Legal Case, the Current Landlord filed another suit (the "Third Legal Case") with the Court against the Company in December 2020 in respect of (i) requesting the Company to move out from the Leased Property Without Certificate; and (ii) paying land use fees for the period from 27 February 2015 up to the date the Company moves out from the Leased Property Without Certificate.

The Company has engaged a lawyer to prepare the relevant evidence to respond and defence the Third Legal case vigorously. The Company recognised an expense of RMB2,000,000 (note 25) for the provision of the litigations and relevant professional fee.

For the above, the Directors are of the opinion that the Group has made sufficient provision after seeking preliminary opinion from its PRC legal adviser and, the Company will, in accordance with the applicable laws, make every effort to protect the interests of the Company and the shareholders, proactively respond to the cases and defend its position vigorously.

14. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
Carrying amount at 1 January	**23,570**	23,510
Net gain from a fair value adjustment *(note 5)*	**730**	60
Carrying amount at 31 December	**24,300**	23,570

The investment properties as at 31 December 2019 and 2020 represented industry properties located at 740 and 777 Zhonggu Street, Zhonggu Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區重固鎮重固大街740及777號) (the "Zhonggu Factories") under a medium term lease.

The fair value of the Zhonggu Factories was assessed on 31 December 2020 by Asset Appraisal Limited, an independent professional valuer (the "Valuer"), at an amount RMB24,300,000 as at 31 December 2020. The gain on fair value adjustment of RMB730,000 (2019: RMB60,000) is recognised in the consolidated statement of profit or loss for the year.

The Group's finance department, including the finance manager, reviewed the valuation performed by the Valuer for financial reporting purpose. At each financial year end, the finance department:

- Verified all major inputs to the independent valuation report;
- Assessed property valuation movements when compared to the prior year valuation report; and
- Held discussions with the Valuer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable input (Level 2)**	**Significant unobservable Inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Industrial properties located in the PRC:				
As at 31 December 2020	**-**	**-**	**24,300**	**24,300**
As at 31 December 2019	–	–	23,570	23,570

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2020 and 2019:

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2020	2019	Relationship of unobservable inputs to fair value
Industrial properties	Comparison approach	(i) Monthly rental	**RMB20.3/sq m**	RMB20.65/sq m	The higher the monthly rental, the higher the fair value
		(ii) Reversionary yield per annum	**6.7%**	7.2%	The higher the reversionary yield, the lower the fair value
		(iii) Market unit sale rate per annum	**RMB3,300/sq m**	RMB2,900/sq m	The higher the market rate, the higher the fair value

Zhonggu Factories included a land redevelopment proposal

Pursuant to the Letter on Confirmation of Land Redevelopment Proposal of Urban Villages located at Xin Lian Village and Mao Jia Jiao Village, Zhonggu Town, Qingpu District, Shanghai (《上海城鄉建設和管理委員會關於確認青浦區重固鎮新聯村、毛家角村"城中村"改造地塊實施方案的函》) (the "Land Zhonggu Redevelopment Proposal") issued by the Shanghai Urban-Rural Construction and Management Commission and based on the discussion between the management and the relevant government (the "PRC Government") officials, it has been confirmed that the Zhonggu Factories had been included in the Land Zhonggu Redevelopment Proposal.

On 25 December 2018, the Company received a notice from Shanghai Qingpu District Housing Security and Housing Administration Bureau (上海市青浦區住房保障和房屋管理局) (the "Bureau"), confirming that the Zhonggu Factories are part of the Land Zhonggu Redevelopment Proposal according to the Housing Expropriation and Compensation Regulations on State Owned Land (國有土地上房屋徵收與補償條例). On 14 March 2019, the Company received a first draft valuation report dated 11 March 2019 (the "First Report") from the Bureau. The valuation was done by Shanghai Real Estate Appraisers Co., Ltd. (上海房地產估值師事務所有限公司) selected by the Company and appointed by the Bureau. According to the First Report, as at 28 January 2019, the compensation of the Zhonggu Factories, including but not limited to the land and building, is valued at RMB41,575,400. On 24 March 2019, according to relevant rules and regulations, in order to maximise the compensation for resumption of the Zhonggu Factories, the Company filed an objection to the Bureau against the value of the Zhonggu Factories in the First Report.

14. INVESTMENT PROPERTIES (CONTINUED)

Zhongqu Factories included the land redevelopment proposal (Continued)

On 25 May 2019, certain rechecking valuation reports (the "Second Report") of investment properties done by Shanghai Real Estate Appraisers Co., Ltd. were issued to the Company by the Bureau. According to the Second Report, as at 28 January 2019, the compensation of the Zhonggu Factories, including but not limited to the land and building, was valued at RMB46,638,953 in total.

