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 2018

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.

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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. Yin Shou Rong
Mr. Sha Min
Mr. Xu Zhi Bin
Mr. Xu Hao

Independent Non-executive Directors

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

Supervisors

Mr. Yao Gen Yen
Ms. Zhang Xiao Hong
Ms. Chen Jian Hong
Ms. Zhang Yan Ping
Mr. Lin Hui
Mr. Xu Bin

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. 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 Merchants Bank, Daxinggong sub-branch
China Citic Bank, Jiangsu Road sub-branch
SPD Bank, Hong Kong Branch

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai,
Hong Kong

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 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft", the "Company" or "We", together with its subsidiaries, the "Group") for the year ended 31 December 2018 to the shareholders for their review.

The year 2018 marked the 40th anniversary of China's reform and opening up. China achieved remarkable success in both its economic and social development, but it also faced a complex and volatile internal and external environment. At present, we are in a period of new drivers of economic growth replacing the old ones, and innovation-driven development remains the theme of the era.

As a listed IT company of a university, NandaSoft kept its pace closely with the era, leveraged the scientific research power of Nanjing University and the talent superiority both domestically and abroad, continued to take scientific and technological innovation as the core of development and applied innovative thinking and technological measures to facilitate the in-depth integration of "Internet+" with various industries through unique business models and products, thus contributing smart intelligence and value to social development.

We will never forget the past and will forge ahead. The year 2018 also marked the 20th anniversary of NandaSoft's establishment. Looking back to the past extraordinary two decades of NandaSoft, we have always been adhering to the mission of enhancing the value of our shareholders, business partners, customers and employees, and sought for continuous innovation and development.

The core businesses of NandaSoft are focusing on the intellectual property trading platform of universities, smart medical care, smart education, smart transportation and other emerging industries that the country needs, and provide support and services for the innovative development of these sectors through technological measures.

With respect to intellectual property trading, the Company invested and established the first online intellectual property trading platform of universities in China. The platform has been in operation for more than a year and achieved fruitful results. It has established in-depth cooperation with a number of "985" and "211" universities, scientific research institutes and experts and a large number of scientific and technological achievements are gathered here and have been successfully transformed. For smart medical care, our remote medical business has progressed in an orderly manner, and the number of cooperative medical institutes continued to increase. The "Expert Remote Consultation System", the "Chronic Disease Management System", "Haoxinshu (好心舒) Coronary Heart Disease Steward" and other remote medical platforms have been widely used in the market. The design model of our "Smart Health Room" products launched during the year was completed. With respect to smart education, our business coverage has been radiated from Changzhou Science and Education Town to major vocational colleges and universities in Jiangsu Province. Our online education courses include Liberal Studies Courses and Training Courses, involving majors of medicine, literature and history, machinery manufacturing, film and television production, etc., covering more comprehensive content. Smart transportation business has made steady progress and maintained a good development momentum, provided a powerful support for the Group's business.

During the year, NandaSoft conducted exploration and cooperation with IP Publishing House in the cultural creativity sector, and made equity investment in Beijing Zhong Zhi Cultural Creative Development Company Limited* (北京中知文化創意發展有限公司) to jointly create the "I can also invent"* (「我也會發明」) series of original cartoon brands for teenagers, which opened the market of innovative education sector for teenagers.

As a listed company, we firmly believe the potency of capital to promote enterprise development. During the year, the Company successfully conducted a placing of its domestic shares and raised a total of approximately RMB264.6 million, further enlarged its share capital and brought in excellent strategic partners for the Company.

BUSINESS RESULTS

In FY2018, turnover of the Group was approximately RMB479,837,000, representing an increase of approximately RMB75,186,000 when compared with 2017. Net loss attributable to owners of the Company was approximately RMB53,698,000. The Board does not recommend the distribution of final dividend for the year ended 31 December 2018.

FUTURE PROSPECTS

Looking into future, we will progress steadily to go further. Embracing the new era and devoting itself to the new economy, NandaSoft is about to embark on a new journey. By focusing on scientific and technological innovation, and adhering to the goal of establishing an industry-leading intellectual platform-oriented enterprise, we will consolidate and extend existing smart business sectors, continue to rely on the scientific research and talent superiority of Nanjing University and other key universities and leverage the power of capital and technology to create new technologies, new models and new formats, so as to generate more returns for shareholders and business partners.

We will continue to enhance the management on the financial, audit, legal and other internal control departments and continue to improve the internal governance standard to provide a sound operating environment for the Company's business development.

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
30 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2018 was approximately RMB479,837,000, which represented an increase of approximately RMB75,186,000, when compared with 2017. During the year, some of the work-in-progress projects of the Group with an amount of approximately RMB95,225,000 has reached the settlement stage.

Loss attribute to owners of Company for the year ended 31 December 2018 was approximately RMB53,698,000, representing a decrease in loss of approximately RMB136,000, or 0.25% when compared with 2017. The decrease was primarily due to a decrease of approximately RMB11,878,000 in finance costs after settling the actual mediation amount to Nanjing Pengda Technology Development Co., Ltd. (the “Pengda”) in relation to the project funds and interests owned by the Company to China Nuclear Industry Huaxing Construction Company Limited.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, current assets of the Group amounted to approximately RMB445,246,000, of which approximately RMB101,032,000 were cash and cash equivalents and approximately RMB308,800,000 were receivables and prepayments, representing an increased by RMB41,780,000 when compared with 2017. The increase in accounts receivables was attributable to an increase in turnover of approximately RMB75,186,000 for the year when compared with the previous year, which led to an overall increase in accounts receivables, while at the same time, impairment loss in accounts receivables and prepayment increase of approximately RMB40,203,000.

As at 31 December 2018, non-current liabilities was RMB346,031,000 and its current liabilities amounting to approximately RMB479,362,000, which mainly comprised trade payables, advance from customers and accrual and other payables. Current liabilities decreased by approximately 35.2% when compared with 2017 since the amount due to Pengda has fully repaid during the year. As at 31 December 2018, net assets of the Group amounted to approximately RMB371,652,000 (2017: approximately RMB168,953,000), representing an increase of RMB202,699,000 or approximately 120.0% when compared with 2017, which was due to the placing of 180,000,000 domestic shares at RMB0.147. As at 31 December 2018, short-term borrowings and long-term borrowings amounted to RMB 296,292,000 in total, the current liabilities were decreased by RMB260,525,000 and the total liabilities were decreased by RMB162,535,000. Its liquidity was sufficient to support the normal operation of the Group.

