NANDA SOFTECH
南大苏富特科技

JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED
江蘇南大蘇富特科技股份有限公司

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

(Stock Code: 8045)

ANNUAL REPORT 2017

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors of Jiangsu NandaSoft Technology Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jiangsu NandaSoft Technology Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that the information contained in this report is accurate and complete in all material respects and not misleading and deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Zhu Yong Ning *(Chairman)*
Mr. Wu Qing An

Non-executive Directors

Mr. Wong Wa Tak
Mr. Yin Shou Rong
Mr. Sha Min
Mr. Xu Zhi Bin

Independent Non-executive Directors

Mr. Xie Man Lin
Mr. Shi Zhong Hua
Ms. Xu Xiao Qin

Supervisors

Mr. Yao Gen Yen
Ms. Huang Jing Jing
Ms. Chen Jian Hong
Ms. Gu Yin Ping
Mr. Yao Xingtian
Mr. Lin Hui

COMPANY SECRETARY

Mr. Shum Shing Kei

AUDIT COMMITTEE

Mr. Xie Man Lin *(Chairman)*
Ms. Xu Xiao Qin
Mr. Shi Zhong Hua

NOMINATION COMMITTEE

Mr. Zhu Yong Ning
Mr. Xie Man Lin *(Chairman)*
Mr. Yin Shou Rong
Mr. Shi Zhong Hua
Ms. Xu Xiao Qin

REMUNERATION COMMITTEE

Mr. Zhu Yong Ning
Mr. Yin Shou Rong
Mr. Xie Man Lin
Mr. Shi Zhong Hua
Ms. Xu Xiao Qin

COMPLIANCE OFFICER

Mr. Zhu Yong Ning

AUTHORISED REPRESENTATIVES

Mr. Zhu Yong Ning
Mr. Shum Shing Kei

AUDITORS

Elite Partners CPA Limited

LEGAL ADVISORS

Adrian Lau & Yim Lawyers

PRINCIPAL BANKERS

Nanjing City Commercial Bank, Chengbei sub-branch
China Industrial and Commercial Bank,
Nanjing Branch, Shanxi Lu sub-branch,
SPD Bank, Hong Kong Branch

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL PLACE OF BUSINESS IN CHINA AND REGISTERED OFFICE

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STOCK CODE

8045

CHAIRMAN'S STATEMENT

Zhu Yong Ning
Chairman

On behalf of the board of directors (the "Board"), I am pleased to present the annual report for the year ended 31 December 2017 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft", the "Company" or "We", together with its subsidiaries, the "Group") to the shareholders for their review.

As we entered the 13th five-year period, China relied on innovation to promote the transformation of old growth drivers into new ones and the optimization and upgrading of the structure. Innovation is playing a increasingly stronger role in economic development. Under this favorable economic development circumstance, the Company continued to focus on construction of the platform fusing Information Technology with other industries, accelerate the business mode innovation, and promote the transformation and development of the enterprise.

2017 is a year of transition and development for NandaSoft. The Company leveraged the scientific research power of Nanjing University and other key universities and human resources at home and abroad to step up the effort to deepen and expand the construction of "Internet Plus" platform of various industries. The Company has successfully achieved a diverse presence in intellectual property transactions, smart medical care, smart education and other "Internet Plus" areas, opening up new business situations. In the meantime, the company continued to strengthen internal control management, improve governance structure, and reduce operating costs.

During the year under review, the Company achieved some results in transformation and development. As the listed IT company of a university, we have always been dedicated to using the power of technology and capital to transform technological achievements of universities. During the year, the Company was interested in the establishment of the Nanjing Zhonggao Intellectual Property Co., Ltd., which further promoted the cooperation with the State Intellectual Property Office and various universities on the industrialization of intellectual properties. Relying on the main function of the intellectual property trading platform of Chinese universities, the Company contributed to the efficient market-oriented transformation of the scientific and technological achievements of colleges and universities. During the year, the medical technology company in which the company was interested successfully launched the Haoxinshu（好心舒）Coronary Heart Disease Steward App, the "Expert Remote Consultation System" smart cloud and the "Chronic Disease Management System" cloud platform, which enabled medical institutes in remote areas to access in real-time the medical support of central hospitals, realizing the sharing of high quality medical resources of central hospitals. At the same time, the company continued to advance the construction of "Zhiya Online Education Cloud System", which expanded the cooperation with Changzhou Science and Technology Bureau and universities in Changzhou Science and Education District.

In addition, the Company successfully conducted secondary offerings in H-shares and brought in foreign strategic investors, laying a sound foundation for opening overseas market in the future.

CHAIRMAN'S STATEMENT

BUSINESS RESULTS

In FY2017, turnover of the Group was approximately RMB404,651,000, representing a decrease of approximately RMB38,714,000 compared with 2016. Net loss attributable to owners of the Company was approximately RMB53,834,000. The Board does not recommend final dividend distribution for the year ended 31 December 2017.

FUTURE PROSPECTS

What the country needs, the enterprise delivers. The continuing promotion of the national innovation strategy provides great development opportunities for innovative enterprises such as NandaSoft. The Company will continue to rely on the scientific research power of Nanjing University and human resources at home and abroad to conduct model innovation using internet technology in such areas as medical care, education, and intellectual property which are important for the development of China.

Have an insight into the world and remain true to our original aspiration. In 2018, the Company will celebrate its 20th anniversary. We have always been committed to constantly increasing the value of shareholders, business partners and customers, concentrating on tapping development opportunities arising from the fusion of "Internet Plus" with the resources of various industries, and creating more value and sustainable development opportunities for shareholders and business partners with Information Technology.

On behalf of the board of directors, I would like to take this opportunity to thank the Groups' shareholders, business partners, customers, management and staff for your continuous support.

Zhu Yong Ning
Chairman

Nanjing, China
27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2017 was approximately RMB404,651,000, which represented a decrease of approximately RMB38,714,000, when compared with 2016. With the rapid development of the Information Technology (the "IT") industry, the Group faced with unprecedented competition, which directly affected the market share of the Group, resulting in a decrease in sales of the Group during the year.

Loss attribute to owners of Company for the year ended 31 December 2017 was approximately RMB53,834,000, representing a decrease in loss of approximately RMB55,775,000, when compared with 2016. The decrease was primarily due to a decrease of approximately RMB9,461,000 in finance costs. In addition, the significant decrease in the administrative expenses were mainly due to the strictly cost control strategy adopted by the management. Furthermore, approximately RMB6,890,000 of government grants were received and confirmed during the year. Regarding to the reasons mentioned above, the loss for the year ended 31 December 2017 decreased by 50.9% as compared to the previous year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, current assets of the Group amounted to approximately RMB401,453,000, of which approximately RMB75,151,000 were cash and cash equivalents and approximately RMB267,020,000 were receivables and prepayments, represents a decreased by RMB66,391,000 when compared with 2016. The decrease in receivables was attributable to a decrease in turnover of approximately RMB38,714,000 for the year when compared with previous year, which led to an overall decline in accounts receivables, while at the same time, the increase of approximately RMB39,365,000 in impairment loss in receivables.

As at 31 December 2017, non-current liabilities was RMB248,041,000 and its current liabilities amounting to approximately RMB739,887,000, which mainly comprised trade payables, advance from customers and accrual and other payables. Current liabilities decreased by approximately 12.6% when compared with 2016. As at 31 December 2017, net assets of the Group amounted to approximately RMB168,953,000 (2016: approximately RMB212,074,000), representing a drop of approximately 20.3% when compared with 2016. As at 31 December 2017, short-term borrowings and long-term borrowings amounted to RMB230,606,000 in total, representing an increase of approximately 5.3% when compared with 2016. Its liquidity was sufficient to support the normal operation of the Group.

CHARGE ON GROUP ASSETS

As at 31 December 2017, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City of approximately RMB22,000,000 (2016: approximately RMB22,000,000) were pledged as security for the interest-bearing bank borrowings granted to the Group.

FOREIGN CURRENCY RISK

As the Group's operations are mainly conducted in the PRC and substantially over 90% of the Group's sales and purchases were denominated in RMB, there is no significant foreign currency risk that would affect the Group's results of operations.

During the year ended 31 December 2017, the Group did not have any foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT

As at 31 December 2017, the Group did not have any contracted for but not yet provided for capital commitment (2016: Nil).

CONTINGENT LIABILITIES

(a) Litigation

Legal case 1

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by 中核華興建設有限公司 (the "Plaintiff").

According to the civil claim, it was claimed that the Company failed to pay for the construction project. The payment was approximately RMB175,400,000 in total, payable for certain contracts entered into by the Company and the Plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park ("Nandasoft Block 2"). The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of 南京物聯網應用研究院有限公司, 江蘇賽聯信息產業研究院股份有限公司 and 江蘇中晟智源科技產業有限公司 held by the Company.

The main reason for the delay in payment was that the audit on the related construction work is unable to complete by the agreed time and is still not completed yet. Therefore, the actual amount of construction payable by the Company is still uncertain.

The Company considered the amount claimed by the Plaintiff was contentious and doubtful. Based on the advice of the legal counsel of the Company, the Company should apply to the court for an appraisal of the cost of construction and adopt the appraisal outcome as the basis of settling the construction cost in a fair and legitimate manner.

As Nandasoft Block 2 constructed by the Company was put into use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by 天目蘇建設投資項目管理有限公司, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case caused a significant difference in the estimated amount at the time of conversion into fixed assets, which will in turn have a material impact on the financial data of the Company.

According to the mediation result in the letter of civil mediation (2014) 蘇民初字第00015號 issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of Nandasoft Block 2, compensation financing, loss on shutting down, and overdue interest payment amounted to RMB219.64 million (net of RMB37 million which had already paid by the Company). For the period from 1 January 2016 to the actual payment date, with the annual rate of 6%, the Company shall pay RMB182.64 million and related interest to the Plaintiff on or before 30 June 2016. The Plaintiff has the right to apply to the people's court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time. If the Company fails to perform the payment obligations within the period prescribed under the mediation letter, additional debt interest which is twice of the amount during the performance period will be levied on by the Company in accordance with Article 253 of the "PRC Civil Procedure Law".

As disclosed in the Company's announcement dated 9 June 2017, the Company has entered into an agreement in respect of a new repayment arrangement (the "Repayment Arrangement") with the Plaintiff and the other relevant parties (viz. 中國核工業華興建設有限公司 ("Huaxing") and 南京鵬大科技發展有限公司 ("Pengda")). According to the Repayment Arrangement, the settlement sum will be satisfied partly by Pengda for and on behalf of the Company by way of transfer of 39 residential properties developed in a new real estate project named "The Lalu Nanjing (南京涵碧樓行館)" located at the Yangtze River Road and Hanzhong Gate Interchange, Jiaye District, Nanjing, Jiangsu Province, China (中國江蘇省南京市建鄴區揚子江大道與漢中門大街交匯處), and partly (in respect of the shortfall after offsetting the value of such properties) by the Company in cash to Huaxing as designated by the Plaintiff.

As at 31 December 2017, the completion schedule for Lalu Nanjing has further delay and the chain effect of delay in the subsequent inspection and issuance of relevant title deeds to Huaxing, as disclosed in the Company's announcements dated 29 September 2017 and 30 November 2017, respectively. However, Pengda will continue to assist the Company in monitoring the progress. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was fully provided by the Company.

Legal case 2

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by 廣州市愛民投資有限公司 ("Aimin Investment").

According to the civil complaint, the Company has borrowed RMB15,500,000 from Aimin Investment and total borrowing interest up to 10 October 2015 was RMB8,427,000. 上海宏昊投資管理有限公司 assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) 穗天法金民初字第5504號 issued by Guangzhou City Tianhe District People's Court, the bank balance of the Company of RMB23,927,000 was frozen or equivalent assets. The equity interest of 江蘇南大蘇富特投資有限公司 and 蘇富特智能科技（上海）有限公司 held by the Company was frozen.

On 8 October 2016, Guangzhou City Tianhe District People's Court issued the Civil Ruling (2015) 穗天法金民初字第5504號, which ruled that the Company should repay the borrowings of principal amount of RMB15,500,000 and interest thereon, which is calculated at 24% interest rate per annum, to Aimin Investment.

The Company objected the judgment of the first instance and filed an appeal to Guangzhou City Intermediate People's Court on 27 October 2016, claiming to offset against another debt of RMB6,000,000 owed by Aimin Investment to the Company, and by reason of the settlement of RMB5,000,000 by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4,500,000 and interest thereon to Aimin Investment by the Company.

On 6 July 2017, the Guangzhou City Intermediate People's Court sustain the judgment for the Company which was liable for the repayment of the borrowing with the remaining principal amount of RMB11,500,000 (net of repayment of RMB4,000,000) and interest thereon to Aimin Investment.

The management of the Company have been made sufficient provision on borrowing and interest thereon. Subsequent to the year end date, on February 2018, the relevant payment was fully settled. Such legal case was fully resolved.

Legal case 3

On 15 November 2016, 武漢金家房地產開發有限公司 ("Wuhan Jinjia") filed a litigation against the Company at Nanjing City Gulou District People's Court, requesting the Company to repay three borrowings with total principal amount and interest of RMB3,036,000 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal interest of RMB967,000 and interest of RMB1,009,000; 2. the second borrowing with principal amount of RMB43,000 and interest of RMB48,000; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB405,000.

On 15 March 2017, according to the letter of civil mediation "(2016) 蘇0106民初11102號" issued by Nanjing City Gulou District People's Court, if the Company repays the borrowing with principal amount and interest of RMB1.8 million in total to Wuhan Jinjia before 22 March 2017, Wuhan Jinjia will voluntarily abandon other litigation requests.

During the year ended 31 December 2017, the Company made repayment of the principal amount and interest to Wuhan Jinjia and the legal case was fully resolved.

Legal case 4

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 ("Nanjing Zaibao") filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People's Court, requesting the Company to repay the borrowing with principal amount of RMB1 million and interest thereon and penalty interest of RMB11,541.66, pay default charges of RMB1,206,400 and undertake solicitor's fee of RMB20,000; requesting 南京南大蘇富特系統集成有限責任公司 to repay the borrowing of RMB5 million and interest thereon and penalty interest of RMB277,500, pay default charges of RMB724,800 and undertake solicitor's fee of RMB100,000; requesting the seven companies, including the Company, to assume the joint guaranty liabilities for the aforesaid liability; requesting that the Nanjing Zaibao shall be preferentially reimbursed with the proceeds from the auction, sale, discounted of properties and land at No. 25 Xingnan Road, Wuzhong Economic Development Zone, Suzhou City.

On 14 February 2017, Jiangning District People's Court delivered the judgment of the first instance that the Company should pay the borrowing with principal amount of RMB1 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB1 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 26 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB4 million from 26 May 2016 respectively, both at an annual rate of 24% until actual payment date) to Nanjing Zaibao.

南大蘇富特系統集成有限責任公司, a wholly-owned subsidiary of the Group, should pay the borrowing with principal amount of RMB5 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB5 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 25 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 26 May 2016 to actual payment date at an annual rate of 24%)to Nanjing Zaibao.

According to (2017) 蘇01民終3169號, one of the defendant of the case, 維信醫療(蘇州)有限公司, objected the Jiangning District People's Court the judgment of the first instance, and filed an appeal to 江蘇省中級人民法院. On 19 June 2017, the court judged that the Group should repay the borrowing with the principal amount of RMB6 million and interest thereof in total to Nanjing Zaibao.

As at 31 December 2017, the Company made sufficient provision for this legal claim. Subsequent to the year end date, on March 2018, the relevant payment was fully settled. Such legal case was fully resolved.

(b) Sales and leases of the commercial properties of the Group

As disclosed in note 19 to the consolidated financial statements, the Group and certain potential buyers entered into sale and purchase agreement in relation to certain investment properties. However, due to changes in regulation by the municipal government, the aforesaid sales of investment properties were not completed, the Group will be responsible for the breach of contract.

As at 31 December 2017, save as disclosed above, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration for the employees of the Group for the year ended 31 December 2017 amounted to approximately RMB31,633,000 (2016: approximately RMB30,441,000), including the directors' and supervisors' emoluments of approximately RMB1,228,000 (2016: approximately RMB1,114,000) and RMB443,000 (2016: approximately RMB503,000) respectively.

The number of employees for the year had decreased from 325 to 321.

The Group remunerated its staff based on the individual's performance, profile and experience and with reference to market price.

DIVIDENDS

The Directors do not recommend the distribution of final dividends for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

During the year, the Company focused on the demand of market development and monitored the development direction of the industry to innovate business development model and actively seek transformation opportunities. The Company continued to consolidate its strength in such sectors as smart transportation and system integration where it traditionally enjoyed advantages. On top of this, we continued to push forward our development as an Internet Plus platform enterprise by tapping into the trend of the deep fusion of Internet Plus and industry resources and strengthening the development of new business sectors such as intelligent medical care, smart education and intellectual property trading platform of Chinese universities and colleges.

In 2017, with the joint efforts of the Company's technology and management teams, the Company successfully obtained the re-authentication as a national high-tech enterprise, was granted the patent for "A method for generating of intelligent password protection" and "the centralized storage and optimization method of electronic files based on HDFS" and obtained the Intellectual property management system certification.