As the Company considered that there were a series of disputes during the valuation procedures, including improper land resumption procedures, incorrect areas of Zhonggu Factories and improper rehousing arrangements, the Company filed a suit in Shanghai Second Intermediate People's Court (上海市第二中級人民法院) against Shanghai Qingpu District People's Government (上海市青浦區人民政府) seeking for revoking the land resumption compensation decision in December 2019. There was no further development during the year ended 31 December 2020.

The Bureau and the Company have not agreed on any special schedule or compensation proposal for resumption of the Zhonggu Factories as at the date of these consolidated financial statements.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations, including (i) lump sum payments were made upfront to acquire the leasehold land from the owner with lease period of 50 years, and no ongoing payments will be made under the terms of these leasehold land; (ii) leases of land and buildings with monthly/quarterly/annually rental payment for lease terms between 2 and 20 years; and (iii) leases of properties with lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Land and properties** RMB'000	**Total** RMB'000
As at 1 January 2019	110	2,117	2,227
Additions	–	289	289
Depreciation charge during the year	(3)	(638)	(641)
As at 31 December 2019 and 1 January 2020	107	1,768	1,875
Additions	–	288	288
Depreciation charge during the year	(3)	(744)	(747)
As at 31 December 2020	104	1,312	1,416

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**1,786**	1,976
New lease	**288**	289
Accretion of interest recognised during the year *(note 7)*	**61**	80
Payments	**(794)**	(559)
Carrying amount at 31 December	**1,341**	1,786
Analysed into:		
Current portion	**623**	1,172
Non-current portion	**718**	614
	1,341	1,786

The maturity analysis of the undiscounted lease liabilities is disclosed in note 40 to the consolidated financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases in which the Group is a lessee are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities *(note 7)*	**61**	80
Depreciation charge of right-of-use assets	**747**	641
Expense relating to short-term leases with remaining lease terms ended on or before 31 December *(note 6)*	**13**	65
Total amount recognised in profit or loss	**821**	786

(d) The total cash outflow for leases is disclosed in note 32(b) to the consolidated financial statements.

The Group as a lessor

The Group leases/sub-leases its properties to independent third parties under operating leases arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustment according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB5,213,000 (2019: 802,000), details of which are included in note 5 to the consolidated financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**6,195**	4,142
After one year but within five years	**25,831**	24,408
After five years	**69,104**	75,537
	101,130	104,087

16. GOODWILL

	Marine CGU RMB'000
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	
Cost	4,211
Accumulated impairment	–
Net carrying amount	4,211

Marine CGU

Goodwill acquired through business combination during 2016 has been allocated to the cash generating unit of the marine fire- fighting equipment segment (the "Marine CGU").

Impairment test of goodwill

The goodwill in connection with the Marine CGU arose from the acquisition of Shanghai An Hang, representing the difference between the Company's consideration transferred and Shanghai An Hang's identifiable net assets acquired on the completion date (i.e. 1 February 2016).

At 31 December 2020, the Directors conducted assessments of the recoverable amount of the Marine CGU with reference to the valuation conducted by the Valuer using the income approach methodology on a five-year forecast approved by senior management. The discount rate applied to the cash flow projections is 14.38% (2019: 14.94%). The growth rates used for the five-year period and to extrapolate the cash flows of the business beyond the five-year period is 5% (2019: 10%–20%) and Nil (2019: Nil) respectively. Based on the assessments, in the opinion of the Directors, the estimated recoverable amount of the Marine CGU was higher than its corresponding carrying amount and therefore, no impairment of goodwill was provided during the year.

17. INTANGIBLE ASSETS

	Patents and trademarks of aquarium products RMB'000
31 December 2020	
At 1 January 2020	
Cost	**1,800**
Accumulated amortisation	**(765)**
Net carrying value	**1,035**
At 1 January 2020, net of accumulated amortisation	**1,035**
Amortisation provided during the year *(note 6)*	**(180)**
At 31 December 2020	**855**
At 31 December 2020	
Cost	**1,800**
Accumulated amortisation	**(945)**
Net carrying value	**855**

17. INTANGIBLE ASSETS (CONTINUED)

	Patents and trademarks of aquarium products RMB'000
31 December 2019	
At 1 January 2019	
Cost	1,800
Accumulated amortisation	(585)
Net carrying value	1,215
At 1 January 2019, net of accumulated amortisation	1,215
Amortisation provided during the year *(note 6)*	(180)
At 31 December 2019	1,035
At 31 December 2019	
Cost	1,800
Accumulated amortisation	(765)
Net carrying value	1,035

Patents and trademarks were acquired by the Group as part of the establishment of a non-wholly owned subsidiary in prior years. They are amortised using the straight-line basis over their estimated useful lives of 10 years.