CHARGE ON GROUP ASSETS

As at 31 December 2018, the Group did not have assets pledged as security for the interest-bearing bank borrowings granted to the Group (2017: approximately RMB22,000,000).

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 2018, 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 2018, the Group did not have any contracted but not yet provided for capital commitment (2017: 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").

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 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.

According to the announcement dated 22 June 2018 by the Company, the title to all the Settlement Properties as agreed with the Plaintiff has been duly transferred to Huaxing, and the Company has fully repaid in cash to Huaxing the outstanding balance and interest of the Settlement Sum (after deduction of the aggregate value of the Settlement Properties transferred).Such legal case was fully resolved.

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. In February 2018, the relevant payment was fully settled. Such legal case was fully resolved.

Legal case 3

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. The Company made sufficient provision for this legal claim and in March 2018, the relevant payment was fully settled. Such legal case was fully resolved.

(b) Sales and lease 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 regulations 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 2018, save as disclosed above, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The remuneration for the employees of the Group for the year ended 31 December 2018 amounted to approximately RMB31,431,000 (2017: approximately RMB31,633,000), including directors' and supervisors' emoluments of approximately RMB1,147,000 (2017: approximately RMB1,228,000) and RMB638,000 (2017: approximately RMB527,000) respectively.

The number of employees for the year had decreased from 321 to 292.

The Group remunerated its staff based on their 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 2018 (2017: Nil).

BUSINESS REVIEW

During the year, guided by the business development strategy formulated by the Board and by taking the "Internet+" business as the core of development, the Company constantly consolidated its existing business foundation. While strengthening the existing major intelligent business platforms, the Company also actively explored potential development opportunities, extended business regions and scopes to broaden income-generating channels.

During the year, the Company continued to strengthen its technology research and development as well as technological innovation, and successfully received the High-Tech Enterprise recognition at the municipal and district level and passed the re-accreditation for Provincial Software Technical Centre. Meanwhile, the Company won the "Second Prize in Science and Technology Award Granted by the Jiangsu Province Highway & Transportation Society", the "Award of Excellent Technological Innovative Highway Product of Jiangsu Province" and was awarded the title of "Tengyunjiashu Excellent Software and Information Service Enterprise" (騰雲駕數優秀軟件和信息服務企業).

Intelligent Transportation

During the year, the intelligent transportation business of Jiangsu Changtian Zhiyuan Technology Company Ltd., which is controlled by the Company, continued to maintain its strong advantages. In 2018, the segment achieved sales revenue of approximately RMB260,000,000, representing a significant increase of approximately 85% as compared to last year. During the year, the Company undertook several major provincial projects, including the tender section HJD-ZHGL of intelligent highway construction project of the 328 national highway Haijiang section rapid transformation project, two major projects, namely the project of the management buildings of Jiangnan Second Station and station buildings of the Jiangnan service area of the Ring Expressway and the project of engineering signal and monitoring system for the major overhaul of the Danjie Line of Danyang City, the project of "Construction for High-Definition Renovation of the WuXi-Zhang Jiagang Highway Monitoring System (錫張高速公路監控系統高清化改造施工)" of Jiangsu Yangtze Bridge Co., Ltd. and the Expressway Video Monitoring Encryption of Intelligent Transportation Project in Taizhou City. The Company expanded the new business with Jiangsu Provincial Transportation Engineering Construction Bureau where the Company undertook the business of tender section ZD-92 of the electromechanical engineering of the toll collection, communication, and monitoring systems of Taizhou-Zhenjiang Highway (from Zhenjiang New Area to Danyang). These key projects provide strong support for the Company's annual results. The Company also actively participated in the tender project of transportation resources and expanded key projects outside the province.

Computer Hardware Sales and IT Service Business

During the year, Jiangsu NandaSoft Computer Equipment Co., Ltd., which is controlled by the Company, continued to maintain a good cooperation with Lenovo Group, Shanghai Branch, as a result, computer hardware sales business maintained steady development. On the basis of maintaining the original key customers, the Company actively expanded new resources in government departments, education systems and financial systems, and constantly explored high-quality corporate key customers.

During the year, the IT service department of the Company focused on expanding the business of Jiangsu Human Resources and Social Security Information Center to provide technical services and support for the operation and maintenance of its personnel management information department. At the same time, the Company actively developed businesses in other regions and undertook the construction project of the Cloud Computing Center of Huai'an municipal government. The traditional IT service business of the Company has maintained a sound development as a whole.

Smart Education

During the year, Jiangsu Zhiya Online Education Technology Ltd., which is the associated company, continued to take "Intelligent Online Cloud Platform" as the core of its business development, with in-depth tapping of the vocational education resources of Changzhou Science and Education City and explored more business cooperation models. Relying on the main functions of the training bases in the industrial center of Changzhou Science and Education City, the Company simultaneously developed the "Education Cloud Platform for Training Bases" and supporting Online Training Courses. In terms of new customer development, the Company cooperated with Changzhou Vocational Institute of Engineering (常州工程職業技術學院) and took "Zhiya Online" quality courses as an entry point, thereby making inroads into the market for liberal study courses in universities and colleges in Changzhou Science and Education City. At the same time, the Company further enriched the content of courses, introduced artificial intelligence, medical care and other high-end professional training courses, which improved the service quality of the platform.

The Company actively sought to establish cooperation with more vocational colleges to get through more business channels, focused on creating the output of training mode combining vocational ability training and employment, and cultivated practical courses with market competitiveness.

Smart Medical Service

During the year, Jiangsu NandaSoft Medical Technology Co., Ltd., which is the associated company, continued to take remote medical information services as the core of its business development, continued to solidify the foundation of the strategic cooperation with Jiangsu Provincial People's Hospital, and expanded the service coverage and beneficiary regions of the business. During the year, the Company reached cooperation with five medical institutions including Dongtai People's Hospital and Suqian Zhongwu Hospital in Jiangsu Province, providing smart medical service solutions for more grass-root medical institutions.

During the year, the Company strengthened its product research and development and launched the "Health Room" project, the plan design and demonstration of which have been completed. At the same time, the Company actively enriched its hardware products and software services to expand revenue pipeline. During the year, the Company developed the intelligent single-lead ECG recorder (model: XDZ-1000-B), which has currently passed the inspection of Tianjin Medical Devices Quality Supervision and Testing Center under State Food and Drug Administration.