INFORMATION TECHNOLOGY AND PRODUCT DEVELOPMENT

During the year, the Company continued to tap the needs of customers in the educational system, and successfully completed the research and development of the ERMS electronic files management system V2.0 and V2.1. We secured many colleges as our customers, including the Archives of Nanjing University of Technology, Archives of Nanjing Normal University, Archives of Nanjing College of Information Technology, and Information Centre of Xi'an Jiaotong University, providing an electronic file solution for them for which we have received positive feedback. In the meantime, the Company launched the electronic file security management system V1.0 using data security as a new breakthrough point, creating new market space for subsequent development.

As for cloud computing projects, the Company successfully advanced the development and marketization of the customized desktop cloud system, NandaSoft desktop cloud system 2.0, and secured such customers as Jianye District Health Service Centre, Nanjing Xianlin Health Service Centre, and Jiangsu Zhiya Online Education Company. We prepared for the bidding of NandaSoft desktop cloud system by understanding the actual demand of the market.

During the year, the Company continued to strengthen its in-depth cooperation with Jiangsu Provincial People's Hospital, intensified efforts to expand the resources of Provincial People's Hospital and provincial medical institutions at all levels, and established new cooperation on telemedicine services with Baoying County People's Hospital and Suqian First People's Hospital. The Company actively explored the new development model of "Internet + Hospital", offering solutions for the provision of online medical technology support by the central hospital to grass-root and remote areas, the sharing of high-quality medical resources at the provincial level, and the reduction of patients' medical expenses. As for platform development, the Company launched the Haoxinshu (好心舒) Coronary Heart Disease Steward App, "Expert Remote Consultation System" smart cloud and the "Chronic Disease Management System" during the year, and completed the testing of integrated platform for cloud detection, diagnosis and treatment. With Jiangsu Provincial People's Hospital at the centre, we gathered a group of experts on chronic diseases, such as coronary heart disease, to provide real time operation guidance for grass-root hospitals and remote areas. In the meantime, the Company worked well with the Jiangsu Provincial Nursing Association and developed the first online training product for nursing knowledge and skills – "Specialist Nurses Upgrading Platform", in order to help medical workers across the province acquire knowledge and cases online so they can improve their professional skills and have a reasonable career planning. The platform has been effectively used among nurses across the province, establishing the Company's professional image in the field of medical software development.

During the year, Nanjing Zhonggao Intellectual Property Co., Ltd., in which the Company was interested, was established, and so was the intellectual property trading platform of Chinese universities. Relying on rich intellectual property resources of the National Intellectual Property Office, Nanjing University of Technology and Science and other universities, and giving full play to the function of big data, the platform enables accurate docking between universities intellectual property and the market, thus completing the effective delivery of scientific and technological achievements to the market. Since its foundation, Zhonggao Intellectual Property has finished the development of the patent evaluation system PMES 1.0 and completed PMES 2.0's design work. It has also completed the development and testing of "Patent Bag" V1.0 and "Patent Treasure" V1.0, and further improved on their functions and constantly enhanced user experience to establish a good foundation for a successful debut in 2018. During the year, Zhonggao Intellectual Property set up Zhonggao (Tianjin) Intellectual Property Management Co., Ltd., and Changshu Zhonggao Intellectual Property Service Co., Ltd., further expanding into the national market with Nanjing as the operational centre.

IT SERVICE

In terms of intelligent transportation, our subsidiary Jiangsu Changtian Zhiyuan Transportation Technology Company Limited continued to leverage its traditional business advantages and undertook a number of major intelligent transportation projects, including the construction project of the YQLYLJX-GZGL section of the road project of Taizhou City Road Project, Nanjing traffic and transportation comprehensive emergency command system project NJ-JT-YJXT section, BHTJD-1 section of Zhumadian North interchange project of Beijing, Hongkong and Macao Expressway and the construction of 201 line highway from Shiwei to Labudalin sections' electrical and mechanical engineering. These projects provided a strong support for the Group's performance throughout the year.

In the field of smart education, the Company continued to improve the construction of "Intelligent Online Cloud Platform", and obtained a certificate for 9001 quality management certification. We further cooperated with 5 vocational schools in Changzhou Science and Education City, continued to provide online education and training for students, and provided digital campus services for information construction in colleges and universities. During the year, Zhiya Online Company secured new customers including Changzhou Information Technology College and Changzhou Institute of Mechatronic Technology, and designed the "Military Theory", "Lecture on Innovative Entrepreneurship Law" and 4 other courses for students who wanted to upgrade from junior colleges to universities and strengthened the cooperation of the development of video courses with Changzhou Vocational Institute of light Industry. In addition, the Company has successfully applied for the science and technology support program of Changzhou Municipal Science and Technology Bureau.

FUTURE PROSPECTS

Looking ahead, with the steady implementation of the scientific innovation-driven strategy, the Company will continue to follow the trend of market development, grasp the development opportunities in the era of big data, adjust the direction of strategic development, and strive to become a professional "Internet +" platform enterprise. The Company will continue to leverage Nanjing University's research strength and talent advantages to promote the deep fusion of the Company's related businesses in the fields of health care, education, intellectual property, transportation and other fields, and create a larger landscape for the long-term development of the Company.

Zhu Yong Ning
Chairman

Nanjing, the PRC
27 March 2018

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company are sales of computer hardware and software products, trading business of information technology related products and equipment, provision of information technology training services, developing, manufacturing and marketing of network security software, internet application software, education software and business application software, provision of system integration services, research and development of medicine and pharmaceutical equipment, provision of services in relation to building installation and information system integration and properties investments. The activities of the Company's subsidiaries and associated companies are set out in Note 38 and Note 20 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of financial position and other comprehensive income on page 46.

The directors do not recommend the payment of a final dividend for the year (2016: Nil).

INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the "Individual Income Tax Law of the People's Republic of China", the "Enterprise Income Tax Law of the People's Republic of China", and relevant administrative rules, governmental regulations and guiding documents. Please refer to the announcement published by the Company on the HKExnews website of the Hong Kong Exchanges and Clearing Limited on 22 July 2011 for the information on income tax in respect of the dividend distributed to H Share shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the results for the year and assets and liabilities of the Group as at 31 December 2017 and for the previous four financial years are on page 110.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles 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.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 48.

DISTRIBUTABLE RESERVES

At 31 December 2017, there are no reserves available for distribution to shareholders of the Company (2016: Nil).

MANAGEMENT CONTRACT

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

PRINCIPAL RISKS AND UNCERTAINTIES

As the Group's operations are mainly conducted in the PRC, there is no significant foreign currency risk that would affect the Company's results of operations. The Group's business is subject to the risk of uncontrollable effects, including weather conditions, natural disasters etc.

MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR

Save as disclosed in this annual report, subsequent to the end of the year, our Group did not undertake material investment commitment, participate in material investment or future plan concerning the acquisition of capital assets which need to be disclosed.

FINANCIAL KEY PERFORMANCE INDICATORS AND ANALYSIS

For the year ended 31 December 2017, the Group' total assets amounted to RMB1,156,881,000. Total liabilities amounted to RMB987,928,000. Gearing ratio was 85.4%. The total operating income amounted to RMB404,651,000. The loss before tax amounted to RMB-51,450,000. The net loss attributable to owners of the Company amounted to RMB-53,834,000. The return on total assets was -4.7%. The return on shareholders' equity was -31.9%.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has established compliance procedures to ensure (especially) the compliance of applicable laws, rules and regulations, which cause material effect. The Board appointed the audit committee to supervise the Group and have a regular review concerning the policies and practices for the compliance of law and regulations. The relevant employees and operation units will be informed for any changes about the applicable laws, rules and regulations from time to time.

THE RELATIONSHIP WITH KEY STAKEHOLDERS

Employee

The employee of the Group worked in SoftTech Innovation Park in No. 19 South Qingjiang Road, Gulou District, Nanjing, China, which was owned by our Group. The employees of the Group had to implement the duties of management, administration, human resources, operations, finance and the relationship with investors. The Group determined the employees' salary by reference to their personal experience and performance and the market salary. The Group will continue to improve and enhance the management and professional skills. The Group has not experienced any significant problem with its employees or disruption to its operations due to labour dispute, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

Suppliers

The suppliers of the Group provided network security software, internet application software, education software and business application software, and provide systems integration services which include the provision of information technology consulting. The major suppliers are Lenovo (Shanghai) Electronics Technology Co., Ltd. (聯想（上海）電子科技有限公司), Taizhou Hengdi Construction Engineering Co. Ltd. (泰州恒地建設工程有限公司), Changzhou Dake Intelligent Technology Co. Ltd. (常州大可智能科技有限公司), Henan Oriental Century Information Technology Co. Ltd. (河南東方世紀信息技術有限公司), Manzhouli City Zhengang Electrical Installing Co. Ltd. (滿洲里市振鋼電力安裝有限公司).

Customers

The major customer of the Group are Bureau of Jiangsu Province Transportation Engineering Construction (江蘇省交通工程建設局), Jiangsu Zongheng Century Network Co. Ltd. (江蘇縱橫世紀網絡有限公司), Bank of China (中國銀行), Pudong Branch of Shanghai Public Security Bureau (上海市公安局浦東分局), Jiangsu Yidi Electronic Commerce Co. Ltd. (江蘇依迪電子商務有限公司).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 15.91% of the total sales for the year and sales to the largest customer included therein amounted to 6.19%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	26.18%
The five largest suppliers	34.51%

PERMITTED INDEMNITY PROVISION

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

EQUITY LINE OF CREDIT AGREEMENT

The Company did not enter into any Equity Line of Credit Agreement during the year.

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 and suppliers.

DIRECTORS AND SUPERVISORS

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

Executive Directors:

Mr. Zhu Yong Ning *(Chairman)*	
Mr. Liu Jian *(alias, Liu Jian Bang)*	*(resigned on 6 November 2017)*
Mr. Wu Qing An	*(appointed on 12 May 2017)*

Non-Executive Directors:

Mr. Wong Wa Tak	
Mr. Yin Shou Rong	
Mr. Xu Zhi Bin	*(appointed on 3 November 2017)*
Mr. Sha Min	*(appointed on 3 November 2017)*

Independent Non-executive Directors:

Dr. Daxi Li	*(resigned on 6 November 2017)*
Ms. Xie Hong	*(resigned on 28 April 2017)*
Mr. Xie Man Lin	*(re-appointed on 30 December 2017)*
Mr. Shi Zhong Hua	*(appointed on 10 February 2017)*
Ms. Xu Xiao Qin	*(appointed on 10 February 2017)*

Supervisors:

Mr. Yao Gen Yuan	
Mr. Yao Xing Tian	*(appointed on 12 May 2017)*
Ms. Chen Jian Hong	*(re-appointed on 23 March 2017)*
Ms. Gu Yin Ping	*(re-appointed on 23 March 2017)*
Mr. Liang Run Bao	*(resigned on 29 December 2017)*
Ms. Huang Jing Jing	*(appointed on 10 February 2017)*
Mr. Lin Hui	*(appointed on 30 December 2017)*
Mr. Wei Ji Hao	*(resigned on 1 March 2017)*

Ms. Xie Hong wishes to devote more time on pursuing her other business commitments and has tendered her resignation as directors on 28 April 2017. Mr. Liu Jian and Dr. Daxi Li wish to devote more time on pursuing their other business commitments and both have tendered their resignation as directors on 6 November 2017. Mr. Liang Run Bao wishes to devote more time on pursuing their other business commitments and have tendered their resignation as supervisors on 29 December 2017. Mr. Wei Ji Hao wishes to devote more time on his own business and has tendered his supervisor on 1 March 2017.

The Company has received annual confirmations of independence from the independent non-executive directors and the board considers them to be independent as at the date of this report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors, and senior management of the Company are set out on pages 32 to 37 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of 3 years. The service will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

The directors' and supervisors' fees are subject to shareholders' approval at general meetings. The emoluments of other Directors are determined by the board of directors and the remuneration committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

Details of remuneration of the directors and supervisors are set out in note 13 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

During the year, no director, supervisor and associated entities had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS', AND SUPERVISORS' AND CHIEF EXECUTIVES INTERESTS, SHORT POSITIONS AND DEBENTURE IN SHARES AND UNDERLYING SHARES

At 31 December 2017, the interests and short positions of the directors and supervisors, chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register that are required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions:

Name of Directors	Type of Interest	Number of domestic shares	Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital (Note 1)	Percentage of deemed beneficial interest in the Company's H share capital (Note 1)	Percentage of deemed beneficial interest in the Company's total share capital (Note 1)
Zhu Yong Ning	Interest of controlled corporation	358,800,000 (Note 2)	–	36.51%	–	24.11%

Notes:

(1) As of 31 December 2017, the Company issued 982,800,000 domestic shares, 505,200,000 H shares, i.e. 1,488,000,000 shares in total.

(2) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares. Among which, 163,800,000 domestic shares were approved by the shareholders of the Company to be issued on 10 April 2015; and the relevant verification process and securities registration were completed on 29 June 2016. The other 180,000,000 domestic shares were transferred from Nanjing Vegetables & Subsidiary Food Co., Ltd to Jiangsu Keneng Electricity on 12 December 2017.

Save as disclosed above, as at 31 December 2017, none of the directors, supervisors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, the following interests and short positions of 5% or more of the share capital and relevant shares of the Company (excluding directors, supervisors and chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic shares and H shares	Percentage of domestic shares and H shares
Jiangsu Keneng Electricity Technology Co., Ltd. (Note 1 and 3)	Beneficial Owner	358,800,000	36.51%	–	–	358,800,000	24.11%
Nanjing University Asset Administration Company Limited	Beneficial Owner	127,848,097	13.01%	–	–	127,848,097	8.59%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd	Beneficial Owner	121,000,000	12.31%	–	–	121,000,000	8.13%
Jiangsu Education Development Company Limited	Beneficial Owner	84,159,944	8.56%	–	–	84,159,944	5.66%
Oriental Petroleum (Yangtze) Limited (Note 2)	Beneficial Owner	–	–	84,200,000	16.67%	84,200,000	5.66%
Anhui Jiuxi Property Investment Co., Ltd (Note 3)	Beneficial Owner	83,661,016	8.51%	–	–	83,661,016	5.62%
Shanghai Shiyuen Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%	–	–	55,000,000	3.70%

Notes:

(1) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd ("Jiangsu Keneng Electricity") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.

(2) 84,200,000 H shares were issued to Oriental Petrolem (Yangtze) Limited on 16 November 2017.

(3) Nanjing Vegetables & Subsidary Food Co., Ltd has transferred 83,661,016 domestic shares and 180,000,000 shares to Anhui Jiuxi Property Investment Co., Ltd and Jiangsu Keneng Electricity Technology Co., Ltd on 8 December 2017 and 12 December 2017 respectively.

Save as disclosed above, as at 31 December 2017, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section "Directors', supervisors' and chief executive's interests, short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SIGNIFICANT CONTRACTS

No significant contract had been entered into between the Company or its subsidiaries with controlling shareholders (as defined in GEM Listing Rules) or its subsidiaries for any significant contracts in relation to the provision of services by controlling shareholders or its subsidiaries to the Company or its subsidiaries at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUOUS CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year is contained in note 35 to the consolidated financial statements. None of the transactions as described in the said note fell under the definition of connected transactions.

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 or controlling shareholders 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 Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

AUDITORS

On 28 February 2018, the Shareholders of the Company passed the ordinary resolution which approving the resignation of Shing Wing Certified Public Accountants as auditors of the Company and the appointment of Elite Partners CPA Limited as the auditors of the Company for the year ended 31 December 2017.

On behalf of the Board
Jiangsu NandaSoft Technology Company Limited
Zhu Yong Ning
Chairman

Nanjing, the PRC
27 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance. This year considerable efforts were made to identify and formalise the best practices according to international standards. As at 31 December 2017, Company has complied with the provisions set out in Appendix 15 of the Code of Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”), save for the deviation from CG Code provision A.2.1. The Board has adopted the CG Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believe our commitment to the highest standards of governance will translate into long-term value and ultimately maximise returns to shareholders and stakeholders.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding directors’ and supervisors’ securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors and supervisors of the Company confirmed that they have complied with the required standard of dealings and the required code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board’s primary role is to protect and enhance long-term shareholders value. It focuses on the Group’s overall strategic policy, monitors performance and provides proper supervision to ensure appropriate business conduct and effective management of the highest quality. The positions of Chairman are held separately to reinforce their respective independence, accountability and responsibility. This separation of positions ensures clearly defined roles between monitoring the Groups’ business strategies and managing the day-to-day operations.

To the best knowledge of the Company, there is no relationship among members of the Board, including financial, business, family or other significant/relevant relationship.

At at 31 December 2017, the Board comprises nine Directors, among whom two are Executive Directors, four are Non-Executive Directors and three are Independent Non-Executive Directors. The Non-Executive Directors and Independent Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders. Independent Non-Executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner.

The Company confirmed that annual confirmation of independence were received from each of the Company’s Independent Non-Executive Directors pursuant to the requirement of Rule 5.09 of the GEM Listing Rules and all the Independent Non-Executive Directors are considered to be independent.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of the Company ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The Executive Director, Mr. Zhu Yong Ning, is appointed as the Chairman of the Group. The Chairman leads the Board and is responsible for the proceedings and work of the Board. The Chairman ensures that:

- the Board acts in the best interest of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

After the resignation of the former Chief Executive Officer of the Company, Mr. Zhu Yong Ning takes up the position of both the Chairman and Chief Executive Officer of the Company and he has been responsible for:

- the business plans, strategies and policies;
- ensuring the Group's operations are functioned effectively and efficiently;
- motivating for contribution to the growth and profitability of the Group.