At 31 December 2019 and 2020, the Directors conducted assessments of the recoverable amounts of patents and trademarks with reference to the valuation conducted by the Valuers, using income approach methodology. Based on the assessment, in the opinion of the Directors, the estimated recoverable amount of patents and trademarks was higher than their carrying amount and therefore, no impairment of patents and trademarks was provided as at 31 December 2019 and 2020.

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**5,414**	4,694
Work in progress	**428**	625
Finished goods	**4,332**	3,087
Low cost consumables	**407**	315
	10,581	8,721
Less: Provision for impairment	**(2,190)**	(767)
	8,391	7,954

Movements in the Group's provision for impairment of inventories are as follows:

	2020 RMB'000	2019 RMB'000
Beginning of the year	**767**	767
Provision for impairment for the year *(note 6)*	**1,423**	1,699
Write-off	**-**	(1,699)
End of the year	**2,190**	767

At 31 December 2020, the Group's inventories with cost of RMB2,190,000 (2019: RMB767,000) are stated at their net realisable value amounted to RMB Nil (2019: RMB Nil). In addition, inventories of RMB1,699,000 was written off during the year ended 31 December 2019.

19. TRADE AND BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**11,979**	16,528
Less: Allowance for credit losses	**(2,716)**	(1,163)
	9,263	15,365
Bills receivables	**907**	404
	10,170	15,769

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two to three months, extending up to half year for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

An aging analysis of the trade and bills receivables as at the end of reporting period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 month	**4,585**	2,930
1 to 2 months	**1,967**	3,002
2 to 3 months	**801**	1,248
3 to 6 months	**1,692**	6,306
6 to 12 months	**399**	1,878
Over 1 year	**726**	405
	10,170	15,769

The movements in the allowance for credit loss of trade receivables are as follows:

	2020	2019
	RMB'000	RMB'000
At 1 January	**1,163**	1,483
Impairment losses *(note 6)*	**2,739**	3,389
Reversal of impairment losses *(note 6)*	**-**	(320)
	2,739	3,069
	3,902	4,552
Amounts written off as uncollectible	**(1,186)**	(3,389)
At 31 December	**2,716**	1,163

The increase (2019: decrease) in the allowance for credit loss was due to the following significant changes in the gross carrying amount:

(i) Increase in the allowance for credit loss to RMB2,716,000 as a result of an increase in trade receivables which were past due for over 1 year and an increase in expected credit loss rate (2019: RMB1,163,000 as a result of a decrease in the gross carrying amount after the recovery of certain impaired trade receivables during the year ended 31 December 2019); and

(ii) Amounts written off as uncollectible of RMB1,186,000 (2019: 3,389,000) as there was an indicator that certain debtors (2019: 1 debtor) aged more than one year past due cannot be collected.

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses, as follows:

31 December 2020

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	More than 1 year past due	Total
Gross carrying amount (RMB'000)	**6,704**	**1,471**	**377**	**64**	**404**	**2,959**	**11,979**
Less: Gross carrying amount of specific customers without significant credit risk and/or subject to a one-on-one credit loss analysis (RMB'000)	**(2,363)**	**(716)**	**(3)**	**(18)**	**(261)**	**(127)**	**(3,488)**
Adjusted gross carrying amount (RMB'000)	**4,341**	**755**	**374**	**46**	**143**	**2,832**	**8,491**
Expected credit loss rate							**6%-80%**
Expected credit losses (RMB'000)							**2,716**

31 December 2019

	Neither past due nor impaired	Less than 1 month past due	1 to 3 months past due	3 to 6 months past due	6 to 12 months past due	More than 1 year past due	Total
Gross carrying amount (RMB'000)	6,042	1,968	3,574	2,923	879	1,142	16,528
Less: Gross carrying amount of specific customers without significant credit risk and/or subject to a one-on-one credit loss analysis (RMB'000)	(2,156)	(86)	(98)	(137)	(76)	(128)	(2,681)
Adjusted gross carrying amount (RMB'000)	3,886	1,882	3,476	2,786	803	1,014	13,847
Expected credit loss rate							2%-50%
Expected credit losses (RMB'000)							1,163