Intellectual property trading platform of Chinese universities and colleges

During the year, the intellectual property trading platform of universities and colleges which is owned by an associated company, Nanjing Zhonggao Intellectual Property Co., Ltd., has been operating steadily and its influence in the industry enhancing continuously. The platform established cooperation with many "985", "211" and "Double First-Class" universities as well as experts, continuously enriched patent resources. As of the end of 2018, the platform had more than 200 colleges and universities and over 3,000 patented products being put on shelf with more than 500 incubable results. With respect to patent assessment, the PMES system of the platform provided approximately 1,000 patent value evaluation for universities, experts and enterprises during the year, and the "Patent Bag" APP was downloaded more than 80,000 times throughout the entire pipeline. With respect to the construction of branch platforms, the Company completed the sub-platform project acceptance and delivery of Tianjin, Changshu and Baoji.

During the year, by relying on the cooperation foundation and resource advantages with State Intellectual Property Office, the Company and IP Publishing House carried out a series of explorations and researches in the cultural creativity aspect. Through multiple discussions, in order to seize the development opportunities of the youth innovation education market in the new era, the two parties jointly set up Beijing Zhong Zhi Cultural Creative Development Company Limited* (北京中知文化創意發展有限公司), and created the first phase of "I can also invent" (我也會發明) series of youth original animation brand during the year. This series of books has successfully tapped into many schools in China and become the designated extended learning materials, laying a solid foundation for the creation of a series of brands thereafter. Beijing Zhong Zhi Cultural Creative Development Company Limited was established in May 2018 with a registered capital of RMB40 million, which is held as to 41% by the Group.

USE OF PROCEEDS FROM THE COMPANY'S SHARE PLACING

The net proceeds received by the Company from the placing of 1,800,000,000 domestic shares of the Company at a price of RMB0.147 each on 9 November 2018 (the "Share Placing"), after deducting issue expenses relating to the Share Placing paid by the Company, amounted to approximately RMB264,600,000.

The analysis of the planned and actual use of these proceeds is set out below:

	Planned application of proceeds from Placing	**Planned use of proceeds** RMB'000	**Actual use of proceeds up to 31 December 2018** RMB'000
1	repayment to Pengda of the portion of the Settlement Sum actually contributed by Pengda to Huaxing and to Mr. Zhu of his loan made to the Company used to repay Huaxing in cash, and the interest accrued respectively thereon	212,800	212,800
2	repay other loans and debts of the Group including without limitation the Shareholder's loans to the Company	51,800	51,800
		264,600	264,600

PROSPECTS

The Company will continue to carry out business innovation and transformation to promote the close connection between the Internet and medical, educational and transportation resources, scientific research results and cultural innovation resources, so as to strengthen the operation foundation of various platforms.

In the future, on the basis of maintaining the existing major smart platform business and through exploration and innovation, the Company will develop more abundant business resources, create more extensive cooperation channels and actively carry out offline business to provide support for online business. The Company will continue to rely on the talent advantages and scientific and technological strength of Nanjing University to promote the construction of an Internet platform-typed enterprise through scientific and technological measures and adhere to the model innovation, business innovation and technology innovation, striving to build an excellent benchmark enterprise in the "Internet +" sector.

Zhu Yong Ning
Chairman

Nanjing, the PRC
30 March 2019

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 2018.

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 37 and Note 20 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of and other comprehensive income on page 47.

The directors do not recommend the payment of a final dividend for the year (2017: 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 2018 and for the previous four financial years are on page 116.

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 32 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 33.

DISTRIBUTABLE RESERVES

At 31 December 2018, there are no reserves available for distribution to shareholders of the Company (2017: 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

As disclosed in the Company's announcement dated 29 January 2019 (the "Announcement"), the Company entered into the SPAs on the same date with each of the Purchasers respectively pursuant to which the Purchasers have conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Properties at a total consideration falling within the range of the Maximum Aggregate Transfer Price and the Minimum Aggregate Transfer Price of approximately RMB154.18 million and RMB139.50 million respectively (or approximately HK$192.73 million and HK$174.38 million respectively).

Completion of the Disposal are subject to and conditional upon fulfillment of the following conditions:

(i) all consents and approvals required (where applicable) under the relevant laws and regulations in relation to the Disposal being obtained by the Company including in particular, the unconditional consent in the form of a no-objection letter from 江東軟件城管委會 for the transfers of the Properties from the Company to the Purchasers; and

(ii) the passing of the resolutions by the Board and the Shareholders at the EGM respectively approving the SPAs and the transactions contemplated respectively thereunder.

Unless the context otherwise requires, the above terms in the above paragraphs have the same meanings as the Announcement.

Save as disclosed above, 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 2018, the Group' total assets amounted to RMB1,197,045,000. Total liabilities amounted to RMB825,393,000, the Group expresses its gearing ratio as a percentage of short-term loans and long-term loans over total assets which was 24.8%. The total operating income amounted to RMB479,837,000. The loss before tax amounted to RMB47,535,000. The net loss attributable to owners of the Company amounted to RMB53,698,000. The return on total assets was -4.5%. The return on shareholders' equity was -16.9%.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with Rule 17.103 of the GEM Listing Rules, the Company will publish an Environmental, Social and Governance Report within three months after the publication of this annual report in compliance with the provisions set out in Appendix 20 of the GEM Listing Rules.

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 Company, Shanghai Transmission Line Research Institution, The 23th Office of China Electronics Technology Group, Beijing Beidaqianfang Technology Company, Jiangsu Dingyi Computer Technology Company and Shanghai Xinguan Network Technology Company.

Customers

The major customers of the Group are Henan Zhongyuan Highway Company Limited, Jiangsu Transportation Holding Company, Jiangsu Nanjing Road Management Buearu, Jiangsu Branch of Bank of China and Jiangsu Yangtze Bridge Company Limited.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 12.24% of the total sales for the year and sales to the largest customer included therein amounted to 3.51%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	22.04%
The five largest suppliers	23.45%

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. Wu Qing An

Non-Executive Directors:

Mr. Wong Wa Tak	(resigned on 4 June 2018)
Mr. Yin Shou Rong	
Mr. Xu Zhi Bin	
Mr. Sha Min	
Mr. Xu Hao	(appointed on 15 October 2018)

Independent Non-executive Directors:

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

Supervisors:

Mr. Yao Gen Yuan	
Ms. Zhang Xiao Hong	(appointed on 1 June 2018)
Ms. Chen Jian Hong	
Ms. Zhang Yan Ping	(appointed on 23 July 2018)
Mr. Lin Hui	
Mr. Xu Bin	(appointed on 1 June 2018)
Mr. Yao Xing Tian	(resigned on 23 April 2018)
Ms. Huang Jing Jing	(resigned on 23 April 2018)
Ms. Gu Yin Ping	(resigned on 23 July 2018)

Mr. Wong Wa Tak wishes to devote more time on his own business and has tendered his resignation as a director on 4 June 2018. Mr. Yao Xing Tian wishes to devote more time on pursuing his other business commitments and has tendered his resignation as a supervisor on 23 April 2018. Ms. Gu Yin Ping wishes to devote more time on her other business commitments and has tendered her resignation as a supervisor on 23 July 2018. Ms. Huang Jing Jing wishes to devote more time on pursuing her other business commitments and has tendered her resignation as a supervisor on resigned on 23 April 2018.