In the opinion of the Directors, this does not affect the accountability and making independent decision based on the following reasons:

– The Audit Committee is composed only of Independent Non-Executive Directors;

– Independent directors may seek immediate advice from the Company's external auditors and independent professional advice at any time and as if necessary.

In addition, Mr. Zhu, is a substantial shareholder of the Company and has experienced industry experience which enables to make contributions to the growth and profitability of the Group.

The Board understands that the roles of the Chairman and the Chief Executive Officer shall be independent to ensure that the powers and authorities are distributed in a balanced manner and that the Board has been looking for a suitable candidate for CEO position, and the new CEO, Mr Chen Yan has been appointed on 27 March 2018.

For the year ended 31 December 2017, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 3 general meetings. For the year ended 31 December 2017, the composition of the Board and the attendance record of each Director at the meeting are set out below:

		No. of attendance/No. of meeting				
Name of Directors	Title	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Mr. Zhu Yong Ning	Chairman and Executive Director	4/4	1/1	1/1	–	3/3
Mr. Wu Qing An	Executive Director (appointed on 12 May 2017)	3/4	–	–	–	1/3
Mr. Liu Jian (alias, Liu Jian Bang)	Executive Director (resigned on 6 November 2017)	2/4	–	–	–	0/3
Mr. Yin Shou Rong	Non-Executive Director	4/4	–	1/1	–	3/3
Mr. Wong Wa Tak	Non-Executive Director	1/4	–	–	–	0/3
Mr. Xu Zhi Bin	Non-Executive Director (appointed on 3 November 2017)	1/4	–	–	–	1/3
Mr. Sha Min	Non-Executive Director (appointed on 3 November 2017)	1/4	–	–	–	1/3
Dr. Li Da Xi	Independent Non-Executive Director (resigned on 6 November 2017)	0/4	0/1	0/1	0/4	0/3
Ms. Xie Hong	Independent Non-Executive Director (resigned on 28 April 2017)	1/4	0/1	0/1	1/4	1/3
Mr. Xie Man Lin	Independent Non-Executive Director (re-appointed on 30 December 2017)	4/4	1/1	1/1	4/4	0/3
Mr. Shi Zhong Hua	Independent Non-Executive Director (appointed on 10 February 2017)	3/4	1/1	1/1	4/4	0/3
Ms. Xu Xiao Qin	Independent Non-Executive Director (appointed on 10 February 2017)	3/4	1/1	1/1	4/4	0/1

The Board oversees particular aspects of the Company's affairs and assists in the execution of its responsibilities.

The Board has overall responsibility for the system of risk management and internal controls of the Company and for reviewing its effectiveness.

The Board is committed to implement an effective and sound risk management and internal control system to safeguard the interest of the shareholders and the Group's assets.

NON-EXECUTIVE DIRECTORS

Mr. Yin Shou Rong was appointed on 6 May 2016, for a term from 6 May 2016 to 5 May 2019.

Mr. Wong Wa Tak was appointed on 5 June 2015, for a term from 5 June 2015 to 4 June 2018.

Mr. Xu Zhi Bin was appointed on 3 November 2017, for a term from 3 November 2017 to 2 November 2020.

Mr. Sha Min was appointed on 3 November 2017, for a term from 3 November 2017 to 2 November 2020.

Mr. Xie Man Lin was re-appointed on 30 December 2017, for a term from 30 December 2017 to 29 December 2020.

Mr. Shi Zhong Hua was appointed on 10 February 2017, for a term from 10 February 2017 to 9 February 2020.

Ms. Xu Xiao Qin was appointed on 10 February 2017, for a term from 10 February 2017 to 9 February 2020.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company. The service contracts will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

RESPONSIBILITIES AND AUTHORIZATION TO THE MANAGEMENT

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. The Board shall implement resolutions of the Shareholders' general meeting; decide on the business plans, investment plans and the setting of internal management organizations of the Company; formulate the proposed annual financial budget, final account and profit allocation plans of the Company; and appoint the senior management. In addition, the Board established three board committees, the audit committee, the nomination committee and the remuneration committee, and authorized their respective responsibilities.

The Board granted senior management the power and responsibility to conduct the daily management, administration and operation of the Company. The general manager shall be responsible to the Board.

All Directors of the Company are sincerely performing their duties, they abide by all laws and regulations in the best interest of the Company, and are always committed to act to the benefit of the Company and its shareholders.

NOMINATION COMMITTEE

The Nomination Committee was established in November 2005, it enhances transparency and highlights fairness in the selection and appointment of Board members. During the year under review, the Nomination Committee consists of one Executive Director, namely Mr. Zhu Yong Ning and three Independent Non-Executive Directors, namely Mr. Xie Man Lin. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin. The Chairman of Nomination Committee is Mr. Xie Man Lin.

Dr. Daxi Li has resigned as the member of the Nomination Committee on 6 November 2017 and Ms. Xie Hong has resigned as the member of the Nomination of Committee on 28 April 2017. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin, were appointed as the member of Nomination Committee on 12 May 2017.

The role and function of the Nomination Committee include (but not limited to) recommending the candidates, selection criteria and procedures for the appointment of Directors and General Manager of the Company, and recommending and reviewing the candidates for chief financial officer and other senior management nominated by the General Manager, and the candidates for the Secretary to the Board of Directors nominated by the Chairman of the Board.

During the year under review, the Nomination Committee has reviewed issues including confirmation of the structure, number of members and composition of the Board were in accordance with the requirements of the GEM Listing Rules and Articles of Association of the Company, and that the Independent Non-Executive Directors were all independent of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and comprises of one Executive Director, namely Mr. Zhu Yong Ning, one Non-Executive Director, namely Mr. Yin Shou Rong and three Independent Non-Executive Directors, namely Mr. Xie Man Lin. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin. Dr. Daxi Li has resigned as the member of the Remuneration Committee on 6 November 2017 and Ms. Xie Hong has resigned as the member of the Remuneration of Committee on 28 April 2017. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin, were appointed as the member of Nomination Committee on 12 May 2017.

The role and function of the Remuneration Committee include but not limited to:

(1) make recommendations to the Board on the Company's policy and structure for all remuneration of all directors and the senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration;

(2) have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payables for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of the Non-Executive Directors;

(3) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group while determining any specific remuneration package;

(4) review and approve management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(5) review and approve compensation payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(6) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(7) ensure that no Director or any of his associates is involved in deciding his own remuneration; members of the Committee should abstain from voting at Committee meeting on resolutions relating to their remuneration review; and

(8) organise the performance assessment to the Directors and senior management and to review the duty fulfillment and annual performance of such directors and senior management against the operational target fulfillment of the Company.

The Remuneration Committee consults with the CEO about its proposals relating to the remuneration of Executive Directors.

During the year under review, the Remuneration Committee has reviewed issues including the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors. The Remuneration Committee considers that the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors are fair and reasonable.

AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000. As at 31 December 2017, it comprises three Independent Non-Executive Directors, Mr. Xie Man Lin. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin. Dr. Daxi Li has resigned as the member of the Audit Committee on 6 November 2017 and Ms. Xie Hong has resigned as the member of the Audit Committee on 28 April 2017. The primary duties of the audit committee are to review and provide supervision over the financial reporting and risk management and internal control system of the Group. The audit committee has reviewed the annual result announcement, annual report and the independent auditors' report for the year ended 31 December 2017 and concluded the meeting with agreement to the contents of the annual result announcement and annual report.

All members of the Audit Committee are Independent Non-Executive Directors. During the year 2017, the Audit Committee has conducted 4 meetings, 1 of which was meeting with external auditors.

During the year under review, the Audit Committee has reviewed the financial statements for the year ended 31 December 2017, the 2017 Annual Report, 2017 Interim Report, quarterly reports and relevant announcements related to performance and gave comments and advices, and considers that the preparation of these results is in compliance with applicable accounting standards and the relevant regulatory requirements and laws, and adequate disclosures were made.

COMPANY SECRETARY

Mr. Shum Shing Kei ("Mr. Shum") was appointed as the company secretary of the Company since 7 July 2016. Mr. Shum has confirmed that he has complied with the requirements set out in Rule 5.15 of the GEM Listing Rules by participating a professional training which is not less than 15 hours during the year under review.

PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

All Directors are also aware of the importance of continuous professional development and undertake that they will actively attend any suitable training courses to increase and update their knowledge and skills.

The individual training record of each Director for the year ended 31 December 2017 is summarized below:

Name of Directors	Attending seminar(s)/programme(s)/ conference(s)/internal briefing(s) relevant to the business or Directors' duties
Mr. Zhu Yong Ning	✓
Mr. Wu Qing An (appointed on 12 May 2017)	✓
Mr. Liu Jian (alias, Lin Jian Bang) (resigned on 6 November 2017)	✓
Mr. Wong Wa Tak	✓
Mr. Xu Zhi Bin (appointed on 3 November 2017)	✓
Mr. Sha Min (appointed on 3 November 2017)	✓
Mr. Yin Shou Rong	✓
Dr. Li Da Xi (resigned on 6 November 2017)	✓
Ms. Xie Hong (resigned on 28 April 2017)	✓
Mr. Xie Man Lin (re-appointed on 30 December 2017)	✓
Mr. Shi Zhong Hua (appointed on 10 February 2017)	✓
Ms. Xu Xiao Qin (appointed on 10 February 2017)	✓

INVESTORS' RELATIONS

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conference and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.nandasoft.com for the most updated information and the status of the business development of the Group.

BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

ARTICLES OF ASSOCIATION

During the year under review, the Company amended the Articles of association as the company completed the issuance of H-shares the Registered and the capital of the company has increased accordingly. The Clauses 20 of the original articles of association was that Registered Capital of the company is RMB140,380,000,and now it has been amended to the Registered Capital of the company is RMB148,800,000.

Subsequent to the reporting date, on 28 February 2018, the Clauses 147 and 148 of the original articles of association was amended to allow the financial statement, final and interim results and information of the Company to be prepared in accordance with international or Hong Kong accounting standards, in addition to the PRC accounting standards and regulations.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to Convene an Extraordinary General Meeting:

Two or more than two shareholders who hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting by signing written requests defining the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders.

In case that the Board fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board, and the procedures shall be the same as those for convening a general meeting by the Board where possible.

Procedure for Shareholders to Make Inquiries with the Board:

Shareholders who intend to make inquiries or obtain information shall give prior written notice to the Company, and the Company shall provide such information as soon as possible. Inquiries with the Board or the Company may be posted to the principal place of business of the Company in Hong Kong, the address of which is Rooms 01–05, 46/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Procedures of Proposing Resolutions at General Meeting:

At the general meeting of the Company, shareholders (either independently or jointly) holding 3% or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of the duties of the shareholders' general meeting. But the motion shall reach the Company 10 days prior to the meeting notice mentioned above is made. The general meeting shall not resolve on matters not specified in the notice.

COMMUNICATIONS WITH SHAREHOLDERS

The Board communicates with the shareholders through the general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars and notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company. To offer accurate information to investors and shareholders on a timely and fair disclosure basis, a series of public events were hosted by Directors and senior management right after results announcements. These served as interactive platforms for the management to address questions from investors and the media.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the system of risk management and internal control of the Group and for reviewing its effectiveness.

To promote the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound risk management and internal control system which is also indispensable for mitigating the Group's risk exposures. A sound and effective risk management and internal control system is designed for (i) safeguarding the interests of shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with the relevant laws and regulations. Such system of risk management and internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The Group set up the Investment and Risk Control Department, which has the internal audit function reviewing the risk management and internal control systems annually. During the year under review, such department has assessed the effectiveness of the internal risk management and control system of the Group including financial, operational and compliance controls, risk management functions and the Company's resources for the functions of accounting, internal audit and financial presentation, the qualifications and experience of the employees, as well as whether the training programs for the employees and the relevant budget are enough or not. The Board is satisfied with the effectiveness and adequacy of the Company's existing risk management and internal control system.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the corporate governance functions with written terms of reference to assist the Board to perform the corporate governance functions of the Group. The main responsibility of the Board to perform the corporate governance functions includes:

– To formulate and review the Company's corporate governance policy and practices;

– To review and oversee the training and continuous professional development of the Directors and senior management;

– To review and oversee the policy and practices of the Company in the compliance of law and regulatory requirements;

– To formulate, review and oversee the Codes of Conduct for employees and Directors and Compliance Manual (if any); and

– To review the Company's compliance of the Corporate Governance Code and make disclosure in the Corporate Governance Report.

During the year under review, the Board has fulfilled the duties mentioned above.

REMUNERATION OF THE SENIOR MANAGEMENT BY BAND

Pursuant to Code Provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management of the Company by band for the year ended 31 December 2017 is set out below:

Remuneration band Number of individuals	Number of individuals
Nil to RMB300,000	4
RMB300,001 to RMB500,000	2

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Elite Partners CPA Limited were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Extraordinary General Meeting held on 28 February 2018. The auditors of the Company will consider, in advance of them being contracted for and performed, whether such other assurance functions could lead to any potential material conflict of interest.

For the year ended 31 December 2017, the remuneration which are payable to the auditors of our Company are set out in the following table:

Remuneration band Number of individuals	Amount (RMB)
Audit services	670,000
The total cost	670,000

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have the responsibilities for the preparation of the financial statements of the Group and shall ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the statement of affairs of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out on pages 38 to 44 in the Independent Report of the Auditors.

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

Jiangsu NandaSoft Technology Company Limited has compiled with the Company Law of the PRC during the year ended 31 December 2017, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, we provided reasonable suggestions and advice on the operations and development plans to the Board and strictly and effectively monitored whether the policies and decisions made had conformed with the State laws and regulations and the Articles of Association of the Company or safeguarded the interests of the shareholders.

After investigations, we consider that the financial statements of the Company, audited by Elite Partners CPA Limited, truely and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the dividend distribution proposal. We consider that the above report and proposal meets the requirements of the relevant regulations and Articles of Association of the Company.

We have attended the meeting of the Board of Directors. We consider that the members of the Board of Directors, the general manager and other officers have strictly compiled with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

On behalf of the Supervisory Committee
Yao Gen Yuan
Chairman of the Supervisory Committee

Nanjing, the PRC
27 March 2018

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Yong Ning,（朱永寧）, aged 50, Chairman of the Company, the member of remuneration committee and nomination committee, graduated from Fudan University of Shanghai with a master degree in international finance, and is a senior economist. He has over 25 years of working experience in the financial sector. Since 1990, he had served successively as principal staff member of the international business department of China Construction Bank in Jiangsu province, president of a sub-branch of China Investment Bank under its Jiangsu branch, president of Hanzhong Road sub-branch of China Everbright Bank, Nanjing and investment advisor of Huaxia Securities Venture Capital Co., Ltd.（華夏證券創業投資有限公司）. He has also served as the chairman of Guotai Junan Asset Management Co., Ltd.（國泰君安資產管理股份有限公司）from 2006 up to present. He has been the Chairman of the Board since 21 July 2015.

Mr. Wu Qing An, aged 60, is a senior engineer and a senior economist. Mr. Wu graduated from the Shanghai University of Electric Power（上海電力學院）with a professional degree in power plants and electric power systems, and subsequently obtained a postgraduate degree from the Faculty of Economics and Management of the Tsinghua University（清華大學）. Mr. Wu has served as General Manager of Suyuan Group（蘇源集團）, Chairman of Jiangsu Electric Fuel Group Co., Limited*（江蘇省電力燃料集團有限公司）, and Chairman and General Manager of The State Power Investment Jiangsu Corporation*（國家電投江蘇公司）. He has been serving as the Vice President of the Company since 24 March 2017. Mr. Wu was appointed as the executive director on 12 May 2017.

Mr. Liu Jian (alias Liu Jian Bang),（劉建，又名劉建邦）, aged 63, graduated from the Department of Mathematics of the Nanjing University and studied international trade for one year in the Columbia University in the United States in 1989. In 1991, Mr. Liu established JBL International Inc. which is engaged in international trading of textile products in the PRC and the United States and its products are sold in Walmart, Target and JC Penny. In 1996, he was one of the founding shareholders of Lotus Pacific Inc, later renamed as Opta Corp ("Opta"), where Mr. Liu had served as director until December 2006. Opta was successfully listed on NASDAQ and is engaged in research and development of manufacturing network equipment, Mr. Liu was its vice-chairman and deputy general manager. In 1998, Mr. Liu became the general manager of T&G Inc., the business of which is focused on international trading, real estate and financial investment.

Mr. Liu participated in the establishment and investment of China Mountain Fund in February 2006. He is currently the honorary chairman of the New York Chinese Businessmen's Association and vice-chairman of U.S. Chinese Chamber of Commerce.

Mr. Liu was appointed as the executive director from 7 November 2014 and has tendered his resignation as director on 6 November 2017.