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

As the Group's historical credit loss experience for the inspection services segment and aquarium products segments does not have material impairment records as well as certain specific receivables with different credit history (where a one-on-one credit loss analysis is carried out), the Group adjusted for factors that are specific to these customers without significant increase in credit risk. The provision rates are based on days past due for groupings of various customer segments. The calculation reflects the (i) the probability of default and loss given default; and (ii) the selection and use of reasonable and supportable forward looking information without undue cost or effort.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Prepayments	**258**	19
Trade and other deposits paid	**1,417**	673
Deposits paid for the acquisition of properties *(note (a))*	**12,817**	–
Rental receivables	**4,181**	2,384
Other receivables	**423**	967
Due from a director of a subsidiary *(note (b))*	**200**	200
Value added tax receivables	**535**	69
	19,831	4,312
Less: Deposits and other receivables classified as non-current assets		
— Deposits paid *(note (a))*	**(12,817)**	–
— Rental receivables	**(2,269)**	–
Deposits and other receivables classified as non-current assets	**(15,086)**	–
Prepayments, deposits and other receivables classified as current assets	**4,745**	4,312

Note (a): On 14 July 2020, the Group entered into certain sale and purchase agreements with an independent third party (the "Developer"), pursuant to which, the Group acquired six properties (the "Tian Yi Properties") located at 天億健康產業園 in Ci Xi, Zhejiang Province of the PRC from the Developer at an aggregate consideration of approximately RMB12,817,000. As at 31 December 2020, the consideration has been fully paid as deposits, in which, as to RMB8,971,700 was financed by mortgage bank borrowings (note 27). The Tian Yi Properties are expected to be completed in April 2021. The deposits paid were classified as non-current assets as at the end of the reporting period as it related to a capital expenditure.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note (b): The amount due from a director of a subsidiary is unsecured, interest-free and has no fixed term of repayment.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, no loss allowance was provided as it was assessed to be minimal.

21. CONTRACT ASSETS

	2020	2019
	RMB'000	RMB'000
Contract assets arising from:		
Sales of marine fire-fighting equipment	**-**	74

Contract assets were initially recognised for revenue earned from the sale of marine fire-fighting equipment as the receipt of consideration was conditional on retention period provided to customers. Included in contract assets for sale of marine fire-fighting equipment were retention receivables. Upon the end of retention period, the amounts previously recognised as contract assets were reclassified to trade receivables.

During the year ended 31 December 2019, the loss allowance for expected credit losses on contract assets had no material impact to the Group's financial position. The Group's trading terms and credit policy with customers were disclosed in note 19 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December was as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	**-**	74

22. DUE FROM RELATED COMPANIES

	Note	31 December 2020 RMB'000	Maximum amount outstanding during the year RMB'000	1 January 2020 RMB'000
Name				
Related companies				
上海石化消防工程有限公司 (literally translated as "Shanghai Petro-Chemical Fire-fighting Engineering Company Limited", "SPFE")	*(a)*	**60**	60	60
上海聯滬消防器材有限公司 (literally translated as "Shanghai Lianhu Fire-fighting Equipment Company Limited", "SLFE")	*(a)*	**716**	716	716
		776		776

Note:

(a) SPFE and SLFE are controlled by a director of Zhejiang Hengtai. The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

23. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash at banks	**30,550**	26,467
Cash on hand	**46**	38
	30,596	26,505

The cash and bank balances were denominated in Renminbi ("RMB"), that are not freely convertible into other currencies and were subject to exchange controls in the PRC. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

24. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	**2,585**	2,113
1 to 2 months	**496**	1,991
2 to 3 months	**261**	303
Over 3 months	**2,427**	2,485
	5,769	6,892

25. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Accruals	**4,067**	3,310
Rental deposit received	**1,450**	–
Other payables	**2,269**	832
Provision for litigations *(notes 6 and 13)*	**2,000**	–
Due to a director *(note (a))*	**136**	81
Value added tax and other tax payables	**550**	262
	10,472	4,485

Note (a): The amount due to a director is unsecured, interest-free and has no fixed term of repayment.

26. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Trade deposits received from customers:		
Sales of goods	**-**	1,165

Contract liabilities included trade deposits received to deliver pressure vessels, aquarium products and marine fire-fighting equipment.

27. INTEREST-BEARING BANK BORROWINGS, SECURED

	Effective interest rate	Maturity	**2020** **RMB'000**	2019 RMB'000
Bank borrowings *(note (a))*	Prime rate +0.25%	2030	**8,747**	–
Less: Bank borrowings classified as non-current portion			**(897)**	–
Bank borrowings classified as current portion			**7,850**	–
Analysed into:				
bank borrowings repayable:				
Within one year			**897**	–
In the second year			**897**	–
In the third to fifth years, inclusive			**2,691**	–
Over five years			**4,262**	–
			8,747	–

Note (a):

On 25 September 2020, the Group entered into certain loan agreements (the "Loan Agreements") with a state-owned bank (the "Bank") in the PRC, pursuant to which, the Group was granted six loans (the "Loans") by the Bank with an aggregate principal amount of RMB8,971,700 for a term of 10 years for the settlement of part of the consideration for the acquisition of the Tian Yi Properties (note 20(a)). The Loans are secured by (i) corporate guarantees given by the Developer, which will be released upon the completion and the transfer of the Tian Yi Properties to the Group; and (ii) pledge of the Tian Yi Properties, The Loans bear interest rate at prime rate of the National Interbank Funding Center (全國銀行間同業拆借中心) plus 0.25% and are repayable by 120 monthly installments since September 2020.