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.

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors, and senior management of the Company are set out on pages 35 to 39 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 2018, 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	820,783,735 (Note 2, 3)	–	29.49%	–	24.96%

Notes:

(1) As of 31 December 2018, the Company issued 2,782,800,000 domestic shares, 505,200,000 H shares, i.e. 3,288,000,000 shares in total.

(2) 808,800,000 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.

(3) Mr. Xie Li and Ms. Liang Bei have transferred 6,628,814 and 5,354,921 domestic shares respectively to Jiangsu Jintao Investment Holding Company Ltd., and the relevant registration was completed on 13 September 2018. Mr. Zhu Yong Ning held 90% ownership of Jiangsu Jintao Investment Holding Company Ltd.,. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.

Save as disclosed above, as at 31 December 2018, 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 2018 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 2018, 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 2)	Beneficial Owner	808,800,000	29.06%	–	–	808,800,000	24.60%
Anhui Jiuxi Property Investment Co., Ltd (Note 2 and 4)	Beneficial Owner	577,592,975	20.76%	–	–	577,592,975	17.57%
Fuji Investment Company Limited (Note 2)	Beneficial Owner	450,000,000	16.17%	–	–	450,000,000	13.69%
Jiangsu Fuchuang Electronic Business Company Limited (Note 2)	Beneficial Owner	225,000,000	8.09%	–	–	225,000,000	6.84%
Jiangsu Yuchang Modern Agricultural Development Company Limited (Note 2)	Beneficial Owner	225,000,000	8.09%	–	–	225,000,000	6.84%
Oriental Petroleum (Yangtze) Limited (Note 3)	Beneficial Owner	–	–	84,200,000	16.67%	84,200,000	2.56%

Notes:

(1) 808,800,000 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) The company issued totally 1,800,000,000 domestic shares to five subscribers on 15 October 2018, which are Jiangsu Keneng Electricity Technology Co., Ltd, Anhui Jiuxi Property Investment Co., Ltd, Fuji Investment Company Limited, Jiangsu Fuchuang Electronic Business Company limited and Jiangsu Yuchang Modern Agricultural Development Company Limited.

(3) Oriental Petroleum (Yangtze) Limited and Fuji Investment Company Limited were controlled by the same shareholder.

(4) Jiangsu Hightech Investment Group Company has signed the agreement to transfer 43,931,959 domestic shares to Anhui Jiuxi Property Investment Co., Ltd on 16 January 2019.

Save as disclosed above, as at 31 December 2018, 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 34 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.

DIRECTORS' VIEW ON THE INDEPENDENT AUDITOR'S OPINION

The independent auditor of the Company has issued qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2018, details of the qualified opinion are disclosed in the Independent Auditor's Report on pages 40 to 46 of this report.

THE BOARD'S RESPONSE TO THE AUDITOR'S OPINION

In regard to the matters described in the section headed "Qualified Opinion" and "Basis for Qualified Opinion" in the Independent Auditor's Report, the Board would like to take this opportunity to provide the Boards' preliminary response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

THE BOARD RESPONSE TO "SCOPE LIMITATION – OPENING BALANCES AND CORRESPONDING FIGURES"

Save for the audit qualification may affect the opening balances and corresponding figures in the previous year as mentioned in the audit qualification, there is no effect of this audit qualification to the Company's consolidated financial statements for the year ended 31 December 2018 as the auditor expressed the same opinion on the Company's consolidated financial statements for the year ended 31 December 2017, for details, please refer to the page 38 to page 44 of the annual report of the Company for the year ended 31 December 2017 (the "2017 Annual Report")). As the accounting treatment were affected only for the year ended 31 December 2017, there was no effect of such audit qualification to the Company's consolidated financial statements for the year ended 31 December 2018.

After knowing the reasons and non-recurring nature of the qualification, the Company's board and audit committee have no further comment on this qualification as they believed it was just a normal audit procedure and process for auditor to express such views on this matter relating to the opening balances. Furthermore, the Company's board and audit committee agreed that this audit qualification will be removed and will not affect the Company's consolidated financial statements in the future.

THE BOARD RESPONSE TO "SCOPE LIMITATION-INTENTION TO DISPOSAL OF INVESTMENT PROPERTIES AND OCCUPIED INVESTMENT PROPERTIES BY POTENTIAL BUYER"

Details of the audit qualification are the management of the Company determine that investment properties located at Nanjing NandaSoft Software Park amounted to RMB251,700,000 and part of buildings occupied by occupants with an amount of RMB74,200,000 are for sales purpose, which are regarded as investment properties and fair value is used for subsequent measurement. However, there is uncertainty to whether the sale and purchase contract (the "SPA") entered between the Company and the potential buyers for the aforesaid investment properties will continue to be fulfilled, auditors were 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.

The Company could not implemented the SPA since there was a notice issued by the Nanjing Municipal Government on 13 January 2013 (the "Notice"). The Notice stipulates, amongst others, that approval for transfer or sales of research and development sites and the 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 purchaser must be R&D enterprises or institutions (which must not be a natural person) eligible for the conditions required by the above-mentioned local government authorities. The aggregate areas of the transferred/sold properties must not exceed 50% of the aggregate gross floor areas of construction of the buildings.

The Company and the management has actively conversed with the local government authorities to explore the possibility of a relaxation of the restrictive policy. The response from the relevant authorities is relatively optimistic and the Company has taken up the measure by negotiating with the government authorities. As disclosed in the Company's announcement dated 29 January 2019 (the "Announcement"), the Company received verbal consent from 江東軟件城管委會 on the transfers of ten units of Properties from the Company to the Purchasers. The Company expects from such verbal consent that 江東軟件城管委會 will issue a no-objection letter to the other relevant PRC government authority(ies) on the carrying out of the requisite formalities to register the Purchasers as the holders of the Properties in accordance with the relevant laws and regulations at completion of the Disposal. The Company expects to dispose of the Remaining Units in the near future and will issue further announcement(s) on any updates in due course.