Non-Executive Directors

Mr. Wong Wa Tak,（黃華德）, aged 54, graduated from Hong Kong Baptist University with a master degree of science in corporate governance and directorship. Mr. Wong is a fellow of The Hong Kong Institute of Directors. He had served successively as manager of the tanker and liquefied chemical vessel chartering department of M.T.M.M. Ltd. and general manager of the China business department of Vision Century Corporation Limited since 1987. From 2005 to 2014, he had served as director of Sino Prosper (Group) Holdings Limited (formerly known as Sino Prosper State Gold Resources Holdings Limited, SEHK Stock Code: 0766), and participated in various energy development projects such as LNG in Indonesia, ethanol production in Thailand, gold mine in Heilongjiang of China, Gobistar gold mine in Mongolia, and Balatoc gold mine in the Philippines. He had served as executive director of Stone Master Corporation Berhad, a listed company in Malaysia since 2011. Furthermore, Mr. Wong has served as executive director of Master Hill Development Ltd. from 2003 up to present. Mr. Wong was appointed as Non-Executive Director of the Company on 5 June 2015.

Mr. Yin Shou Rong,（印壽榮）, aged 58, is currently the Deputy Chief Executive Officer of 南京大學科技實業（集團）公司 and the Deputy General Manager of Nanjing University Capital Management Co., Ltd.（南京大學資產經營有限公司）. Mr. Yin focuses on property management business and application of developed technologies. As a graduate from the Nanjing University, Mr. Yin spent years at his alma mater as a deputy researcher, and later he became the Head of the Department of Technology Development at the Nanjing University. Mr. Yin had the experience of being the Deputy Mayor of Dafeng District, Yancheng, Jiangsu Province, China. Mr. Yin has extensive knowledge about law and capital market affairs, and has played a key role in the research and development of technologies as well as asset management in the Nanjing University. Mr. Yin was appointed as Non-Executive Director of the Company on 6 May 2016.

Mr. Xu Zhi Bin,（徐志斌）, aged 49, is a registered accountant and tax accountant in China. He graduated from Yangzhou University with a degree in financial accounting in 1990. Mr. Xu was appointed as a director, manager of finance department and investment management department, the chief financial officer of Jiangsu Co-Creation Education Development Co., Ltd.* 江蘇省共創教育發展有限公司 and the deputy chief officer of the finance department and the office manager of Jiangsu Provincial Administration Center of Education & Working-Study Programme* 江蘇省教育裝備與勤工儉學管理中心. Mr. Xu was appointed as Non-Executive Director of the Company on 3 November 2017.

Mr. Sha Min,（沙敏）, aged 52, obtained a master's degree in engineering from Southeast University in 1990, majored the Signal Circuit and System. Mr. Sha is currently the chairman and the executive director of Nanjing Sample Technology Co., Limited (a company listed on the Hong Kong Stock Exchange; Stock Code: 1708). Mr. Sha is currently the president of China RFID Association* 中國RFID（射頻識別）協會, a committee member of the 11th Chinese People's Political Consultative Conference of Jiangsu Province* 江蘇省第十一屆政協會議, vice-chairman of Federation of Industry and Commerce of Jiangsu Province* 江蘇省工商聯, secretary general of Internet of Things Alliance of Nanjing, Jiangsu Province* 江蘇省物聯網產業聯盟, chairman of ITS Association of Nanjing City* 南京ITS協會, vice-chairman of Federation of Industry and Commerce of Nanjing* 南京市工商聯合會, vice president of Nanjing Software Industry Association* 南京軟件行業協會 and vice-chairman of Nanjing Enterprises Association* 南京市企業聯合會. Mr. Sha also serves as the chairman and general manager of Nanjing Sample Technology Group Company Limited* 南京三寶科技集團有限公司, a director of Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited* 南京物聯網研究院發展有限公司, the chairman of Jiangsu Cross-border e-Commerce Services Co., Ltd.* 江蘇跨境電子商務服務有限公司 and the chairman of Jiangsu Cyberunion Information Industry Institute Union Co., Ltd* 江蘇賽聯信息產業研究院股份有限公司. Mr. Sha was appointed as Non-Executive Director of the Company on 3 November 2017.

Independent Non-Executive Directors

Mr. Xie Man Lin,（謝滿林）, aged 54, the member of remuneration committee and nomination committee, is currently the principal of Jiangsu Xie Man Lin Law Firm. Mr. Xie possesses extensive experience in the legal industry and holds major positions in various legal associations within the Jiangsu Province, the People's Republic of China. He is the vice president of the Nanjing Lawyers Association, a standing director of the Jiangsu Lawyers Association, the chairman of the Disciplinary Committee of the Jiangsu Lawyers Association as well as a member of the Jiangsu Senior Legal Professional Qualifications Review Committee. Mr. Xie is also an accredited arbitrator of the Nanjing Arbitration Commission and the Wuhan Arbitration Commission respectively. Apart from his dedication to and active engagement in the legal profession, he has also taken up the role of an independent director of the Nanjing Bank. Mr. Xie obtained his bachelor's degree in Laws from the Southwest University of Political Science and Law and master's degree in Law from the Nanjing University in 1986 and 2003 respectively. In recognition of his outstanding performance and contribution, Mr. Xie has been granted a number of honorary awards such as "Top Ten Lawyers in Nanjing", "Young and Middle-aged Expert with Outstanding Contribution" and "Outstanding Lawyer in Jiangsu Province". Mr. Xie was re-appointed as the Independent non-executive director on 30 December 2017.

Mr. Shi Zhonghua,（施中華）, aged 47, is an accountant and China Chartered Financial Analyst. He graduated from Nanjing Audit University with a degree in Economics and Management, and has extensive experience in fund raising,management and capital operations. Since 1990, Mr. Shi had worked in the Nanjing Branch of the Agricultural Bank of China, where he served as Head of Sub-branch and Department Head of Branch. He also served as the General Manager of each of the Real Estate Fund Management Department of the Fund Management Committee of Yurun Holding Group（雨潤控股集團）, Anhui Jinrun Pawn Co., Limited（安徽金潤典當有限公司）and Jiangsu Xinrun Finance Leasing Co., Limited（江蘇鑫潤融資租賃有限公司）. In April 2015, Mr. Shi was appointed as Executive Vice-President of the Fund Management Committee and as Head of the Debt Restructuring Team of Yurun Holding Group（雨潤控股集團）. Mr. Shi was appointed as an Independent Non-Executive Director of the Company on 10 February 2017.

Ms. Xu Xiaoqin,（徐小琴）, aged 62, is a senior accountant with a postgraduate degree and extensive experience in finance and corporate management. She was the Chairman of Nanjing Ningma Expressway Company Limited（南京寧馬高速公路有限責任公司）. Ms. Xu had served as Deputy Manager of the third branch of 南京市大件起重運輸公司 and Deputy Finance Director, Assistant to General Manager and Vice General Manager of the Headquarters of the same company, Deputy General Manager of Nanjing Jingang Education Training Centre（南京金港教育培訓中心）, and Deputy General Manager of Nanjing Jianghai Group（南京江海集團）. She had also served as Deputy Director, Assistant to the Head of Department and Deputy Head of Department of the Finance Department of 南京市港務管理處. Additionally, she acted as the Deputy General Manager, General Manager, and Party Branch Secretary of Nanjing Highway Development (Group) Co., Ltd.（南京公路發展（集團）有限公司）. Further, she was the Deputy Chief Accountant, Chief Accountant, member of the Party Committee and Representative Director of Nanjing Communications Group（南京市交通集團）. Ms. Xu was appointed as an Independent Non-Executive Director of the Company on 10 February 2017.

Dr. Daxi Li,（李大西）, aged 67, the member of remuneration committee and nomination committee, is the chairman of Chinese Association of Science and Business. He obtained a doctoral degree from the City University of New York and continued his research in the McGill University of Canada, the City University of New York and the New York Institute of Technology as research associate and assistant professor from 1985 to 1991. He then worked in a number of major investment banks in the United States such as Salomon Brothers Inc. and Lehman Brothers Inc. for over 10 years, and was involved in many important IPO and venture capital investment projects. He is currently a director of the United Orient Bank and Huiheng Medical in the United States and the special consultant of China Opportunity Acquisition Corp. in the United States. He is also the overseas director of Chinese Western Returned Scholars Association, consultant of China Association of Science and Technology and China Council for the Promotion of Applied Technology Exchanges with Foreign Countries (CCPAT)（中國國際技術交流協會）, director of Cross-Straits Conference of Guangdong Province and economic consultant in many major provinces in the PRC by invitation. Dr. Li is also a director of Huiheng Medical Inc., a listed company on the US Dow Jones stock market since November 2007. Dr. Daxi Li has tendered his resignation as Independent Non-Executive Directors on 6 November 2017.

Ms. Xie Hong,（解紅）, aged 50, the member of remuneration committee and nomination committee, graduated from Lanzhou Jincheng United College with a major in Accounting. She has worked for the finance department of Lanzhou General Machinery Plant of Gansu Province, Gansu No. 3 Certified Public Accountants, Lanzhou Huafeng Certified Public Accountants and Nanjing Huaan CPA Limited. Ms. Xie is a qualified Chinese Certified Public Accountant as well as a Certified Public Valuer, and is currently the deputy general manager of Juangsu Tianmu Certified Public Accoutarty Co.. Ms. Xie possesses extensive experience in finance and auditing, and has been actively involved in audit projects for various listed companies. Ms. Xie was appointed as a Director since December 2009 and and tendered her resignation as director on 28 April 2017.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Yao Gen Yuan,（姚根元）, aged 55, is currently the Deputy General Manager of Nanjing University Capital Management Co., Ltd.（南京大學資產經營有限公司）. As a graduate with a history degree from the Nanjing University, Mr. Yao spent years at his alma mater as a deputy researcher. Since 1985, Mr. Yao has had the experience of being the Lecturer in Politics at the Nanjing University, the Secretary to the General Manager of 南京大學科技實業(集團)公司, Head of Corporate Management in both 南京大學產業辦公室 and 南京大學科技實業(集團)公司, Head of the Real Estate and Asset Management Office of the Nanjing University, Deputy Officer of the Scientific Technology and Industry Office of the Nanjing University, and Secretary to the Board of Directors of Nanjing University Capital Management Co.,Ltd.（南京大學資產經營有限公司）. Mr. Yao Gen Yuan was appointed as a supervisor of the Company on 6 May 2016.

Ms. Huang Jing Jing,（黃晶晶）, aged 33, is currently the Manager of the Investment Management Department of Jiangsu High-Tech Investment Group Co., Ltd.（江蘇高科技投資集團有限公司）. She graduated from the University of Adelaide, South Australia with a master's degree in accounting and finance. Ms. Huang has previously served as Assistant Finance Manager of Shanghai KIRTUN Electrical Equipment Group（上海華東電器集團）, and Jiangsu High-Tech Investment Group Co., Ltd.（江蘇高科技投資集團有限公司）respectively. Ms. Huang was appointed as a supervisor of the Company on 10 February 2017.

Ms. Chen Jian Hong,（陳建紅）, aged 49, joined the Company in August 2013 and is currently the manager of the department of investment risk control and was the deputy finance manager. She graduated from Jiangsu Radio and Television University, major in accounting. She is currently a qualified intermediate accountant. She had worked in South Jiangsu Souter System Integration Co., Ltd. responsible for financial work, Capital Development Limited Hong Kong Asia Nanjing Representative Office as financial officer, and Nanjing Port Tianyu Terminal Limited as finance manager as designated by Pacific Basin Group. Ms. Chen was re-elected as a supervisor by the workers' congress on 23 March 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Gu Yin Ping,（顧銀萍）, aged 36, has joined the Company since January 2009. She is currently Deputy Dean of the research and development department of the Company and a member of Nanjing Gulou Federation. Ms. Gu has long-term dealings and engagement in relationship and liaison work between government and enterprises and research project management and reporting work. She graduated from the Economics and Management Department of the French National University of Toulon and Var with a master's degree. She had worked at the Jiangsu Provincial Communist Youth League. Ms. Gu was re-elected as a supervisor by the workers' congress on 23 March 2017.

Mr. Yao Xing Tian, （姚興田）,aged 60, is a senior engineer. He graduated from the China Pharmaceutical University（中國藥科大學）in 1981 with a degree in pharmacy. After graduation, Mr. Yao joined the Yangzhou Pharmaceutical Factory*（揚州製藥廠）, where he first served as a technician, and was progressively promoted to hold the respective offices of the Deputy Manager, Manger, Deputy Head, Head and Party Secretary of the Factory. Since late 1999, Mr. Yao had served as the Chairman of Jiangsu Lianhuan Pharmaceutical Co., Ltd.*（江蘇聯環藥業股份有限司）, and consequent on the restructuring of the Yangzhou Pharmaceutical Factory*（揚州製藥廠）, he had also been appointed to hold the respective positions of Chairman, Deputy Chairman, General Manager, and Party Secretary of Jiangsu Lianhuan Pharmaceutical Group Co., Ltd.*（江蘇聯環藥業集團有限公司）since 2003. Additionally, Mr. Yao was appointed as a Director of the third session of the Board of Directors of the Nanjing University（南京大學）in 2007. Mr. Yao was further appointed as the Deputy Chairman and Party Secretary of Jiangsu Jinmao Chemical Engineering Medicine Group Company Ltd.*（江蘇金茂化工醫藥集團公司）in 2008. Mr. Yao Xing Tian was appointed as a supervisor of the Company on 12 May 2017.

Mr. Lin Hui, （林輝）, aged 45, is currently the independent director of Jiangsu Hongtu High Technology Co., Ltd.* 江蘇宏圖高科技股份有限公司 (a company listed on the Shanghai Stock Exchange; Stock Code: 600122), China Design Group Co., Ltd.* 中設設計集團股份有限公司 (a company listed on the Shanghai Stock Exchange; Stock Code: 603018), Jiangsu Sunrain Solar Energy Co., Ltd* 日出東方太陽能股份有限公司 (a company listed on the Shanghai Stock Exchange; Stock Code: 603366) and Jiangsu Expressway Company Limited* 江蘇寧滬高速公路股份有限公司 (a company listed on the Shanghai Stock Exchange; Stock Code: 600377). Mr. Lin is also currently the head, professor and PhD tutor of Department of Finance and Insurance of Nanjing University. His major areas of research are assets pricing and corporate finance. Mr. Lin is also an anonymous reviewer of National Natural Science Foundation of China and Chinese first-class journals such as Journal of Management Science and Engineering, Journal of Financial Research and Chinese Journal of Management Science. Mr. Lin also hosted or participated in over ten national natural science foundation project(s), national social science fund project(s), Ministry of Education humanities and social science fund project(s) and China postdoctoral fund project(s). Mr. Lin has published more than 30 academic papers on various domestic authoritative journals in China including Journal of Management Science and Engineering, Journal of Financial Research and Journal of the American society for information science and technology. Apart from receiving a teaching scholarship named "Du Ha" from Nanjing University* 南京大學杜廈獎教金, Mr. Lin also won the first prize with his thesis in the ninth academic conference of the Jiangsu Province philosophy and social science community * 江蘇省哲學社會科學界第九屆學術大會優秀論文一等獎 in 2015 and received over 10 other academic awards including Nanjing University Business School Research award* 南京大學商學院科研新星獎. Mr. Lin was appointed as a supervisor of the Company on 30 December 2017.

Mr. Liang Run Bao,（梁潤寶）, aged 43, graduated from Beijing light Industries Institute. majoring in food studies. He has 16 years of experience in operation and management. From 1998 to 2003, Mr. Liang served as the OBU manager and director of the president office at Inner Mongolia Yiii Industrial Group Company limited (a company listed on the Shanghai Stock Exchange with stock code 600887). From 2003 to 2008, Mr. Liang worked at China Mengniu Dairy Company Limited (a company listed on the main board of the Stock Exchange with stock code 2319) as deputy general manager for the operations in northern and northeast China and was in charge of the marketing and operation of the factories within those regions. Since January 2008, Mr. Liang has been the general manager of 青島新希望琴牌乳業有限公司 and the project manager of New Hope Dairy Holdings Ltd.（新希望乳業控股）, both of which are under the New Hope Group (a company listed on the Shenzhen Stock Exchange with stock code 000876). He has been appointed as the supervisor of the Company since 30 December 2014,and tendered his resignation as supervisor on 29 December 2017.

Mr. Wei Ji Hao,（魏基豪）, aged 41, is a board member and also the operation director of Wuhan Shengyi Technology Development Company Limited. Mr. Wei has more than 15 years of management experience, mostly in the operation and information technology area, having acquired a wealth of experience in Hong Kong, Mainland China and other countries. Mr. Wei holds an EMBA degree from Tianjin University and also holds a master's degree in Information Technology from Swinburne University of Technology in Australia. He has been appointed as the supervisor of the Company since 6 November 2014, and tendered his resignation as supervisor on 1 March 2017.

SENIOR MANAGEMENT

Mr. Chen Yan,（陳彥）, male, aged 48, graduated from the Department of Clinical Medicine of Nanjing Medical University. Previously, he served in succession as a surgent at the General Surgery Department of Nanjing Drum Tower Hospital, as the Regional Sales Manager at Boehringer Ingelheim GmbH (Germany), as the Senior Manager of Government Affairs at Merck Sharp & Dohme Corp. (U.S.A.), and as the Director of the Market Entrance Department and Vice President of Baxter Healthcare Corporation (U.S.A.). Mr Chen was appointed as the Chief Executive Officer of the Company on 27March 2018.