28. DUE TO IMMEDIATE HOLDING COMPANY, NON-CONTROLLING INTERESTS AND A RELATED COMPANY

The amounts due to immediate holding company, non-controlling interests and a related company are unsecured, interest-free and have no fixed terms of repayment.

The shareholder of the related company is one of the directors of the Company.

As at 31 December 2020, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2022 (2019: 30 May 2021). As at 31 December 2020 and 2019, the Facility had not been drawn down.

29. DEFERRED TAX

(a) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses and impairment of financial and contract assets, and write off of inventories (collectively the "Impairment of Assets") arising from the operation in the PRC as it is not considered probable that future taxable profits will be available against which the losses could be utilised.

At the end of the reporting period, the movement of unrecognised deferred tax assets in respect of tax benefits from tax losses and the Impairment of Assets of the Group are as follows:

	Impairment of Assets	**Tax losses**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2019	423	5,358	5,781
Not recognised during the year	627	4,778	5,405
At 31 December 2019 and 1 January 2020	**1,050**	**10,136**	**11,186**
Not recognised during the year	**(84)**	**265**	**181**
At 31 December 2020	**966**	**10,401**	**11,367**

(b) Deferred tax liabilities

	Fair value changes in the investment properties
	RMB'000
At 1 January 2019	5,453
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	15
At 31 December 2019 and 1 January 2020	**5,468**
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	**182**
At 31 December 2020	**5,650**

30. PAID UP CAPITAL

	2020 RMB'000	2019 RMB'000
Registered, issued and fully paid:		
131,870,000 unlisted domestic shares ("Domestic Shares") of RMB0.10 each	**13,187**	13,187
55,560,000 overseas listed foreign shares ("H Shares") of RMB0.10 each	**5,556**	5,556
	18,743	18,743

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Share premium

Share premium arose from the issuance of shares at prices in excess of their par value.

(ii) Capital reserve

	Waiver of amount due to immediate holding company RMB'000	Other reserve RMB'000	Total RMB'000
At 31 December 2019 and at 31 December 2020	26,867	16,788	43,655

31. RESERVES (CONTINUED)

(ii) Capital reserve (Continued)

Other reserve represented the net amount of the following:

(i) A deficit of approximately of RMB1,733,000 arose from the conversion of the Company from a limited liability company into a joint stock limited liability company on 1 December 2000 pursuant to a shareholders' resolution in October 2000. The Company's registered and issued share capital was RMB13,187,000, divided into 131,870,000 Domestic Shares of RMB0.10 each, and was credited as fully paid by capitalising all the Company's then paid-in capital and reserves, calculated based on the Company's PRC GAAP financial statements.

The deficit of approximately RMB1,733,000 represents the excess of the net assets of the Company calculated based on its PRC GAAP financial statements over that calculated based on its consolidated financial statements prepared under IFRS when the conversion took place in 2000. Such excess was resulted from a transfer of equity capital between investors of Shanghai Qingpu Fire-Fighting Equipment Factory in 1996, the Company's property, plant and equipment was revalued, and a revaluation surplus of approximately RMB1,733,000 was recorded as paid-in capital in its PRC GAAP financial statements. In the Group's consolidated financial statements prepared under IFRS, all property, plant and equipment was stated at historical cost. Accordingly, an adjustment of the same amount was recorded as a deficit of capital reserve.

(ii) the credit balance of approximately RMB18,521,000 arose from the acquisition of Anchor and its subsidiaries (the "Anchor Group") from Liancheng (the immediate holding company) which was considered by the Directors as business combination under common control of Liancheng and represents the difference between (i) the consideration paid by the Company to Liancheng and (ii) the net assets of the Anchor Group at the date of 11 April 2011 (being the acquisition date of the Anchor Group by Liancheng).

(iii) Statutory reserve fund

According to the PRC regulations and the relevant Articles of Association, each of the Company and its subsidiaries established in the PRC is required to transfer 10% of its respective profit after tax, as determined under the PRC accounting standards and regulations, to statutory reserve fund until the fund reaches 50% of the respective companies' registered capital. The transfer to this reserve must be made before distributing dividends to the respective companies' shareholders.