The audit committee's view is in line with the management's position concerning the audit qualification and with the uncertainty relating to the disposal of the Units and the Remaining Units resolved upon the fulfillment of the Conditions, the Qualified Opinions may possibly be removed in the audited consolidated financial statements of the Group.

AUDITORS

At the annual general meeting on 1 June 2018, the Shareholders of the Company passed the ordinary resolution which approved appointment of Elite Partners CPA Limited as the auditor of the Company for the year ended 31 December 2018.

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

Nanjing the PRC
30 March, 2019

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 2018, 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 2018.

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.

As at 31 December 2018, 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:

– for business plans, strategies and policies;

– ensure the Groups' operations are functioned effectively and efficiency; and

– motivate to contribute 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 enriched 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 authorities are not focused solely on single person. Hence, the Group will recruit a suitable person who has an extensive understanding of the Group's business as soon as possible to manage the day-to-day business.

For the year ended 31 December 2018, 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 2018, 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	4/4	–	–	–	3/3
Mr. Yin Shou Rong	Non-Executive Director	3/4	–	1/1	–	0/3
Mr. Wong Wa Tak	Non-Executive Director (resigned on 4 June 2018)	1/4	–	–	–	1/3
Mr. Xu Zhi Bin	Non-Executive Director	4/4	–	–	–	3/3
Mr. Sha Min	Non-Executive Director	1/4	–	–	–	1/3
Mr. Xu Hao	Non-Executive Director (appointed on 15 October 2018)	0/4	–	–	–	1/3
Mr. Xie Man Lin	Independent Non-Executive Director	3/4	1/1	1/1	3/4	3/3
Mr. Shi Zhong Hua	Independent Non-Executive Director	4/4	1/1	1/1	4/4	3/3
Ms. Xu Xiao Qin	Independent Non-Executive Director	4/4	1/1	1/1	4/4	3/3

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 and resigned on 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. Xu Hao was appointed on 15 October 2018, for a term from 15 October 2018 to 14 October 2021.

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.

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.

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 2018, it comprises three Independent Non-Executive Directors, Mr. Xie Man Lin. Mr. Shi Zhong Hua and Ms. Xu Xiao Qin. 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 2018 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 2018, the Audit Committee has conducted 4 meetings, 1 of which was met with external auditors.

During the year under review, the Audit Committee has reviewed the financial statements for the year ended 31 December 2018, the 2018 Annual Report, 2018 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	✓
Mr. Wong Wa Tak (resigned on 4 June 2018)	✓
Mr. Xu Zhi Bin	✓
Mr. Sha Min	✓
Mr. Yin Shou Rong	✓
Mr. Xu Hao (appointed on 15 October 2018)	✓
Mr. Xie Man Lin	✓
Mr. Shi Zhong Hua	✓
Ms. Xu Xiao Qin	✓

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 subscription of domestic shares and the Registered Capital of the company has increased accordingly. The Clauses 20 of the original articles of association was that Registered Capital of the company is RMB148,800,000,and now it has been amended to the Registered Capital of the company is RMB328,800,000.

During the year under review, 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 2018 is set out below:

Remuneration band Number of individuals	Number of individuals
Nil to RMB300,000	3
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 Annual General Meeting held on 1 June 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 2018, 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	700,000.00
The total cost	700,000.00

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 2018, 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 40 to 46 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 2018, 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
30 March 2019

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, Mr. Zhu 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. Mr. Zhu is the Chairman of Christine international holdings limited whose shares are listed on main board in Hong Kong with stock code 01210 since 17 December 2018. Mr. Zhu is also the executive director and CEO of IDT International Limited whose shares are listed on main board in Hong Kong with stock code 0167 since October 2018. Mr. Zhu has been the Chairman of the Company from 21 July 2015 and re-appointed on 5 June 2018.

Mr. Wu Qing An, aged 62, 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.

Non-Executive Directors

Mr. Yin Shou Rong, (印壽榮), aged 59, 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 50, 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 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 office director 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 53, 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

Mr. Xu Hao,（徐浩）, aged 55, is a senior economist and currently the President of China Venture Capital Co., Ltd.*（中國創投資產管理有限公司）and has a Master's degree in Finance. Mr. Xu has more than 30 years of experience in the financial sector and corporate management. He had served as senior management in national holding banks, National Association of Financial Market Institutional Investors*（中國銀行間交易商協會）and assets management companies. Mr. Xu has extensive experience in management and finance sectors and published papers in the finance field more than 100 thousand words. Mr. Xu was appointed as the Non-executive Director of the Company on 15 October 2018.

Independent No-Executive Directors

Mr. Xie Man Lin,（謝滿林）, aged 55, 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 chairman of the supervisory committee of the Nanjing Lawyers Association, a standing director of the Jiangsu Lawyers Association, the vice chairman of the Disciplinary Committee of the Jiangsu Lawyers Association as well as a member of the Jiangsu Senior Legal Professional Qualifications Review Committee. 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 Putian Communication Company Ltd（南京普天通信股份有限公司, stock code: 200468）and the listed company Saurer Intelligent Technology Co.,Ltd（卓郎智能技術股份有限公司, stock code: 600545）. 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 48, 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. Mr. Shi was appointed as an Independent Non-Executive Director of the Company on 10 February 2017.

Ms. Xu Xiaoqin, (徐小琴), aged 63, 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 Nanjing Dajian transport Co., Ltd (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.

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. Mr. Yao is the chairman of the supervisor committee of the Company.

Ms. Zhang Xiao Hong, (張曉紅), aged 51, obtained her bachelor's degree in economy and trade from the Shanghai University of Finance and Economics and master's degree in business administration from the Nanjing University in 1989 and 2007 respectively. Ms. Zhang, who has been working in sectors relating to project operations and asset management, has accumulated over 20 years of working experience in investment management. She was appointed the investment manager of Jiangsu Xinsu Investment Management Co., Ltd.* 江蘇鑫蘇投資管理有限公司, the customer service manager of the securities department of Jiangsu Capital Investment Company Limited* 江蘇省創業投資有限公司, the senior manager of the investment department and of the financial assets department of Jiangsu High-Tech Investment Group Co., Ltd. (Govtor Capital)* 江蘇高科技投資集團, the senior investment manager of the Internet and software service outsourcing department of Jiangsu Gaotou Venture Capital Management Co., Ltd.* 江蘇高投創業投資管理有限公司. She has also been serving as the general manager of the investment operations department and the deputy general manager of the asset management department of Jiangsu High-Tech Investment Group Co., Ltd. (Govtor Capital)* 江蘇高科技投資集團 from 2014 up to present. Ms. Zhang was appointed as the supervisor of the Company on 1 June 2018.