Mr. Pu Liang,（浦良）, aged 54, is a graduate of the Department of Computer Science of Nanjing University with a master's degree. Before joining the Company, he worked in Jiangsu Province Electronic Information Industry Group（江蘇省電子信息產業集團）, Jiangsu Province Computer Technologies Services Company Limited（江蘇省計算器技術服務公司）and Jiangsu Province YiDi Computer Software Co., Ltd.（江蘇省依迪計算器軟件公司）as the Director of General Affairs Office, Deputy General Manager, etc. He joint NandaSoft System Integration Co., Ltd. In 1999. Mr. Pu is a Vice President of the Company.

Mr. Gao Jie,（高傑）, aged 52, graduated from China Pharmaceutical University in Department of Pharmacy with a bachelor's degree. Mr. Gao was president of student association. Mr. Gao worked as drug analysis engineer in Jiangsu Province Institute of Pharmaceutical Industry analysis room from 1988 to 2000, worked as a licensed pharmacist, Qualified Person, Deputy General Manager in Liye Pharmaceutical Co. Ltd. from 2001 to 2011, and was Qualified Person of Liye Medical Co. Ltd.. From 2012 till now, Mr. Gao has been vice president and the general manager of medical and health division of Jiangsu NandaSoft Technology Company Limited.

Ms. Wu Zhengrong,（吳崢嶸）, aged 41, graduated from Nanjing University in 1999 with a bachelor's degree in English Literature and obtained a MBA degree from the Business School at Nanjing University in 2006. She joined Jiangsu Nandasoft Technology Company Limited in July 1999 and served as deputy manager of HR department, deputy manager and manager of investment department. Since 2006, she has been the secretary to the board of Jiangsu Nandasoft Technology Company Limited. Since August 2013, she has been Vice President of Jiangsu Nandasoft Technology Company Limited.

Mr. Qin Jun Jun,（秦鈞鈞）, aged 46, graduated from Nanjing University of Science and Technology in 1995 with a bachelor's degree in Mechanical Design and Manufacturing and obtained a MBA degree from the Business School at Nanjing University in 2006.He is currently the general manager of Jiangsu NandaSoft Computer Fixtures Company Limited. Mr. Qin once served as the general manager of Nanjing ZeTong Technology Company Limited and Nanjing Nandasoft Computer Engineer Company Limited. Since 2014, he has been Vice President of Jiangsu Nandasoft Technology Co. Ltd.

Mr. Shum Shing Kei,（沈成基）, aged 46. Mr. Shum has over 10 years of experience in finance, accounting and company secretarial matters. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED
(a joint stock limited company incorporated in the People's Republic of China)

QUALIFIED OPINION

We have audited the consolidated financial statements of Jiangsu NandaSoft Technology Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 109, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance..

BASIS FOR QUALIFIED OPINION

1. Intention to disposal of investment properties and occupied investment properties by potential buyer

The management of the Company determine that investment properties located at Nanjing NandaSoft Software Park amounted to RMB185,300,000 are for sales purpose, which are regarded as investment properties and fair value is used for subsequent measurement. As stated in note 40(b) to the consolidated financial statements, there is uncertainty as to whether the sale and purchase contract entered between the Company and the potential buyers for the aforesaid investment properties will continue to be fulfilled, we are unable to obtain sufficient and appropriate audit evidence to judge the impact on the consolidated financial statements caused by the influence of the result of such event on the investment properties.

Furthermore, as stated in note 19 to the consolidated financial statements, part of buildings were occupied by occupants and has been recognised as investment properties as to RMB142,400,000 and property, plant and equipment as to RMB7,168,000. Since we are not allowed to contact the related occupants, and the Company is unable to provide any information relating to such kind of assets which was occupied by the related occupants without consideration, hence, we are unable to judge the impact of such event in the consolidated financial statements.

2. Opening balances, corresponding figures and comparative financial statements

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016 contained qualification on the possible effect of the limitations on the scope of the audit in relation to investment properties and interest in associated companies. Details of which has been set out in the auditor's report dated 24 March 2017.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the investment properties and interest in associated companies would have a significant effect on the opening balances on the consolidated financial position of the Group as at 31 December 2017 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2017.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB56,840,000 for the year ended 31 December 2017 and, as of that date, the Group had net current liabilities of approximately RMB338,434,000, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report

Key audit matter	How the matter was addressed in our audit
1. Valuation on investment properties	
The Group had investment properties located in PRC which were measured at fair value of approximately RMB553,840,000 as at 31 December 2017. The fair values of the investment properties were determined by management with reference to the valuations performed by an independent professional valuer ("Valuer") engaged by the Group. The valuations of investment properties involved significant judgements and estimates, including but not limited to the determination of valuation techniques, investment approach and the selection of key inputs to apply in the models. The valuation techniques adopted in determining the fair value of the investment properties were investment approach. We had identified valuation of investment properties as a key audit matter because significance judgement and estimates had to be made for the valuation.	Our procedures in relation to the valuation of investment properties included the following: — We evaluated the Valuer's competence, capabilities and objectivity; — We discussed with the Group's management and Valuer about the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques; and — We evaluated the appropriateness and reasonableness of judgements and key assumptions made, in particular the income capitalisation rate.

Key audit matter	How the matter was addressed in our audit
2. Impairment assessment on trade receivables	
As at 31 December 2017, the Group had trade receivables of approximately RMB72,901,000, net of impairment loss. We had identified impairment of trade receivables as a key audit matter because significant judgements had to be made for the assessment of the recoverability for each material trade and other receivables. Management has determined that approximately RMB30,831,000 in respect of impairment loss of trade receivables be recognised in the Group's consolidated profit or loss.	Our audit procedures to address the impairment of trade receivables included the following: – We tested the accuracy of the ageing of receivables balances on a sample basis; – We assessed the management's judgement on provisioning decisions and challenged whether appropriate adjustments for long outstanding trade and other receivables have been made; and – We assessed the level of cash collected by the Group after the year end date, particularly those in respect of past due receivable balances and the results of confirmation procedures to consider any additional provisions required.
3. Valuation assessment on associated companies	
As at 31 December 2017, the carrying amounts of interests in associated companies amounted to approximately RMB77,689,000. We identified the valuation of interests in associated companies as a key audit matter due to the significance of the Group's interests in associated companies in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of the interests in associated companies, in particular, the future prospects of each associated companies.	Our procedures in relation to the valuation of interests in associated companies included: – Assessing the appropriateness of management's accounting for interests in as associated companies; – Understanding management's process for identifying the existence of impairment indicators in respect of the interests in associated companies and evaluating the effectiveness of such process; and – Where indicators of impairment have been identified, assessing the reasonableness of the recoverable amount of each of the relevant associated companies and obtaining an understanding from management of their financial position and future prospects;

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017	(Represented) 2016
		RMB'000	RMB'000
Revenue	7	**404,651**	443,365
Cost of sales		**(355,633)**	(384,322)
Gross profit		**49,018**	59,043
Other income	8	**11,309**	7,943
Selling and distribution expenses		**(9,711)**	(13,434)
Administrative expenses		**(48,818)**	(76,365)
Impairment loss	9	**(42,305)**	(53,288)
Finance costs	10	**(28,988)**	(38,449)
Fair value change on investment properties		**15,941**	8,168
Sharing result of associated companies		**2,104**	2,431
Loss before income tax	11	**(51,450)**	(103,951)
Income tax expense	12	**(5,390)**	(2,308)
Loss for the year		**(56,840)**	(106,259)
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statement of foreign operations		**(2)**	1,960
Total comprehensive loss for the year		**(56,842)**	(104,299)
Loss for the year attributable to:			
– Owners of the Company		**(53,834)**	(109,609)
– Non-controlling interests		**(3,006)**	3,350
Loss for the year		**(56,840)**	(106,259)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(53,928)**	(107,649)
– Non-controlling interests		**(2,914)**	3,350
		(56,842)	(104,299)
Loss per share	15		
– Basic and diluted (RMB cents)		**(3.81)**	(8.29)

The accompany notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017	(Represented) 2016
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**81,782**	83,160
Prepaid land lease premium	17	**4,533**	4,645
Intangible assets	18	**426**	1,073
Investment properties	19	**553,840**	537,899
Interest in associated companies	20	**77,689**	81,481
Goodwill	21	**23,408**	23,408
Available-for-sale financial assets	22	**10,782**	8,219
Deferred tax assets	32	**2,968**	2,968
Total non-current assets		**755,428**	742,853
Current assets			
Inventories	23	**59,282**	33,809
Trade receivables	24	**72,901**	180,068
Prepayment, deposit and other receivables	25	**194,119**	153,343
Financial assets at fair value through profit or loss	26	**–**	10,000
Cash and cash equivalents	27	**75,151**	49,652
Total current assets		**401,453**	426,872
Total assets		**1,156,881**	1,169,725
Current liabilities			
Trade payables	28	**187,444**	217,174
Amount due to related parties		**749**	–
Advance from customers		**111,707**	91,551
Accrual and other payables	29	**370,907**	346,759
Dividend payables		**6,004**	6,004
Bank and other borrowings	30	**45,619**	166,877
Obligation under finance lease	31	**326**	1,232
Tax payables		**17,131**	16,613
Total current liabilities		**739,887**	846,210
Net current liabilities		**(338,434)**	(419,338)
Total assets less current liabilities		**416,994**	323,515

The accompany notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017	(Represented) 2016
		RMB'000	RMB'000
Non-current liabilities			
Bank and other borrowings	30	**184,987**	52,046
Obligation under finance lease	31	**–**	326
Deferred tax liabilities	32	**63,054**	59,069
Total non-current liabilities		**248,041**	111,441
Total liabilities		**987,928**	957,651
NET ASSETS		**168,953**	212,074
CAPITAL AND RESERVE			
Share capital	33	**148,800**	140,380
Reserves	34	**(30,515)**	15,662
Equity attributable to owners of the Company		**118,285**	156,042
Non-controlling interests	38	**50,668**	56,032
TOTAL EQUITY		**168,953**	212,074

Approval and authorised for issue by the board of directors on 27 March 2018.

Zhu Yong Ning
Director

Wu Qing An
Director

The accompany notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Equity attributable to owners of the Company								
	Share capital	Capital reserve	Revaluation reserve	Surplus reserve	Translation 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
At 1 January 2016	124,000	93,873	81,862	19,962	418	(100,649)	219,466	50,803	270,269
Loss for the year	–	–	–	–	–	(109,609)	(109,609)	3,350	(106,259)
Other comprehensive income – exchange differences arising on translation of financial statement of foreign operation	–	–	–	–	1,960	–	1,960	–	1,960
Total comprehensive loss for the year	–	–	–	–	1,960	(109,609)	(107,649)	3,350	(104,299)
Issue of ordinary shares by placing	16,380	29,484	–	–	–	–	45,864	–	45,864
Disposal of subsidiary	–	(1,639)	–	–	–	–	(1,639)	1,879	240
At 31 December 2016 and 1 January 2017	**140,380**	**121,718**	**81,862**	**19,962**	**2,378**	**(210,258)**	**156,042**	**56,032**	**212,074**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(53,834)**	**(53,834)**	**(3,006)**	**(56,840)**
Other comprehensive expenses – exchange differences arising on translation of financial statement of foreign operation	**–**	**–**	**–**	**–**	**(94)**	**–**	**(94)**	**92**	**(2)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(94)**	**(53,834)**	**(53,928)**	**(2,914)**	**(56,842)**
Issue of ordinary shares by placing	**8,420**	**7,751**	**–**	**–**	**–**	**–**	**16,171**	**–**	**16,171**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,450)**	**(2,450)**
Transfer to surplus reverse	**–**	**–**	**–**	**58**	**–**	**(58)**	**–**	**–**	**–**
Deregistration of subsidiary	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**
At 31 December 2017	**148,800**	**129,469**	**81,862**	**20,020**	**2,285**	**(264,151)**	**118,285**	**50,668**	**168,953**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(51,450)**	(103,951)
Adjustments for:		
Amortisation of prepaid premium for land leases	**112**	112
Amortisation of intangible assets	**647**	629
Depreciation of property, plant and equipment	**4,087**	4,495
Interest income	**(236)**	(3,644)
Interest expenses	**28,988**	38,449
Share of results of associated companies	**(2,104)**	(2,431)
(Gain)/Loss on disposal of associated companies	**(2,982)**	380
Gain on disposal of a subsidiary	**–**	(1,484)
Fair value gain on investment properties	**(15,941)**	(8,168)
Impairment loss on inventories	**418**	–
Impairment loss of available-for-sale finance assets	**2,522**	–
Provision of bad debt on trade and other receivables	**39,365**	53,288
Gain on disposal of property, plant and equipment	**–**	(5)
Operating profit/(loss) before working capital changes	**3,426**	(22,330)
(Increase)/Decrease in inventories	**(25,891)**	43,890
Decrease/(Increase) in financial assets at fair value through profit or loss	**10,000**	(10,000)
Decrease in trade receivables	**76,344**	51,613
Increase in prepayment, deposit and other receivables	**(49,310)**	(36,291)
Decrease in trade payables	**(29,730)**	(34,097)
Increase/(Decrease) in accrual and other payables	**24,148**	(82,963)
Increase in advance from customers	**20,156**	26,575
Increase in amount due to related parties	**718**	–
Cash generated from/(used in) operations	**29,861**	(63,603)
Income tax paid	**(887)**	(5,811)
Interest received	**(27,822)**	(38,449)
Net cash generated from/(used in) operating activities	**1,152**	(107,863)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	RMB'000
Cash flows from investing activities		
Interest received	236	3,644
Invested in an associated company	(2,000)	–
Proceeds from disposal of an associated company	10,000	–
Dividend received from an associated company	434	–
Dividend paid to non-controlling interests	(2,450)	–
Invested in available-for-sale financial assets	(5,085)	–
Purchases of intangible assets	–	(189)
Purchases of property, plant and equipment	(2,709)	(901)
Proceeds from disposal of a subsidiary	–	6,399
Proceeds from disposal of property, plant and equipment	–	16
Net cash (used in)/generated from investing activities	(1,574)	8,969
Cash flow from financing activities		
Proceeds from issue of H shares upon placing	16,171	–
Proceeds from issue of domestic shares upon placing	–	45,864
Repayment of bank and other borrowings	(51,327)	(54,922)
Drawdown of bank and other borrowings	61,844	64,574
Repayment of obligation under finance lease	(1,232)	(1,123)
Net cash generated from financing activities	25,456	54,393
Net increase/(decrease) in cash and cash equivalents	25,034	(44,501)
Cash and cash equivalents at the beginning of year	49,652	90,724
Effect of foreign exchange rate, net	465	3,429
Cash and cash equivalents at the end of year	75,151	49,652
Analysis of balances of cash and cash equivalents		
Cash and bank balances	75,151	49,652

1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (the "Company") was incorporated as an exempted company with limited liability in the People's Republic of China (the "PRC") on 18 September 1998. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 April 2001.

The principal place of business and registered office of the Company and its subsidiaries (collectively, the "Group") is located at SoftTech Innovation Park, No. 19 South Qingjiang Road, Nanjing, China. The Company's registered office in Hong Kong is located at Rooms 01–05, 46/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Group is mainly engaged in the sales of computer hardware and software products, trading business of information technology related products and equipment, provision of information technology training services, developing, manufacturing and marketing of network security software, internet application software, education software and business application software, provision of system integration services, research and development of medicine and pharmaceutical equipment, provision of services in relation to building installation and information system integration and properties investments.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

In preparing these consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. In light of the following: (i) As at 31 December 2017, the Group had recorded net current liabilities of approximately RMB338,434,000; and (ii) The Group incurred a loss of RMB56,840,000 for the year ended 31 December 2017.

These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION (Continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

– Reference is made to the agreement of the Company dated on 6 June 2017, the Company, 中核華興建設有限公司 ("Huaxing") and 南京鵬大科技發展有限公司 ("Pengda") have entered into an agreement in respect of a new repayment arrangement (the "Repayment Arrangement"). As at the date of approving the consolidated financial statements, Mr. Zhu Yong Ning ("Mr. Zhu"), the substantial shareholder, the Chairman of the Board and Executive Director of the Company, holds directorship in Pengda. It is regarded as a related company to the Company.

  Pursuant to the Repayment Arrangement, the settlement sum of approximately RMB213,560,000 will be satisfied partly by Pengda for and on behalf of the Company by way of procure transfer of 39 residential properties developed in a new real estate project named "The Lalu Nanjing (南京涵碧樓行館)" located at the Yangtze River Road and Hanzhong Gate Interchange, Jiaye District, Nanjing, Jiangsu Province, China (中國江蘇省南京市建鄴區揚子江大道與漢中門大街交匯處), and partly (in respect of the shortfall after offsetting the value of such properties) settled by the Company in cash. Any taxes arising from the said transfer shall be borne by the Company solely. The completion of the Repayment Arrangement is subject to procedures for issuance of relevant title deeds of such properties to Huaxing. The details of the terms have been disclosed to the announcements of the Company dated on 9 June 2017, 29 September 2017 and 30 November 2017, respectively.

  Pengda has confirmed not to call for repayment of the amount owed by the Company, after the completion of the Repayment Arrangement, over the next twelve months.