The statutory reserve fund can be used to make up for previous years' losses, if any. It may be converted into share capital by issuing new shares to the respective companies' shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

31. RESERVES (CONTINUED)

(iv) Discretionary common reserve fund

Each of the Company and its subsidiaries established in the PRC may, at its discretion and subject to approval of its respective shareholders, transfer its retained earnings balance to its discretionary common reserve fund. The usage of discretionary common reserve fund is similar to that of the statutory reserve fund.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2020

	Due to non-controlling interest RMB'000	Due to a related company RMB'000	Interest-bearing bank borrowings, secured RMB'000	Lease liabilities RMB'000
At 1 January 2020	1,451	2,377	-	1,786
Changes from financing cash flows:				
— Principal portion of lease payment	-	-	-	(733)
— Interest portion of lease payment	-	-	-	(61)
— New bank borrowings, secured	-	-	8,972	-
— Repayment of bank borrowings	-	-	(225)	-
— Advanced from/(Repayment to)	(1,410)	100	-	-
New leases	-	-	-	288
Interest expense	-	-	-	61
Dividend declared	358	-	-	-
Dividend paid	(358)	-	-	-
At 31 December 2020	41	2,477	8,747	1,341

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Changes in liabilities arising from financing activities (Continued)

2019

	Lease liabilities RMB'000
At 1 January 2019	1,976
Changes from financing cash flows:	
— Principal portion of lease payment	(479)
— Interest portion of lease payment	(80)
New leases	289
Interest expense	80
At 31 December 2019	1,786

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**13**	65
Within financing activities	**794**	559
	807	624

33. COMMITMENTS

As detailed in note 20(a) to the consolidated financial statements, the Group entered into certain agreements to acquire the Tian Yi Properties, the consideration of which had been fully paid as at 31 December 2020. The Group did not have any significant capital commitment as at the end of the reporting period.

34. LITIGATIONS

As detailed in notes 13(a) and 14 to the consolidated financial statements, the Group involved in certain litigations as at 31 December 2020.

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties, which also constitute continuing connected transactions under the GEM Listing Rules, during the year:

	2020 RMB'000	2019 RMB'000
Sales of goods		
SPFE	**-**	27
Inspection services income		
SPFE	**55**	160
Liancheng	**14**	18
	69	178

In the opinion of the Directors, the above transactions were carried out in the normal course of business of the Group and at prices and terms comparable with those charged by and/or contracted with third parties.

(b) Key management personnel of the Group are the directors and supervisors of the Company. Details of their remuneration are included in note 8 to the consolidated financial statements.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Special Cylinder	**41%**	41%
Shanghai Ogino	**56%**	56%
Ningbo Ogino	**56%**	N/A
Percentage of profit sharing held by non-controlling interests:		
Special Cylinder	**46%**	46%
Shanghai Ogino	**56%**	56%
Ningbo Ogino	**56%**	N/A

	2020	2019
	RMB'000	RMB'000
Profit/(Loss) for the year allocated to non-controlling interests:		
Special Cylinder	**917**	(2,486)
Shanghai Ogino	**1,901**	1,390
Ningbo Ogino	**1,034**	–
Accumulated balances of non-controlling interests at the end of the reporting date:		
Special Cylinder	**(6,277)**	(7,194)
Shanghai Ogino	**5,370**	3,469
Ningbo Ogino	**1,034**	–

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate summaries financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Special Cylinder RMB'000	Shanghai Ogino RMB'000	Ningbo Ogino RMB'000
Year ended 31 December 2020			
Revenue	**4,923**	**24,415**	**6,217**
Total expenses	**(2,929)**	**(21,021)**	**(4,371)**
Profit for the year	**1,994**	**3,394**	**1,846**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**1,994**	**3,394**	**1,846**
Non-current assets	**12,081**	**1,475**	**12,830**
Current assets	**9,873**	**14,026**	**2,627**
Current liabilities	**(4,170)**	**(1,910)**	**(4,761)**
Non-current liabilities	**-**	**-**	**(7,850)**
Net assets	**17,784**	**13,591**	**2,846**
Net cash flows from/(used in) operating activities	**7,996**	**(1,678)**	**(7,795)**
Net cash flows from/(used in) investing activities	**3**	**(1,010)**	**(13)**
Net cash flows from/(used in) financing activities	**(1,455)**	**(359)**	**9,747**
Net increase/(decrease) in cash and cash equivalents	**6,544**	**(3,047)**	**1,939**