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.

Ms. Zhang Yan Ping,（張燕萍），aged 36,joined the Company in March 2018 and is currently the Securities Affairs Representative of the Company. Ms. Zhang graduated from Business School of Nanjing University with a Master degree and she has long-term engagement in equity investment and related work. She had served in Huaxia Century Venture Capital Co., LTD. as an investment assistant and Guotai Junan Asset Management Co., LTD. as the investment manager. Ms. Zhang was elected as the supervisor of the Company by the workers' congress on 23 July 2018.

Mr. Lin Hui, （林輝）, aged 46, 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 an independent supervisor of the Company on 30 December 2017.

Mr. Xu Bin,（徐斌）, aged 53, has long been involved in works relating to corporate financial management. He had been serving as the finance director of Taizhou Investment Real Estate Co., Ltd* 泰州投資置業有限公司 of China CREC Railway Electrification Bureau (Group) Co., Ltd* 中國中鐵電氣化局集團有限公司 from May 2013 to July 2017. Mr. Xu has also been appointed as the finance director of Jiangsu Jinriyangguang Real Estate Development Co., Ltd.* 江蘇今日陽光房地產發展有限公司. Mr. Xu was appointed as the independent supervisor of the Company from 1 June 2018.

SENIOR MANAGEMENT

Ms. Wu Zhengrong, (吳崢嶸), aged 41, member of the Hong Kong Institute of Chartered Secretaries and ICSA, 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.Ms.Wu obtained a master degree in Corporate Governance from The Open University of Hong Kong in 2018. 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. Xu Chun Bin, (徐純彬), aged 54, graduated from Business School of Nanjing University with an EMBA degree. Mr. Xu has been working in financial sectors for a long term and has extensive experience in financial filed. Mr. Xu joined Industrial and Commercial Bank of China(ICBC) in 1983, and he had been appointed as the director of Nanjing sub-branch, vice president of Eastern branch, president of Xiaguan branch, vice president of Nanjing branch and president of Yangzhou Branch of ICBC. Mr. Xu had been the president of Nanjing Branch of Bank of Shanghai, the chairman of Jiangning District Shangyin Village Bank and the general manager of Cash-Center of the of Bank of Shanghai Head office. Mr. Xu was appointed as vice president of the Company on 30 March 2019.

Mr. Pan Jun, (潘 軍), aged 43,graduated from Beijing Aeronautics and Astronautics University, majoring in automation in 1995. In 2015, Mr. Pan graduated from Business School of Nanjing University with a MBA degree. He qualified as a lawyer from 2000. Mr. Pan served as the legal manager of Nanjing Dahe Media Company from 2000 and served as the legal director of Jiangsu Hongtu Sanpower Technology Company Limited and SVT Group WangXin Technology Development Company from 2002. Since 2002, Mr Pan has been the legal manager, legal director and senior legal director in Hongtu Sanpower Group Company Limited. Mr. Pan was appointed as Vice President of the Company on 30 March 2019.

Mr. Shum Shing Kei, (沈成基), aged 47. 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. Mr. Shum has been the Company Secretary from 7 July 2016.

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 47 to 115, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 RMB251,700,000 are for sales purpose, which are regarded as investment properties and fair value is used for subsequent measurement. As stated in note 38(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 RMB74,200,000. We are unable to obtain sufficient and appropriate audit evidence 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 2017 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 27 March 2018.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2017 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 2018 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2018.

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 RMB49,334,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately RMB34,116,000, 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.

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 2018. 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 RMB555,240,000 as at 31 December 2018. 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 2018, the Group had trade receivables of approximately RMB91,637,000, 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 RMB6,054,000 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 2018, the carrying amounts of interests in associated companies amounted to approximately RMB83,062,000. 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.
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Elite Partners CPA Limited
Certified Public Accountants

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

30 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018	2017
		RMB'000	RMB'000
Revenue	7	**479,837**	404,651
Cost of sales		**(429,726)**	(355,633)
Gross profit		**50,111**	49,018
Other income	8	**5,019**	11,309
Selling and distribution expenses		**(10,195)**	(9,711)
Administrative expenses		**(41,930)**	(48,818)
Impairment loss	9	**(40,203)**	(42,305)
Finance costs	10	**(17,110)**	(28,988)
Fair value change on investment properties		**1,400**	15,941
Sharing result of associated companies		**5,373**	2,104
Loss before income tax	11	**(47,535)**	(51,450)
Income tax expense	12	**(1,799)**	(5,390)
Loss for the year		**(49,334)**	(56,840)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statement of foreign operations		**(4,547)**	(2)
Item that will not be reclassified to profit or loss:			
Net fair value loss on equity investment designated as at FVTOCI		**(4,803)**	–
Total comprehensive expenses for the year		**(58,684)**	(56,842)
Loss for the year attributable to:			
– Owners of the Company		**(53,698)**	(53,834)
– Non-controlling interests		**4,364**	(3,006)
Loss for the year		**(49,334)**	(56,840)
Total comprehensive expenses for the year attributable to:			
– Owners of the Company		**(61,333)**	(53,928)
– Non-controlling interests		**2,649**	(2,914)
		(58,684)	(56,842)
Loss per share	15		
– Basic and diluted (RMB cents)		**(3.07)**	(3.81)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018	2017
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**76,622**	81,782
Prepaid land lease premium	17	**4,485**	4,533
Intangible assets	18	**306**	426
Investment properties	19	**555,240**	553,840
Interest in associates	20	**83,062**	77,689
Goodwill	21	**23,408**	23,408
Equity investment at fair value through other comprehensive income	22	**5,708**	10,782
Deferred tax assets	31	**2,968**	2,968
Total non-current assets		**751,799**	755,428
Current assets			
Inventories	23	**35,414**	59,282
Trade receivables	24	**91,637**	72,901
Prepayment, deposit and other receivables	25	**217,163**	194,119
Cash and cash equivalents	26	**101,032**	75,151
Total current assets		**445,246**	401,453
Total assets		**1,197,045**	1,156,881
Current liabilities			
Trade payables	27	**170,747**	187,444
Amount due to related parties		**790**	749
Advance from customers		**104,954**	111,707
Accrual and other payables	28	**167,808**	370,907
Dividend payables		**3,454**	6,004
Bank and other borrowings	29	**13,665**	45,619
Obligation under finance lease	30	**–**	326
Tax payables		**17,944**	17,131
Total current liabilities		**479,362**	739,887
Net current liabilities		**(34,116)**	(338,434)
Total assets less current liabilities		**717,683**	416,994