– As at the date of approving the consolidated financial statement, two related companies, which Mr. Zhu holds directorship in, have provided a loan of RMB150,000,000 to the Company for daily operation which will not be called for repayment over the next twelve months.

Based on the above conditions, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the financial statements to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Amendments to HKFRSs and a new interpretation that are mandatorily effective for the current year ended 31 December 2017

In the current year, the Group has applied for the first time in the current year the following amendments and a new interpretation to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised standards, interpretations and amendments issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or its Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Directors anticipate that the application of the new and revised HKFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

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

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

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (iii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Subsidiaries

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

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

4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4.4 Investments in associates

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

The results and assets and liabilities of associates are incorporated in the Group’s consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate’s accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Investments in associates (Continued)

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4.5 Investment properties

Investment properties are land and/or buildings held by the Group to earn rental income and/or for capital appreciation, which include property interest held under operating lease carried at fair value.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value at the statement of financial position date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year in which the item is derecognised.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The fair values of investment properties are based on valuation by independent valuers who hold recognised professional qualification and have recent experience in the location and category of properties being valued. Fair value is determined based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment

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

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

	Depreciation rate	Residual value
Buildings	45 years	3%
Office equipment	5 years	3%
Motor vehicles	6 years	3%

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

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

4.7 Prepaid premium for land leases

Prepaid premium for land leases represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China ("PRC"). They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

4.8 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is initially recognised separately from goodwill at fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of computer software is provided on a straight-line basis over its useful life of 5 years. Amortisation of property agency service contracts is provided at the time when the property agency fee is recognised as revenue in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Research expenditure

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

4.10 Leasing

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4.11 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loan and receivables including trade receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

As for other receivables, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. As for trade receivables, the carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group's financial liabilities comprise financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade payables, accruals and other payables, and bank and other borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

(iv) Effective interest method

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

Interest income or expenses is recognised on an effective interest basis for financial asset or financial liability other than those financial asset classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

(v) Equity instruments

Equity instruments are any contracts that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.12 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.

4.13 Inventories

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue and other income recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

(ii) Property management service fee and property agency fee are recognised when services are provided. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.

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

(iv) Rental income under operating leases is recognised in the period in which the properties are let out and on a straightline basis over the term of the relevant lease.

(v) System intelligence service are recognised when services are provided.

4.15 Income taxes

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realized based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Income taxes (Continued)

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

4.17 Employee benefits

Defined contribution retirement plan

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

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

Other employee benefits

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, prepaid premium for land leases, intangible assets and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

4.19 Provisions and contingent liabilities

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

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

4.20 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issue of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4.20 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

4.21 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.23 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period, or recognised in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

(ii) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the prepaid premium for land leases and the intangible assets in accordance with the accounting policies set out in note 4. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends or expects to derive future economic benefits from the use of these assets.

(iii) Inventory provision

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

(iv) Fair value measurement of investment properties

At 31 December 2017, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Classification of investments in unlisted equity securities

Certain investments in unlisted equity securities are classified as an associate and accounted for using equity method, even though the Group owns or potentially owns less than 20% ownership interest in those investments. In the opinion of the directors, the Group has significant influence over those investments since the Group and each of the investee entered into a relevant agreement to conclude the followings:

– the Group have representative on the board of directors or equivalent governing body of those investments; or

– the Group participate in policy-making processes, including participation in decisions about dividends or other distributions; or

– the Group interchange managerial personnel with those investment.

As the Group did act to fulfill any one of the issues stated above, it does consider as having significant influence on the investments. Hence, those investments are considered as the associate of the Group.

6. SEGMENT REPORTING

(a) Reportable segments

According to the internal organizational structure of the Group, requirement for managements and internal reporting system, the operating business is classified into three reporting segments: the computer hardware and software products, system integration service and property investment. The unreported operating segments including online education business are aggregated and presented as “others”. These deporting segments have been laid down based on the internal organization structure, management requirements and internal reporting system. The management of the Group will evaluate the operating results of these report segments to determine the distribution of resources and evaluation on its results.

Segment information is exposed in accordance with the accounting policy and standards for measurement. Such basis of measurement remains the same as the accounting policy and standards for measurement when preparing the financial statements.

Segment results represent the gross profits earned by each segment.

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

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

	Computer hardware and software products	System integration service	Property investment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017					
Revenue from external customers	227,666	162,896	14,055	34	404,651
Reportable segment profit	6,362	32,077	10,573	6	49,018
Government grants					6,890
Gain on disposal of interest in an associated company					2,982
Interest income					236
Other income					1,201
Fair value change on investment properties					15,941
Share of results of associated companies					2,104
Finance costs					(28,988)
Impairment loss on trade receivables					(30,831)
Impairment loss on prepayment, deposit and other receivables					(8,534)
Impairment loss on available-for-sale financial assets					(2,522)
Impairment loss on inventories					(418)
Research expenses					(12,407)
Unallocated corporate expenses					(46,122)
Loss before income tax					(51,450)
As at 31 December 2017					
Segment assets	75,961	417,772	559,190	659	1,053,582
Goodwill	–	22,877	–	531	23,408
Interest in associated companies					77,689
Unallocated cash and cash equivalents					146
Unallocated corporate assets					2,056
Total assets					1,156,881
Segment liabilities	62,749	615,378	67,798	48	745,973
Bank and other borrowings	7,781	222,825	–	–	230,606
Unallocated corporate liabilities					11,349
Total liabilities					987,928
Other segment information					
Depreciation of property, plant and equipment	204	3,744	36	103	4,087
Amortisation of intangible assets	–	348	–	299	647
Amortisation of prepaid premium for land lease	–	112	–	–	112
Additions to non-current assets	19	2,642	–	48	2,709

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

	Computer hardware and software products	System integration service	Property investment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2016					
Revenue from external customers	235,420	195,853	12,092	–	443,365
Reportable segment profit	9,534	38,914	10,595	–	59,043
Government grants					1,897
Interest income					3,644
Other income					2,402
Fair value change on investment properties					8,168
Share of results of associated companies					2,431
Finance costs					(38,449)
Impairment loss on trade receivables					(30,396)
Impairment loss on prepayment, deposit and other receivables					(22,892)
Research expenses					(2,288)
Unallocated corporate expenses					(87,511)
Loss before income tax					(103,951)
As at 31 December 2016					
Segment assets	73,601	423,964	541,719	9,616	1,048,900
Goodwill	–	22,877	–	531	23,408
Interest in associated companies					81,481
Unallocated cash and cash equivalents					255
Unallocated corporate assets					15,681
Total assets					1,169,725
Segment liabilities	83,113	551,862	64,095	98	699,168
Bank and other borrowings	9,059	209,864	–	–	218,923
Unallocated corporate liabilities					39,560
Total liabilities					957,651
Other segment information					
Depreciation of property, plant and equipment	206	4,070	19	200	4,495
Amortisation of intangible assets	–	348	–	281	629
Amortisation of prepaid premium for land lease	–	112	–	–	112
Additions to non-current assets	25	298	–	578	901

6. SEGMENT REPORTING (Continued)

(b) Geographic information

All of the Group's revenue from external customers are generated from the PRC.

(c) Information about major customers

For the year ended 31 December 2017 and 2016, there were no customers accounted for over 10% of the total revenue of the Group.

7. REVENUE

Revenue, which is also the Group's turnover, represents (i) the net invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts; (ii) the value of services rendered, net of value-added tax; and (iii) gross rental income and properties management service income received and receivable from investment properties.

	2017	2016
	RMB'000	RMB'000
Computer hardware and software products	**227,666**	235,420
Provision of system integration service	**162,896**	195,853
Rental and properties management service income	**14,055**	12,092
Others	**34**	–
	404,651	443,365

8. OTHER INCOME

	2017	(Represented) 2016
	RMB'000	RMB'000
Bank interest income	**236**	3,644
Gain on disposal of property, plant and equipment	**–**	5
Gain on disposal of interest in an associated company	**2,982**	–
Government grants	**6,890**	1,897
Realised gain on financial assets at fair value through profit or loss	**397**	1,843
Sundry income	**804**	554
	11,309	7,943

9. IMPAIRMENT LOSS

	2017	2016
	RMB'000	RMB'000
Inventory	**418**	–
Available-for-sale financial assets	**2,522**	–
Trade receivables	**30,831**	30,396
Prepayment, deposit and other receivables	**8,534**	22,892
	42,305	53,288

10. FINANCE COSTS

	2017	(Represented) 2016
	RMB'000	RMB'000
Interest on bank and other borrowings	**13,974**	21,022
Interest on finance lease	**103**	210
Interest on other debts	**14,911**	17,217
	28,988	38,449

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	RMB'000
Amortisation of prepaid land lease premium	**112**	112
Amortisation of intangible assets	**647**	629
Auditor's remuneration	**670**	680
Cost of inventories recognised as expenses	**355,633**	384,322
Depreciation of property, plant and equipment	**4,087**	4,495
Gain on disposal of property, plant and equipment	**–**	(5)
Net foreign exchange loss/(gain)	**155**	(557)
Operating lease charges on rented premises	**4,679**	4,614
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**31,633**	30,441
– Contribution to defined contribution plans	**9,893**	10,457

12. INCOME TAX EXPENSE

	2017	2016
	RMB'000	RMB'000
Current tax – PRC	1,405	(1,836)
Deferred tax	3,985	4,144
Income tax expenses	5,390	2,308

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. No Hong Kong profits tax was provided for the year ended 31 December 2017 and 2016 as the Group did not have assessable profit arising or derived from Hong Kong during both years. Enterprise income tax arising from subsidiary operating in the PRC was calculated at either 15% or 25% (2016: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

On 30 November 2016, one of the subsidiaries of the Group obtained a China High-Tech Enterprise Certificate which is valid for three years. The entities qualifying for the Hi-Tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year of obtaining the Hi-Tech certificate. As a result, this subsidiary was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2016.

On 27 December 2017, the Company obtained a China High-Tech Enterprise Certificate which is valid for three years. The entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year obtaining the Hi-tech certificate. As a result, the Company was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2017.

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2017	2016
	RMB'000	RMB'000
Loss before income tax	(51,450)	(103,951)
Tax on profit at applicable tax rates	(12,862)	(31,359)
Effect of expenses not deductible for tax purpose	1,062	1,124
Effect of income not taxable for tax purpose	(404)	(96)
Tax effect of tax loss not recognised	17,535	32,414
Tax effect of temporary difference not recognised	59	225
Income tax expense	5,390	2,308

13. REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees	Salaries, allowance and benefits in kind	Pension contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017				
Executive directors:				
Zhu Yong Ning	–	500	–	500
Liu Jian	–	67	–	67
Wu Qing An (appointed on 16 May 2017)	–	250	–	250
Non-executive directors:				
Wong Wa Tak	80	–	–	80
Yin Shou Rong	–	–	–	–
Xu Zhi Bin (appointed on 3 November 2017)	–	–	–	–
Sha Min (appointed on 3 November 2017)	12	–	–	12
Independent non-executive directors:				
Li Da Xi (resigned on 6 November 2017)	67	–	–	67
Xie Hong (resigned on 28 April 2017)	26	–	–	26
Xie Man Lin (re-appointed on 30 December 2017)	80	–	–	80
Shi Zhong Hua (appointed on 10 February 2017)	73	–	–	73
Xu Xiao Qin (appointed on 10 February 2017)	73	–	–	73
	411	817	–	1,228
Supervisors	58	375	85	527

13. REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Directors' remuneration (Continued)

	Fees	Salaries, allowance and benefits in kind	Pension contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016				
Executive directors:				
Zhu Yong Ning	–	503	–	503
Liu Jian (resigned on 6 November 2017)	80	–	–	80
Qiao Ruo Gu (resigned on 9 November 2016)	–	211	–	211
Non-executive directors:				
Wong Wa Tak	80	–	–	80
Yin Shou Rong (appointed on 6 May 2016)	–	–	–	–
Gao Peng (resigned on 20 January 2016)	–	–	–	–
Independent non-executive directors:				
Li Da Xi (resigned on 6 November 2017)	80	–	–	80
Xie Hong (resigned on 28 April 2017)	80	–	–	80
Xie Man Lin	80	–	–	80
	400	714	–	1,114
Supervisors	142	361	74	577

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

13. REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Five highest paid individuals

The five highest paid individuals consisted of 2 (2016: 2) directors of the Company for the year ended 31 December 2017 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2016: 3) highest paid individuals for the year ended 31 December 2017 are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	676	734
Retirement benefits – defined contribution plans	170	170
Total	846	904

The remuneration paid to each of the above five highest paid individuals for each of the year fell within the following bands:

	Number of individuals	
	2017	2016
Nil–RMB10,000,000	5	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2016: Nil).

14. DIVIDENDS

No dividend has been declared by the Company during the year (2016: Nil).

15. LOSS PER SHARE

	2017	2016
	RMB'000	RMB'000
Loss for the year attributable to the owner of the Company	53,834	109,609
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,414,181	1,322,795

No diluted loss per share is calculated for the year ended 31 December 2017 and 2016 as there were no dilutive potential ordinary shares in existence.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Office equipment	Motor vehicle	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2016	85,563	–	15,230	5,876	106,669
Additions	–	–	753	148	901
Disposals	–	–	(10)	(81)	(91)
Exchange realignment	–	–	5	–	5
At 31 December 2016 and 1 January 2017	85,563	–	15,978	5,943	107,484
Additions	–	2,472	117	120	2,709
Exchange realignment	–	–	(6)	–	(6)
At 31 December 2017	85,563	2,472	16,089	6,063	110,187
Accumulated depreciation					
At 1 January 2016	9,633	–	6,346	3,915	19,894
Depreciation	1,898	–	2,030	567	4,495
Written back on disposals	–	–	(3)	(77)	(80)
Exchange realignment	–	–	15	–	15
At 31 December 2016 and 1 January 2017	11,531	–	8,388	4,405	24,324
Depreciation	1,791	–	1,836	460	4,087
Exchange realignment	–	–	(6)	–	(6)
At 31 December 2017	13,322	–	10,218	4,865	28,405
Net book amount					
At 31 December 2017	**72,241**	**2,472**	**5,871**	**1,198**	**81,782**
At 31 December 2016	74,032	–	7,590	1,538	83,160

The bank borrowing is secured by the Group's building with a net carrying value of RMB72,241,000 (2016: RMB74,032,000) at the end of the year ended 31 December 2017.

The net book value of the Group's office equipment includes an amount approximately RMB730,000 (2016: RMB2,164,000) in respect of assets held under finance leases.

The net book value of the Group's building includes an amount of approximately RMB7,200,000 (2016: RMB8,030,000) were occupied by certain occupants.

17. PREPAID LAND LEASES PREMIUM

	Land-use rights
	RMB'000
At cost	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	5,120
Amortisation and impairment	
At 1 January 2016	363
Amortisation for the year	112
At 31 December 2016 and 1 January 2017	475
Amortisation for the year	112
At 31 December 2017	587
Net carrying amount	
At 31 December 2017	**4,533**
At 31 December 2016	4,645

18. INTANGIBLE ASSETS

	Computer Software
	RMB'000
At cost	
At 1 January 2016	3,595
Addition	189
At 31 December 2016 and 1 January 2017	3,784
Addition	–
At 31 December 2017	3,784
Amortisation and impairment	
At 1 January 2016	2,082
Amortisation for the year	629
At 31 December 2016 and 1 January 2017	2,711
Amortisation for the year	647
At 31 December 2017	3,358
Net carrying amount	
At 31 December 2017	**426**
At 31 December 2016	1,073

19. INVESTMENT PROPERTIES

	2017	2016
	RMB'000	RMB'000
At fair value		
At 1 January	**537,899**	529,731
Fair value change	**15,941**	8,168
At 31 December	**553,840**	537,899

Notes:

(a) The Group's investment properties are held in PRC under medium-term leases.

(b) As at 31 December 2017, the fair values of the Group's investment properties were approximately RMB 553,840,000. The fair values have been determined based on the valuation carried out by Sino-Infinite Appraisal Limited, independent valuers not connected with the Group. The fair values were determined on investment approach using direct comparison method. The entire amount of fair value measurement of the Group's investment properties are categorised as level 3 hierarchy defined in HKFRS 13 Fair Value Measurement.

Information about level 3 fair value measurements for 2017

Type of investment properties	**Valuation method**	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Investment properties located in PRC	Investment method	Rental value of RMB22 to RMB87 per square feet/income capitalisation rate from 7.41% to 7.63%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.

(c) The Company entered into sale and purchase contract with various potential buyers in relation to the sale of certain investment properties between 2009 and 2013 ("Proposed Property Sale transaction"). Deposits have been received by the Company.

A notice entitled《市政府印發關於進一步規範工業及科技研發用地管理意見的通知》(literally translated as the "notice in respect of the advice of speculation for industrial and research and development ("R&D") sites from the municipal government", the "Notice") was issued by the Nanjing Municipal Government on 13 January 2013. The Notice stipulates, amongst others, that approval for transfer or sale of research and development sites and properties erected on the sites should be obtained in advance from local government authorities of the development park, the Zijin special area and the functional blocks management units, and the purchasers must be R&D enterprises or institutions (but not natural persons) meeting the conditions required by the local government authorities. The aggregate areas of the transferred/sold properties must not exceed 50% of the aggregate gross floor areas for construction of the buildings. The land use rights of the commercial properties of the Company in Gulou District, Nanjing are research and development sites. In view of the tightening of policy of the PRC Nanjing Government on transfer of landed properties, the Company was unable to fulfill the prescribed requirements for completing the Proposed Property Sale transactions.