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	Special Cylinder RMB'000	Shanghai Ogino RMB'000	Ningbo Ogino RMB'000
Year ended 31 December 2019			
Revenue	21,680	17,585	–
Total expenses	(27,084)	(15,102)	–
Profit/(loss) for the year	(5,404)	2,483	–
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	(5,404)	2,483	–
Non-current assets	9,557	1,014	–
Current assets	10,370	11,526	–
Current liabilities	(4,137)	(2,343)	–
Net assets	15,790	10,197	–
Net cash flows from/(used in) operating activities	(3,346)	2,111	–
Net cash flows from/(used in) investing activities	1,425	(161)	–
Net cash flows used in financing activities	–	(348)	–
Net increase/(decrease) in cash and cash equivalents	(1,921)	1,602	–

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2020	2019
	RMB'000	RMB'000
Trade and bills receivables	**10,170**	15,769
Financial assets included in prepayments, deposits and other receivables	**19,038**	4,224
Due from related companies	**776**	776
Cash and bank balances	**30,596**	26,505
	60,580	47,274

Financial liabilities

	Financial liabilities at amortised cost	
	2020	2019
	RMB'000	RMB'000
Trade payables	**5,769**	6,892
Financial liabilities include in other payables and accruals	**9,922**	4,223
Due to immediate holding company	**906**	906
Due to non-controlling interests	**41**	1,451
Due to a related company	**2,477**	2,377
Interest-bearing bank borrowings, secured	**8,747**	–
	27,862	15,849

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2020.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, the amounts due from related companies, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, secured, amounts due to immediate holding company, non-controlling interests and a related company which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

As at 31 December 2020, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowing with a floating interest rate (2019: Nil).

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before (or after) tax (through the impact on floating rate Interest-bearing bank borrowing) and the Group's equity.

As at 31 December 2020, if interest rates on interest-bearing bank borrowing had been increased/decreased by 1%, with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately RMB87,000 and RMB87,000, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in cash flow interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the Group's floating rate borrowing in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Foreign currency risk

The Group does not have significant foreign currency risk arising from future commercial transactions and recognised financial assets and liabilities since almost all of them are denominated in Renminbi.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Contract assets*	**-**	**-**	**-**	**-**	**-**
Trade and bills receivables*	**3,488**	**-**	**-**	**9,398**	**12,886**
Financial assets included in prepayments, deposits and other receivables					
— Normal**	**19,038**	**-**	**-**	**-**	**19,038**
Due from related companies					
— Normal**	**776**	**-**	**-**	**-**	**776**
Cash and cash equivalents					
— Not yet past due	**30,596**	**-**	**-**	**-**	**30,596**
	53,898	**-**	**-**	**9,398**	**63,296**

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	74	74
Trade and bills receivables*	2,681	–	–	14,251	16,932
Financial assets included in prepayments, deposits and other receivables					
— Normal**	4,224	–	–	–	4,224
Due from related companies					
— Normal**	776	–	–	–	776
Cash and cash equivalents					
— Not yet past due	26,505	–	–	–	26,505
	34,186	–	–	14,325	48,511

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 and 21 to the consolidated financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables and amounts due from related companies are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The credit risk of the Group's other financial assets, which comprise cash and bank balance and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality and state-owned banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and other borrowings.

As at 31 December 2020, the immediate holding company, Liancheng, has undertaken to provide to the Company with an unsecured interest-free shareholder's loan facility in the sum of not exceeding RMB50 million (the "Facility") for the period expiring on 30 May 2022 (2019: 30 May 2021). As at 31 December 2020 and 2019, the Facility has not been drawn down.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

31 December 2020

	On demand or no fixed repayment terms RMB'000	**Within 1 year RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**-**	**5,769**	**-**	**-**	**5,769**
Other payables and accruals	**9,922**	**-**	**-**	**-**	**9,922**
Lease liabilities (undiscounted)	**430**	**569**	**669**	**370**	**2,038**
Due to immediate holding company	**906**	**-**	**-**	**-**	**906**
Due to non-controlling interests	**41**	**-**	**-**	**-**	**41**
Due to a related company	**2,477**	**-**	**-**	**-**	**2,477**
Interest-bearing bank borrowings secured	**8,747**	**-**	**-**	**-**	**8,747**
	22,523	**6,338**	**669**	**370**	**29,900**

31 December 2019

	On demand or no fixed repayment terms RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	6,892	–	–	6,892
Other payables and accruals	4,223	–	–	–	4,223
Lease liabilities (undiscounted)	630	808	852	440	2,730
Due to immediate holding company	906	–	–	–	906
Due to non-controlling interests	1,451	–	–	–	1,451
Due to a related company	2,377	–	–	–	2,377
	9,587	7,700	852	440	18,579

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders of issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net cash divided by the total capital plus net cash. Net cash includes cash and cash equivalents less trade payables, other payables and accruals, contract liabilities, lease liabilities and amounts due to immediate holding company, non-controlling interests and a related company and interest-bearing bank borrowings, secured. Capital includes equity attributable to owners of the Group. The gearing ratios as at the end of reporting periods were as follows:

	2020	2019
	RMB'000	RMB'000
Trade payables	**5,769**	6,892
Other payables and accruals	**10,472**	4,485
Contract liabilities	**-**	1,165
Lease liabilities	**1,341**	1,786
Due to immediate holding company	**906**	906
Due to non-controlling interests	**41**	1,451
Due to a related company	**2,477**	2,377
Interest-bearing bank borrowings, secured	**8,747**	–
Less: Cash and cash equivalents	**(30,596)**	(26,505)
Net cash	**(843)**	(7,443)
Equity attributable to owners of the Company	**69,867**	71,270
Capital less net cash	**69,024**	63,827
Gearing ratio	**N/A**	N/A

40. EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material events after the reporting period.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**8,383**	8,877
Right-of-use assets	**368**	547
Investment properties	**24,300**	23,570
Investment in subsidiaries	**13,005**	9,840
Total non-current assets	**46,056**	42,834
CURRENT ASSETS		
Inventories	**1,134**	2,772
Trade and bills receivables	**851**	1,619
Prepayments, deposits and other receivables	**2,264**	2,411
Due from related companies	**776**	776
Due from subsidiaries	**1,622**	5,893
Cash and cash equivalents	**9,004**	8,037
Total current assets	**15,651**	21,508
CURRENT LIABILITIES		
Trade payables	**2,149**	2,141
Other payables and accruals	**3,483**	1,294
Contract liabilities	**-**	296
Lease liabilities	**333**	578
Due to the immediate holding company	**906**	906
Total current liabilities	**6,871**	5,215
NET CURRENT ASSETS	**8,780**	16,293
TOTAL ASSETS LESS CURRENT LIABILITIES	**54,836**	59,127

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2020	2019
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**5,650**	5,468
Total non-current liabilities	**5,650**	5,468
Net assets	**49,186**	53,659
EQUITY		
Share capital	**18,743**	18,743
Reserves	**30,443**	34,916
Total equity	**49,186**	53,659

Approved and authorised for issue by the board of directors on 25 March 2021.

Zhou Jin Hui
Director

Shi Hui Xing
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Capital reserve	Statutory reserve funds	Discretionary common reserve fund	Asset revaluation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	note 31(i)	*note 31(ii)*	*note 31(iii)*	*note 31(iv)*			
At 1 January 2019	10,910	25,134	5,036	1,500	11,299	(9,505)	44,374
Loss for the year and total comprehensive income for the year	–	–	–	–	–	(9,458)	(9,458)
At 31 December 2019	10,910	25,134	5,036	1,500	11,299	(18,963)	34,916
At 1 January 2020	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(18,963)**	**34,916**
Loss for the year and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(4,473)**	**(4,473)**
At 31 December 2020	**10,910**	**25,134**	**5,036**	**1,500**	**11,299**	**(23,436)**	**30,443**

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out below.

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**72,517**	78,016	69,650	72,663	73,500
Cost of sales	**(50,636)**	(62,288)	(52,905)	(55,084)	(53,701)
Gross profit	**21,881**	15,728	16,745	17,579	19,799
Other income and gains	**2,879**	2,366	1,191	4,638	3,667
Selling and distribution expenses	**(1,753)**	(3,081)	(2,858)	(2,944)	(2,873)
Administrative expenses	**(15,037)**	(21,542)	(16,173)	(17,130)	(17,924)
Impairment of trade receivables, net	**(2,739)**	(3,069)	–	–	(460)
Provision for impairment of inventories	**(1,423)**	(1,699)	(34)	(64)	(524)
Finance costs	**(160)**	(80)	–	–	(464)
PROFIT/(LOSS) BEFORE TAX	**3,648**	(11,377)	(1,129)	2,079	1,221
Income tax expenses	**(976)**	(418)	(1,217)	(1,050)	(975)
PROFIT/(LOSS) FOR THE YEAR	**2,672**	(11,795)	(2,346)	1,029	246
Attributable to:					
Owners of the Company	**(1,403)**	(10,499)	(3,394)	(230)	317
Non-controlling interests	**4,075**	(1,296)	1,048	1,259	(71)
	2,672	(11,795)	(2,346)	1,029	246
ASSETS AND LIABILITIES					
TOTAL ASSETS	**109,355**	95,684	108,045	113,304	126,818
TOTAL LIABILITIES	**(35,975)**	(24,618)	(25,184)	(28,097)	(42,444)
NON-CONTROLLING INTERESTS	**(3,513)**	204	(1,092)	(44)	1,019
	69,867	71,270	81,769	85,163	85,393

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