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018	2017
		RMB'000	RMB'000
Non-current liabilities			
Other borrowings	29	**282,627**	184,987
Deferred tax liabilities	31	**63,404**	63,054
Total non-current liabilities		**346,031**	248,041
Total liabilities		**825,393**	987,928
NET ASSETS		**371,652**	168,953
CAPITAL AND RESERVE			
Share capital	32	**328,800**	148,800
Reserves	33	**(10,465)**	(30,515)
Equity attributable to owners of the Company		**318,335**	118,285
Non-controlling interests		**53,317**	50,668
TOTAL EQUITY		**371,652**	168,953

Approval and authorised for issue by the board of directors on 30 March 2019.

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 2018

	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Revaluation reserve	Surplus reserve	Translation reserve	FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2018	**148,800**	**129,469**	**81,862**	**20,020**	**2,285**	**–**	**(264,151)**	**118,285**	**50,668**	**168,953**
Adjustment on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**2,229**	**(5,446)**	**(3,217)**	**–**	**(3,217)**
Adjusted balance at 1 January 2018	**148,800**	**129,469**	**81,862**	**20,020**	**2,285**	**2,229**	**(269,597)**	**115,068**	**50,668**	**165,736**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(53,698)**	**(53,698)**	**4,364**	**(49,334)**
Other comprehensive expenses – exchange differences arising on translation of financial statement of foreign operation	**–**	**–**	**–**	**–**	**(2,832)**	**–**	**–**	**(2,832)**	**(1,715)**	**(4,547)**
Fair value change on equity investment	**–**	**–**	**–**	**–**	**–**	**(4,803)**	**–**	**(4,803)**	**–**	**(4,803)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2,832)**	**(4,803)**	**(53,698)**	**(61,333)**	**2,649**	**(58,684)**
Issue of ordinary shares by placing	**180,000**	**84,600**	**–**	**–**	**–**	**–**	**–**	**264,600**	**–**	**264,600**
Transfer to surplus reverse	**–**	**–**	**–**	**114**	**–**	**–**	**(114)**	**–**	**–**	**–**
At 31 December 2018	**328,800**	**214,069**	**81,862**	**20,134**	**(547)**	**(2,574)**	**(323,409)**	**318,335**	**53,317**	**371,652**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(47,535)**	(51,450)
Adjustments for:		
Amortisation of prepaid premium for land leases	**48**	112
Amortisation of intangible assets	**120**	647
Depreciation of property, plant and equipment	**3,203**	4,087
Interest income	**(327)**	(236)
Interest expenses	**17,110**	28,988
Share of results of associated companies	**(6,215)**	(2,104)
(Gain)/Loss on disposal of associated companies	**–**	(2,982)
Gain on disposal of a subsidiary	**–**	–
Fair value gain on investment properties	**(1,400)**	(15,941)
Impairment loss on inventories	**–**	418
Impairment loss of available-for-sale finance assets	**–**	2,522
Provision of bad debt on trade and other receivables	**40,203**	39,365
Gain on disposal of property, plant and equipment	**(16)**	–
Operating profit/(loss) before working capital changes	**5,191**	3,426
(Increase)/Decrease in inventories	**23,868**	(25,891)
Decrease/(Increase) in financial assets at fair value through profit or loss	**–**	10,000
Decrease in trade receivables	**(24,790)**	76,344
Increase in prepayment, deposit and other receivables	**(62,693)**	(49,310)
Decrease in trade payables	**(16,697)**	(29,730)
Increase/(Decrease) in accrual and other payables	**(196,920)**	24,148
Increase in advance from customers	**(6,753)**	20,156
Increase in amount due to related parties	**41**	718
Cash generated from/(used in) operations	**(278,753)**	29,861
Income tax paid	**(2,085)**	(887)
Interest received	**1,197**	(27,822)
Net cash generated from/(used in) operating activities	**(279,641)**	1,152

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from investing activities		
Interest received	327	236
Invested in an associated company	–	(2,000)
Proceeds from disposal of an associated company	–	10,000
Dividend received from an associated company	842	434
Dividend paid to non-controlling interests	(2,550)	(2,450)
Invested in available-for-sale financial assets	–	(5,085)
Purchases of property, plant and equipment	(677)	(2,709)
Proceeds from disposal of property, plant and equipment	2,641	–
Net cash (used in)/generated from investing activities	583	(1,574)
Cash flow from financing activities		
Proceeds from issue of H shares upon placing	–	16,171
Proceeds from issue of domestic shares upon placing	264,600	–
Interest paid	(18,307)	–
Repayment of bank and other borrowings	(72,206)	(51,327)
Drawdown of bank and other borrowings	131,713	61,844
Repayment of obligation under finance lease	(326)	(1,232)
Net cash generated from financing activities	305,474	25,456
Net increase/(decrease) in cash and cash equivalents	26,416	25,034
Cash and cash equivalents at the beginning of year	75,151	49,652
Effect of foreign exchange rate, net	(535)	465
Cash and cash equivalents at the end of year	101,032	75,151
Analysis of balances of cash and cash equivalents		
Cash and bank balances	101,032	75,151

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 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 equity investment at fair value through other comprehensive income 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 2018, the Group had recorded net current liabilities of approximately RMB34,116,000; and (ii) The Group incurred a loss of RMB49,334,000 for the year ended 31 December 2018.

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

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 that, as at the date of approving the consolidated financial statement, two related companies, which Mr. Zhu Yong Ning, the Chairman of the Group, holds directorship in, have provided a loan of RMB55,000,000 to the Company for daily operation which will not be called for repayment over the next twelve months.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs 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.