19. INVESTMENT PROPERTIES (Continued)

(d) Certain of the above investment properties and other property units classified as fixed assets (collectively, "Occupied Property Units") have been occupied by certain occupants (being third parties independent of the Company and its connected persons, and not connected or otherwise associated with one another) ("Potential Occupants") without any signed property sale or tenancy agreements since 2014. As at 31 December 2017, the fair value of the Occupied Property Units included in the Group's investment properties was approximately RMB142,400,000 (2016: RMB144,540,000) and the net book value of the Occupied Property included in the Group's property, plant and equipment was approximately RMB7,200,000 (2016: HK$8,030,000), respectively.

The Potential Occupants' intention is to purchase the relevant Occupied Property Units. However, in view of the restrictions under the Notice on the transfer and sale of the Occupied Property Units, the Company has decided not to enter into formal sale and purchase agreement with them as it is well understood that, unless the government restrictions are lifted, it is not feasible to complete the sale and purchase transactions in respect of the Occupied Property Units.

20. INTEREST IN ASSOCIATED COMPANIES

	2017	2016
	RMB'000	RMB'000
Cost of investment in associated companies	**81,481**	79,430
Share of post-acquisition profit and other comprehensive income	**2,104**	2,431
Dividend received	**(434)**	–
Addition	**2,000**	–
Less: disposal	**(7,018)**	(380)
Exchange realignment	**(444)**	–
	77,689	81,481

20. INTEREST IN ASSOCIATED COMPANIES (Continued)

Details of the Group's interest in associated companies at the end of the reporting date are as follows:

Name of entity	Principal place of incorporation and business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2017	2016	**2017**	2016	
Shenzhen Nanda Research Institute Company Limited	PRC	**30%**	30%	**30%**	30%	Property investment
Promed Medical Technology (Suzhou) Company Limited	PRC	**18%**	18%	**18%**	18%	Development of cardiovascular stent
Yantai Blue Innovation Co., Ltd.	PRC	**–**	20%	**–**	20%	Development of system integration
Nanda pharmaceutical (HK) Limited	Hong Kong	**30%**	30%	**30%**	30%	Manufacturing of pharmaceutical products
NandaSoft Intelligence Technology (Shanghai) Company Limited	PRC	**25%**	25%	**25%**	25%	Trading of computer equipment
Jiangsu Fu Man Investment Limited	PRC	**40%**	40%	**40%**	40%	Project investment and management
Nanjing Furuiwei Medical Technologies Co., Ltd.	PRC	**40%**	40%	**40%**	40%	Trading of health-care product
Jiangsu Sheng Feng Medical Technology Company Limited	PRC	**30%**	30%	**30%**	30%	Trading of health-care product
Nanjing Qiming Finance Consultancy Co., Ltd.	PRC	**20%**	20%	**20%**	20%	Provision of consultancy service
Nanjing Zhonggao Intellectual Property Co., Ltd.	PRC	**20%**	N/A	**20%**	N/A	Provision of consultancy service

20. INTEREST IN ASSOCIATED COMPANIES (Continued)

During the year ended 31 December 2017, the Group disposed 20% equity interests in Yantai Blue Innovation Co., Ltd which was satisfied by RMB10,000,000 of cash.

The equity interest in NandaSoft Intelligence Technology (Shanghai) Company Limited with carrying amount of approximately RMB2,426,000 (2016: RMB2,455,000) was frozen by the court order on 16 November 2015.

Summarised financial information of significant associated companies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Shenzhen Nanda Research Institute Company Limited		**Promed Medical Technology (Suzhou) Company Limited**	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**11,855**	10,704	**1**	411
Profit/(loss) for the year	**5,847**	5,424	**(16,981)**	(2,647)
Fair value adjustment of investment property	**11,609**	7,992	**–**	–
Total comprehensive income	**17,456**	13,416	**(16,981)**	(2,647)
Carrying amount of interest in associated companies at the beginning of the year	**47,016**	42,991	**17,720**	17,270
Total comprehensive income attributable to the Group	**5,237**	4,025	**(3,072)**	(479)
Less: dividend received	**(434)**	–	**–**	–
Exchange realignment	**–**	–	**(489)**	929
Carrying amount of interest in associated companies at the end of the year	**51,819**	47,016	**14,159**	17,720

Note:

The Group still has a contractual voting right in Promed Medical even though holding less than 20% of the equity interest of Promed Medical. Therefore, the Group is in a position to exercise significant influence over Promed Medical.

21. GOODWILL

	RMB'000
At 1 January 2016	23,408
Impairment	–
At 31 December 2016 and 1 January 2017	23,408
Impairment	–
At 31 December 2017	23,408

The collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Technology Company Limited was calculated based on the 5-year budget approved by the management by adopting cash flow forecast approach. Cash flow beyond 5 years was estimated with a rate not exceeding the long-term average growth rate of the IT system integration industry.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a one-year period, and a discount rate of 13% (2016: 14%). Cash flows beyond the one-year period are extrapolated using growth rates of 3% (2016: 15%) over the projected period of five years. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long term growth rates for the relevant industries. Another key assumption for the value in use calculation is the budgeted gross margins, which are determined based on the CGU's past performance and the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Unlisted investments:		
– equity securities	**10,782**	8,219

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair value cannot be measured reliably.

At 31 December 2017, the carrying amount of the available-for-sale investments which have been frozen by court order of legal case with carrying amount of RMB5,598,000 (2016: 7,050,000).

23. INVENTORIES

	2017	(Represented) 2016
	RMB'000	RMB'000
Raw material	**11,811**	6,990
Finished goods	**52,081**	31,011
Less: provision of impairment loss	**(4,610)**	(4,192)
	59,282	33,809

The below table reconciled the allowance for impairment loss of inventories for the year:

	2017	2016
	RMB'000	RMB'000
At 1 April	**4,192**	4,192
Impairment loss recognised	**418**	–
At 31 December	**4,610**	4,192

24. TRADE RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Trade receivable	**182,852**	259,196
Less: allowance for impairment loss of trade receivables	**(109,951)**	(79,128)
	72,901	180,068

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date. The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	2017	2016
	RMB'000	RMB'000
Within 3 months	**29,489**	72,980
3–6 months	**39,073**	5,288
6–12 months	**1,046**	21,111
Over 1 year	**3,293**	80,689
	72,901	180,068

24. TRADE RECEIVABLES (Continued)

The ageing of trade receivables which are past due but not impaired are as follows:

	2017	2016
	RMB'000	RMB'000
Neither past due nor impaired	**29,489**	72,980
Less than 1 month past due	**28,380**	526
1 to 3 months past due	**10,693**	4,762
4 to 6 months past due	**348**	7,098
More than 6 months past due	**3,991**	94,702
	72,901	180,068

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2017	2016
	RMB'000	RMB'000
At 1 January	**79,128**	48,732
Impairment loss recognised	**30,831**	30,396
Exchange realignment	**(8)**	–
At 31 December	**109,951**	79,128

Trade receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relating to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	2017	(Represented) 2016
	RMB'000	RMB'000
Prepayment and deposit	**137,174**	51,701
Other receivables	**166,457**	202,984
Less: allowance for impairment loss	**(109,512)**	(101,342)
	194,119	153,343

Other receivables mainly represents security deposit for the system intelligence service to customers.

Prepayment mainly represents the advance payment on purchase of raw material and the deposit to suppliers.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	RMB'000	RMB'000
Financial assets at fair value through profit or loss	**–**	10,000

27. CASH AND CASH EQUIVALENTS

Included in bank and cash balances of the Group is a balance of approximately RMB49,000 as at 31 December 2017 which were denominated in Hong Kong dollar ("HK$") (2016: RMB66,000).

28. TRADE PAYABLES

The ageing analysis of the trade payables of the Group based on the invoice date at the reporting date is as follows:

	2017	2016
	RMB'000	RMB'000
Within 3 months	**28,263**	18,879
More than 3 months	**159,181**	198,295
	187,444	217,174

29. ACCRUAL AND OTHER PAYABLES

	2017	(Represented) 2016
	RMB'000	RMB'000
Accrual	**2,078**	3,176
Other payables	**338,589**	305,751
Interest payables	**25,109**	26,097
Deferred income	**5,131**	11,735
	370,907	346,759

The accrual and other payable mainly represents provision of litigation, security deposit received from the constructors and the provision of warranty.

30. BANK AND OTHER BORROWINGS

	Note	2017	2016
		RMB'000	RMB'000
Secured bank borrowing	a	**29,380**	46,160
Unsecured bank borrowing		**–**	1,500
Secured other borrowing	b	**37,612**	59,214
Unsecured other borrowing	c	**163,614**	112,049
		230,606	218,923
Less: balance repayable within twelve months (shown under current liabilities)		**(45,619)**	(166,877)
		184,987	52,046

30. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2017, the Group's interest-bearing bank borrowings of RMB21,600,000 were bearing floating interest rate at 5.45% per annum over HIBOR and secured by the building with a net carrying value of RMB72,463,000 (2016: RMB74,032,000), which is repayable within two years. The remaining bank borrowings were bearing floating interest rate from 5.66% to 6.30% per annum over HIBOR and secured by personal guarantee of the shareholder of a subsidiary, which are repayable within one year.

(b) As at 31 December 2017, the Group's other borrowings were bearing fixed interest rate of RMB7,165,000 at fixed interest rate 19% per annum and covered by corporate guarantee provided by the Group, which is repayable on demand. The Group entered into an agreement at the fixed interest rate of 11.5% per annum, which is secured by (i) office equipment held by the Group of carrying amount RMB4,735,000 (2016: RMB6,242,000); (ii) personal guarantee of the shareholder; and (iii) a piece of land held by an associated company, 江蘇金大科技發展有限公司. The finance lease agreement is repayable within two years.

(c) As at 31 December 2017, the Group's other borrowing from a private company with common shareholder of RMB148,113,000 at fixed interest rate at 6% per annum and repayable after one year. The Group's other borrowings of RMB15,500,000 which were bearing fixed interest rate of 15% per annum and repayable on demand.

31. OBLIGATION UNDER FINANCE LEASE

	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current liabilities	**326**	1,232
Non-current labilities	**–**	326
	326	1,558

It is the Group's policy to lease certain of its office equipment under finance lease. The lease terms is 3 year. Interest rates underlying all obligations under finance leases are fixed at 12.7% (2016: 12.7%) per annum.

31. OBLIGATION UNDER FINANCE LEASE (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Obligations under finance leases payable:				
Within one year	**334**	1,334	**326**	1,232
Within a period of more than one year but not more than two years	**–**	334	**–**	326
	334	1,668	**326**	1,558
Less: future finance charge	**(8)**	(110)	**N/A**	N/A
Present value of lease obligations	**326**	1,558		
Less: amount due for settlement with 12 months (shown under current liabilities)			**(326)**	(1,232)
Amount due for settlement after 12 months			**–**	326

32. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets	**Provision for impairment of assets**
	RMB'000
At 1 January 2016	1,573
Credit to profit or loss for the year	1,395
At 31 December 2016 and 1 January 2017	2,968
Credit to profit or loss for the year	–
At 31 December 2017	2,968

Deferred tax liabilities	**Revaluation of investment properties**
	RMB'000
At 1 January 2016	(54,925)
Charge to profit or loss for the year	(4,144)
At 31 December 2016 and 1 January 2017	(59,069)
Charge to profit or loss for the year	(3,985)
At 31 December 2017	(63,054)

33. SHARE CAPITAL

	Number of domestic share	Number of H share	Total	Amount
	’000	’000	’000	RMB’000
Issued and fully paid:				
At 1 January 2016, ordinary shares of RMB0.1 each	819,000	421,000	1,240,000	124,000
Issue of ordinary shares by placing (note a)	163,800	–	163,800	16,380
At 31 December 2016 and 1 January 2017, ordinary shares of RMB0.1 each	982,800	421,000	1,403,800	140,380
Issue of ordinary shares by placing (note b)	–	84,200	84,200	8,420
At 31 December 2017	982,800	505,200	1,488,000	148,800

Notes:

(a) On 29 June 2016, pursuant to the placing and subscription agreement dated 9 March 2015, 163,800,000 domestic ordinary shares of RMB0.1 each were allotted and issued at the price of RMB0.28 per share. The net proceeds from the placing are approximately RMB45.86 million. The Company intends to apply such net proceeds for general working capital of the Group.

(b) On 16 November 2017, pursuant to the placing and subscription agreement dated 8 November 2017, 84,200,000 ordinary H shares of RMB0.1 each were allotted and issued at the subscription price of HK$0.226 per share. The net proceeds from the placing are approximately HK$18.5 million. The Company intends to improve its gearing ratio by repayment of loan and the balance for general working capital purpose.

34. RESERVES

(a) Capital reserve

Capital reserve represents the excess of the proceeds received over the nominal value of the Company’s shares issued, net of share issue costs and the amounts due to beneficial shareholders which were capitalised during the year ended.

(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into presentation currency.

(c) Revaluation reserve

Revaluation reserve has been set up and is dealt with the fair value increase of building up to the date of change in use.

35. RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management includes members of the board of directors, supervisors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**2,183**	1,617
Pension costs – defined contribution plan	**237**	74
	2,420	1,691

(b) Transaction with related parties

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

	Relationship	**2017**	2016
		RMB'000	RMB'000
Sales of computer hardware and software:			
Jiangsu Keneng Electricty Technology Co., Ltd	Shareholder	**–**	1,085
Rental income:			
Jiangsu Keneng Electricty Technology Co., Ltd	Shareholder	**–**	464
Guotai Junan Assets Management Company Limited	Common director	**300**	300
System intelligence service:			
Nanjing University	Shareholder	**–**	110

36. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises under operating lease arrangement, with lease terms of within two years. At the end of each reporting period, the Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**1,797**	957
Within two to five years	**1,021**	2,804
	2,818	3,761

As lessor

The Group leases certain office premises under operating lease arrangement, with lease terms of within three years. At the end of each reporting period, the Group has future minimum rental receivable under non-cancellable operating lease falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**9,603**	7,251
Within two to five years	**27,250**	7,811
After five years	**15,606**	–
	52,459	15,062

37. STATEMENT OF FINANCIAL POSITION

(a) Financial Information of the statement of financial position of the Company

	2017	(Represented) 2016
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**79,660**	80,487
Prepaid land lease premium	**4,533**	4,645
Intangible assets	**258**	606
Investment properties	**548,840**	533,395
Investment in subsidiaries	**82,846**	114,821
Interest in associated companies	**13,741**	18,759
Available-for-sale financial assets	**9,907**	7,050
Total non-current assets	**739,785**	759,763
Current assets		
Inventories	**867**	103
Trade receivables	**8,864**	51,514
Prepayment, deposit and other receivables	**105,146**	82,912
Amounts due from subsidiaries (note)	**2,420**	52,828
Dividend receivables	**6,151**	3,601
Cash and cash equivalents	**687**	7,623
Total current assets	**124,135**	198,581
Total assets	**863,920**	958,344
Current liabilities		
Trade payables	**50,280**	77,873
Advance from customers	**81,054**	77,111
Accruals and other payables	**318,487**	313,472
Amounts due to subsidiaries (note)	**86,765**	92,197
Dividend payables	**6,004**	6,004
Bank and other borrowings	**52,673**	168,817
Obligation under finance lease	**326**	1,232
Tax payables	**3,756**	3,038
Total current liabilities	**599,345**	739,744
Net current liabilities	**(475,210)**	(541,163)

37. STATEMENT OF FINANCIAL POSITION (Continued)

(a) Financial Information of the statement of financial position of the Company (Continued)

	2017	(Represented) 2016
	RMB'000	RMB'000
Non-current liabilities		
Bank and other borrowings	**184,987**	52,046
Obligation under finance lease	**–**	326
Deferred tax liabilities	**62,324**	58,463
Total non-current liabilities	**247,311**	110,835
Total liabilities	**846,656**	850,579
NET ASSETS	**17,264**	107,765
CAPITAL AND RESERVE		
Share capital	**148,800**	140,380
Reserves	**(131,536)**	(32,615)
TOTAL EQUITY	**17,264**	107,765

Note: The balances due from/to subsidiaries are unsecured, interest free and repayable on demand.

Approval and authorised for issue by the board of directors on 27 March 2018.

Zhu Yong Ning
Director

Wu Qing An
Director

37. STATEMENT OF FINANCIAL POSITION (Continued)

(b) Movement of reserves of the Company

	Capital reserve	Surplus reserve	Revaluation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	92,234	20,470	81,862	(130,573)	63,993
Loss for the year	–	–	–	(126,092)	(126,092)
Share issued by placing	29,484	–	–	–	29,484
At 31 December 2016 and 1 January 2017	121,718	20,470	81,862	(256,665)	(32,615)
Loss for the year	–	–	–	(106,672)	(106,672)
Share issued by placing	7,751	–	–	–	7,751
At 31 December 2017	129,469	20,470	81,862	(363,337)	(131,536)

38. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Place of operation and principal activities
Limited liabilities company					
Jiangsu NandaSoft Computer Equipment Co., Ltd.	PRC	RMB10,000,000	51%	–	Sale of computer hardware products
Jiangxi NandaSoft Service Outsourcing Park Co., Ltd.	PRC	RMB10,000,000	70%	–	Inactive
Jiangsu NandaSoft Biochemical Technology Co., Ltd.	PRC	RMB5,814,000	100%	–	Biological medicine
Nanjing NandaSoft Property Service Co., Ltd.	PRC	RMB500,000	100%	–	Provision of properties management service
NandaSoft Technology (Shenzhen) Company Limited	PRC	RMB5,000,000	90%	10%	Sale of computer hardware products and equipment
Jiangsu Changtian Technology Company Ltd. (note a)	PRC	RMB30,280,000	51%	–	Rendering of communication intelligence control system
Jiangxi NandaSoft Technology Co., Ltd.	PRC	RMB2,000,000	70%	–	Inactive
Jiangsu Zhiya Online Education Technology Ltd.	PRC	RMB10,000,000	70%	–	Provision of online education service
Nanjing NandaSoft System Integration Company Limited	PRC	RMB20,000,000	100%	–	Rendering of system integration services
Jiangsu Sheng Feng Investment Company Limited	PRC	RMB10,000,000	100%	–	Investment holding
Jiangsu NandaSoft (Hong Kong) Company Limited	Hong Kong	HK$2,000,000	100%	–	Investment holding
Smartful Venture Holdings Limited	British Virgin Islands	USD 100	60%	–	Investment holding
Texwell Investment Ltd.	Hong Kong	HK$100	–	60%	Investment holding
Vast Rich Asia Limited	Hong Kong	HK$100	–	60%	Investment holding
Staterich Technology (Jiangsu) Company Limited	PRC	RMB4,964,523	–	60%	Sales of computer hardware and software outsourcing

Notes:

(a) Pledged 51% ownership of a subsidiary

The Group entered into a services agreement and related mortgage agreement with independent third party. It pledged the 51% shares of its subsidiary, Jiangsu Changtian Technology Company Ltd. for the services agreement. The mortgage agreement will expire on 24 December 2019.

38. PARTICULARS OF SUBSIDIARIES (Continued)

Notes: (Continued)

(b) Summarised financial information of significant non-controlling interest and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Jiangsu Nandasoft Computer Fixtures Company Limited		Jiangsu Changtian Zhi Yuen Technology Company Limited	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 31 December				
Non-current assets	**696**	863	**6,909**	19,429
Current assets	**73,822**	66,762	**254,611**	248,458
Non-current liabilities	**–**	–	**(730)**	(606)
Current liabilities	**(67,286)**	(51,483)	**(166,738)**	(172,293)
Net assets	**7,232**	16,142	**94,052**	94,988
Carrying amount of NCI	**3,544**	7,910	**46,085**	46,544
Year ended 31 December				
Revenue	**195,626**	247,813	**143,735**	159,271
Expenses	**(204,536)**	(247,636)	**(139,672)**	(151,114)
Profit/(Loss) for the year	**(8,910)**	177	**4,063**	8,157
Profit/(Loss) attributable to NCI	**(4,366)**	87	**1,991**	3,997
Dividend paid to NCI	**–**	–	**(2,450)**	–
Total profit/(loss) attributable to NCI	**(4,366)**	87	**(459)**	3,997
Net cash flow (used in)/generated from				
Operating activities	**9,421**	4,849	**57,439**	33,933
Investing activities	**19**	1	**3,165**	650
Financing activities	**(220)**	(200)	**–**	–

39. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2016, the Group disposed of its entire equity interests in Nandasoft Technology Investment (Wuxi) Company Limited to an independent third party at a total consideration of RMB6,400,000 in cash.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Cash consideration	6,400
Non-current assets	2
Current assets	9,601
Current liabilities	(3,458)
Net assets	6,145
Less: non-controlling interest	(1,229)
Net assets disposed of	4,916
Gain on disposal	1,484

An analysis of net cash inflow in respect of the disposal of a subsidiary is as follow:

Cash consideration received	6,400
Cash and cash equivalents disposed of	(1)
	6,399

40. CONTINGENT LIABILITIES

(a) Litigation

Legal case 1

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by 中核華興建設有限公司 (the "Plaintiff").

According to the civil claim, it was claimed that the Company failed to pay for the construction project. The payment was approximately RMB175,400,000 in total, payable for certain contracts entered into by the Company and the Plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park ("Nandasoft Block 2"). The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of 南京物聯網應用研究院有限公司, 江蘇賽聯信息產業研究院股份有限公司 and 江蘇中晟智源科技產業有限公司 held by the Company.

The main reason for the delay in payment was that the audit on the related construction work is unable to complete by the agreed time and is still not completed yet. Therefore, the actual amount of construction payable by the Company is still uncertain.

The Company considered the amount claimed by the Plaintiff was contentious and doubtful. Based on the advice of the legal counsel of the Company, the Company should apply to the court for an appraisal of the cost of construction and adopt the appraisal outcome as the basis of settling the construction cost in a fair and legitimate manner.

As Nandasoft Block 2 constructed by the Company was put into use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by 天目蘇建設投資項目管理有限公司, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case caused a significant difference in the estimated amount at the time of conversion into fixed assets, which will in turn have a material impact on the financial data of the Company.

According to the mediation result in the letter of civil mediation (2014) 蘇民初字第00015號 issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of Nandasoft Block 2, compensation financing, loss on shutting down, and overdue interest payment amounted to RMB219.64 million (net of RMB37 million which had already paid by the Company). For the period from 1 January 2016 to the actual payment date, with the annual rate of 6%, the Company shall pay RMB182.64 million and related interest to the Plaintiff on or before 30 June 2016. The Plaintiff has the right to apply to the people's court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time. If the Company fails to perform the payment obligations within the period prescribed under the mediation letter, additional debt interest which is twice of the amount during the performance period will be levied on by the Company in accordance with Article 253 of the "PRC Civil Procedure Law".

As disclosed in the Company's announcement dated 9 June 2017, the Company has entered into an agreement in respect of a new repayment arrangement (the "Repayment Arrangement") with the Plaintiff and the other relevant parties (namely. 中國核工業華興建設有限公司 ("Huaxing") and 南京鵬大科技發展有限公司 ("Pengda")). According to the Repayment Arrangement, the settlement sum will be satisfied partly by Pengda for and on behalf of the Company by way of transfer of 39 residential properties developed in a new real estate project named "The Lalu Nanjing (南京涵碧樓行館)" located at the Yangtze River Road and Hanzhong Gate Interchange, Jiaye District, Nanjing, Jiangsu Province, China (中國江蘇省南京市建鄴區揚子江大道與漢中門大街交匯處), and partly (in respect of the shortfall after offsetting the value of such properties) by the Company in cash to Huaxing as designated by the Plaintiff.

40. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

Legal case 1 (Continued)

As at 31 December 2017, the completion schedule for Lalu Nanjing has further delay and the chain effect of delay in the subsequent inspection and issuance of relevant title deeds to Huaxing, as disclosed in the Company's announcements dated 29 September 2017 and 30 November 2017, respectively. However, Pengda will continue to assist the Company in monitoring the progress. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was fully provided by the Company.

Legal case 2

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by 廣州市愛民投資有限公司 ("Aimin Investment").

According to the civil complaint, the Company has borrowed RMB15,500,000 from Aimin Investment and total borrowing interest up to 10 October 2015 was RMB8,427,000. 上海宏昊投資管理有限公司 assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) 穗天法金民初字第5504號 issued by Guangzhou City Tianhe District People's Court, the bank balance of the Company of RMB23,927,000 was frozen or equivalent assets. The equity interest of 江蘇南大蘇富特投資有限公司 and 蘇富特智能科技(上海)有限公司 held by the Company was frozen instead of frozen RMB23,450,000 bank balance.

On 8 October 2016, Guangzhou City Tianhe District People's Court issued the Civil Ruling (2015) 穗天法金民初字第5504號, which ruled that the Company should repay the borrowings of principal amount of RMB15,500,000 and interest thereon, which is calculated at 24% interest rate per annum, to Aimin Investment.

The Company objected the judgment of the first instance and filed an appeal to Guangzhou City Intermediate People's Court on 27 October 2016, claiming to offset against another debt of RMB6,000,000 owed by Aimin Investment to the Company, and by reason of the settlement of RMB5,000,000 by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4,500,000 and interest thereon to Aimin Investment by the Company.

On 6 July 2017, the Guangzhou City Intermediate People's Court sustain the judgment for the Company which was liable for the repayment of the borrowing with the remaining principal amount of RMB11,500,000 (net of repayment of RMB4,000,000) and interest thereon to Aimin Investment.

The management of the Company have been made sufficient provision on borrowing and interest thereon. Subsequent to the year end date, on February 2018, the relevant payment was fully settled.

40. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

Legal case 3

On 15 November 2016, 武漢金家房地產開發有限公司 ("Wuhan Jinjia") filed a litigation against the Company at Nanjing City Gulou District People's Court Case No.: (2016) 蘇0106民初11102號, requesting the Company to repay three borrowings with total principal amount and inters of RMB3,036,000 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal amount of RMB967,000 and interest of RMB1,009,000; 2. the second borrowing with principal amount of RMB43,000 and interest of RMB48,000; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB405,000.

On 15 March 2017, according to the letter of civil mediation "(2016) 蘇0106民初11102號" issued by Nanjing City Gulou District People's Court, if the Company repays the borrowing with principal amount and interest of RMB1.8 million in total to Wuhan Jinjia before 22 March 2017, Wuhan Jinjia will voluntarily abandon other litigation requests.

During the year ended 31 December 2017, the Company made repayment of the principal amount and interest to Wuhan Jinjia and the legal case was fully resolved.

Legal case 4

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 ("Nanjing Zaibao") filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People's Court Case No.: (2016) 蘇0115民15397號, requesting the Company to repay the borrowing with principal amount of RMB1 million and interest thereon and penalty interest of RMB11,541.66, pay default charges of RMB1,206,400 and undertake solicitor's fee of RMB20,000; requesting 南京南大蘇富特系統集成有限責任公司 to repay the borrowing of RMB5 million and interest thereon and penalty interest of RMB277,500, pay default charges of RMB724,800 and undertake solicitor's fee of RMB100,000; requesting the seven companies, including the Company, to assume the joint guaranty liabilities for the aforesaid liability; requesting that the Nanjing Zaibao shall be preferentially reimbursed with the proceeds from the auction, sale, discounted of properties and land at No. 25 Xingnan Road, Wuzhong Economic Development Zone, Suzhou City.

On 14 February 2017, Jiangning District People's Court delivered the judgment of the first instance that the Company should pay the borrowing with principal amount of RMB1 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB1 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 26 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB4 million from 26 May 2016 respectively, both at an annual rate of 24% until actual payment date) to Nanjing Zaibao.

南大蘇富特系統集成有限責任公司, a wholly-owned subsidiary of the Group, should pay the borrowing with principal amount of RMB5 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB5 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 25 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 26 May 2016 to actual payment date at an annual rate of 24%) to Nanjing Zaibao.

40. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

Legal case 4 (Continued)

According to (2017) 蘇01民終3169號, one of the defendant of the case, 維信醫療（蘇州）有限公司, objected the Jiangning District People's Court the judgment of the first instance, and filed an appeal to 江蘇省中級人民法院. On 19 June 2017, the court judged that the Group should repay the borrowing with the principal amount of RMB 6 million and interest thereof in total to Nanjing Zaibao.

As at 31 December 2017, the Company made sufficient provision for this legal claim.

(b) Sales and leases of the investment properties of the Group

As disclosed in note 19 to the consolidated financial statements, the Group and certain potential buyers entered into sale and purchase agreement in relation to certain investment properties. However, due to changes in regulation by the municipal government, the aforesaid sales of investment properties were not completed, the Group will be responsible for the breach of contract.

As at 31 December 2017, save as disclosed above, the Group had no significant contingent liabilities.

41. PROVISION OF FINANCE GUARANTEE

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB6,000,000 (2016: RMB6,000,000) in total given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to 南京南大藥業有限責任公司, which is a related company of the Group. The banking facilities were fully utilized as at 31 December 2017.

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB7,440,000 (2016: RMB7,440,000) in total given to financial institutions in respect of borrowing granted by these financial institutions to 南京回歸建築環境設計研究院有限公司, an independent third party.

42. FINANCIAL RISK MANAGEMENT

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

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statement of financial position at the reporting dates may also be categorised as follows:

	2017	2016
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**–**	10,000
Loans and receivables:		
Trade receivables	**72,901**	180,068
Other receivables	**56,945**	101,642
Cash and cash equivalents	**75,151**	49,652
	204,997	341,362
Financial liabilities		
Financial liabilities at amortised costs:		
Trade payables	**187,444**	217,174
Accrual and other payables	**370,907**	346,759
Advance from customers	**111,707**	91,551
Dividend payables	**6,004**	6,004
Bank and other borrowings	**230,606**	218,923
Amount due to related parties	**749**	–
Obligation under finance lease	**326**	1,558
	907,743	881,969

42. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Group does not have any hedging policy to manage the risk arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

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

	2017	2016
	RMB'000	RMB'000
HK$	**479**	2,576

At 31 December 2017, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, post-tax profit/loss after tax for the year would have been RMB48,000 higher/lower (2016: RMB258,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated trade receivables.

In the opinion of directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's exposure to cash flow interest rate risk relates principally to its variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Group's bank borrowings. The Group's exposure to fair value interest rate risk relates principally to its fixed-rate other borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in note 27 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's loss/profit for the year, and other components of equity due to a possible change in interest rates on its floating-rate bank borrowing with all other variables held constant at the end of each reporting period:

	2017	2016
	RMB'000	RMB'000
Increase/(decrease) in loss/profit for the year and retained profits		
Increase/decrease in percentage ("%")		
+/–0.5%	**75**	67

42. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

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

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

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would exposure the Group to the credit risk.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in note 25 above.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Credit risk on liquid funds is limited because the counterparties are reputable banks.

42. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

	Within 3 months or on demand	**Total undiscounted amount**	**Carrying amount**
	RMB'000	RMB'000	RMB'000
At 31 December 2017			
Trade and other payables	15,038	558,351	558,351
Bank and other borrowings	66,619	177,552	230,606
At 31 December 2016			
Trade and other payables	216,898	563,933	563,933
Bank and other borrowings	166,877	65,640	218,923

Financial instruments not measured at fair value

Except for the Group's financial assets at fair value through profit or loss which are measured at fair value, the fair values of the Group's and Company's financial assets and liabilities as at 31 December 2016 and 2017 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

42. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

– The level in fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

At 31 December 2016 and 31 December 2017, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at 31 December 2017				
Financial assets at fair value through profit or loss	–	–	–	–
Financial assets at 31 December 2016				
Financial assets at fair value through profit or loss	10,000	–	–	10,000

There have been no significant transfers between the levels in the reporting period.

Of the total gains or losses for the year included in profit or loss, RMB397,000 (2016: RMB1,843,000) relates to financial assets at fair value through profit or loss.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes had been made in the objectives, policies and processes during the two years ended 31 December 2016 and 2017.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group received a report from the share registrars on substantial share interests showing the non-public float and it demonstrated continuing compliance with the 25% limit throughout the year.

44. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year presentation. In the opinion of the Directors, such reclassifications provide a more appropriate presentation on the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

31 December 2017

	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**404,651**	443,365	513,130	524,322	602,525
Cost of sales	**(355,633)**	(384,322)	(445,081)	(457,642)	(503,311)
Gross profit	**49,018**	59,043	68,049	66,680	99,214
Other income	**27,250**	16,111	12,981	23,358	71,975
Selling and distribution costs	**(9,711)**	(13,434)	(19,674)	(23,757)	(26,745)
Research and development costs	**(12,407)**	(2,288)	(6,048)	(24,788)	(9,596)
Administrative expenses	**(36,411)**	(74,077)	(118,853)	(32,923)	(61,315)
Finance costs	**(28,988)**	(38,449)	(35,005)	(26,197)	(13,478)
Impairment loss	**(42,305)**	(53,288)	(45,469)	(48,839)	(35,056)
Share of results of associated companies	**2,104**	2,431	(625)	387	2,508
(Loss)/Profit before tax	**(51,450)**	(103,951)	(144,644)	(66,079)	27,507
Income tax expense	**(5,390)**	(2,308)	(4,918)	(11,357)	(20,712)
Loss for the year	**(56,840)**	(106,259)	(149,562)	(77,436)	6,795
Attributable to:					
Owners of the Company	**(53,834)**	(109,609)	(160,393)	(78,858)	2,177
Non-controlling interest	**(3,006)**	3,350	10,831	1,423	4,619
	(56,840)	(106,259)	(149,562)	(77,435)	6,796
Total assets	**1,156,881**	1,169,725	1,315,443	1,470,488	1,393,088
Total liabilities	**(987,928)**	(957,651)	(1,045,174)	(1,060,891)	(952,208)
Non-controlling interest	**(50,668)**	(56,032)	(50,803)	(39,442)	(38,923)
	118,285	156,042	219,466	370,155	401,957