3.1 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 has replaced HKAS 11 Construction Contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not impact the Group's revenue recognition. Accordingly, HKFRS 15 had no impact on amounts and/or disclosures reported in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

	Carrying amounts previously reported at 31 December 2017	Remeasurement	Carrying amounts under HKFRS 9 At 1 January 2018
	RMB'000	RMB'000	RMB'000
Trade receivables	72,901	(5,446)	67,455
Accumulated losses	(264,151)	(5,446)	(269,597)
Debt investment at fair value through other comprehensive income	10,782	2,229	13,011
FVTOCI reserve	–	2,229	2,229

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

3.2 HKFRS 9 Financial Instruments (Continued)

HKFRS 16 Leases (Continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,413,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

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).

4.2 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 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 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.

4.10 Financial assets

Classification of financial assets

Accounting policy prior to 1 January 2018

All financial assets are initially measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets held for trading and those designated at fair value through profit or loss) (FVTPL) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of held for trading and FVTPL investments are recognised in profit or loss immediately.

Financial assets that are classified as "loans and receivables" or "held-to-maturity investments" are subsequently measured at amortised cost using an effective interest rate, less impairment.

OTHER FINANCIAL ASSETS

Available-for-sale (AFS) equity investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under "AFS investment revaluation reserve". Amounts previously recognised in "AFS investment revaluation reserve" are reclassified to profit or loss upon impairment or disposal.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are subsequently measured at cost less impairment.

Dividends from AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-debt investments are subsequently measured at fair value with changes in fair value being recognised in other comprehensive income accumulated under "AFS investment revaluation reserve" except for (a) interest income measured using the effective interest method and (b) foreign exchange gains or losses determined based on the amortised cost of debt investments are recognised in profit or loss.

Held-for-trading investments and FVTPL assets are subsequently measured at fair value, with changes in fair value being recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets (Continued)

Classification of financial assets (Continued)

Accounting policy prior to 1 January 2018

Investments in equity securities (other than investments in subsidiaries, associates and joint ventures)

An investment in equity securities is measured fair value on initial recognition. An investment in equity securities is subsequently measured at FVTPL unless the investment is designated as at fair value through other comprehensive income (FVTOCI) as at date of initial application of HKFRS 9 based on the specific transitional provisions set out in HKFRS 9. Under HKFRS 9, an investment in equity securities can be designated as at FVTOCI on an instrument-by-instrument basis provided that the investment is neither held-for-trading nor contingent consideration recognised by the Group in a business combination to which HKFRS 3 applies.

For investments in equity securities designated as at FVTOCI (as described above), fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (equity investment) reserve". Such fair value changes will not be reclassified to profit or loss when the investments are derecognised. However, they will be transferred to the Group's retained earnings when the investments are derecognised.

For investments in equity securities that are held-for-trading or not designated as at FVTOCI (as described above), they are subsequently measured at fair value through profit or loss (FVTPL) such that changes in fair value are recognised in profit or loss.

An investment is equity securities is derecognised when the Group sells the investment.

Investments in debt securities

An investment in debt securities is classified as follows depending on the instruments' contractual cash flow characteristics and the Group's business model for managing the investment:

- Amortised cost when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows.

- FVTOCI when (a) the contractual terms of the asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding and (b) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset.

- FVTPL when either (a) the contractual terms of the asset give rise on specified dates to cash flows that are not solely payment of principal and interest on the principal amount outstanding or (b) the financial asset is held within a business whose objective is neither (i) collecting contractual cash flows nor (ii) collecting contractual cash flows and selling the financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets (Continued)

Classification of financial assets (Continued)

Accounting policy prior to 1 January 2018 (Continued)

Investments in debt securities (Continued)

For investments in debt securities subsequently measured at FVTOCI, fair value changes are recognised in other comprehensive income and accumulated in the "FVTOCI (debt investment) reserve" except for impairment loss (see below) and foreign exchange gains or losses. Interest income is calculated using the effective interest method and is recognised in profit or loss. When an investment in debt securities is derecognised, the fair value changes previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

An investment is debt securities is derecognised when the Group sells the investment or when the contractual rights to the cash flows from the asset expire.

Transaction costs

Transaction costs directly attributable for the acquisition of financial assets (other than those classified or designated as at FVTPL) are included in the initial measurement of the financial assets. For financial assets subsequently measured at amortised cost, such transaction costs are included in the calculation of amortised cost using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets). For investments in equity securities at FVTOCI, such transaction costs are recognised in other comprehensive income as part of change in fair value at the next remeasurement. For investments in debt securities classified as FVTOCI, such transaction costs are amortised to profit or loss using the effective interest method (i.e. in effect amortised through profit or loss over the lives of the financial assets).

Impairment on financial assets

Accounting policy prior to 1 January 2018

Prior to 1 January 2018, the Group had adopted "incurred loss model" in assessing and measuring impairment losses on financial assets. Under the "incurred loss model", an impairment loss was recognised when there was objective indicators of impairment which included:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technology, market, economic or legal environment that have an adverse effect on the debtor.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets (Continued)

Impairment on financial assets (Continued)

Accounting policy from 1 January 2018

The Group has applied the expected credit loss model under HKFRS 9 to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents and trade receivables);
- contract assets as defined in HKFRS 15; and
- investments in debt securities that are subsequently measured at FVTOCI;

Expected credit loss (ECL) of a financial asset is measured based on an unbiased and probability-weighted amount. It also reflects the time value of money and reasonable and supportable information that is available to the Group without undue cost or effect at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL is measured on either of the following bases:

- 12-month expected credit loss when, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition; and
- Lifetime expected credit loss when (a) at the reporting date, the credit risk on a financial asset has increased significantly since initial recognition; or (b) at the reporting date, the financial asset has become credit-impaired.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers quantitative and qualitative reasonable and supportable information that is available to the Group without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets (Continued)

Impairment on financial assets (Continued)

Accounting policy from 1 January 2018 (Continued)

Specifically, the following information has been taken into account in assessing whether the credit risk on a financial asset has significantly increased since initial recognition:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.
- Significant changes in terms of existing financial assets if the asset was newly originated or issued at the reporting date.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- An actual or expected significant change in the financial instrument's external credit rating.
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations (e.g. actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates).
- Actual or expected significant change in the operating results of the borrower.
- Significant change in the quality of guarantee provided.
- Contractual cash flows are more than 30s past due.

In making the abovementioned assessment, the Group considers that a default occurs when (a) it is unlikely that the borrower will be able to settle his/her debts in full and (b) the financial asset is more than 90 days past due.

ECL is remeasured at the end of each reporting period to reflect changes in financial asset's credit risk since initial recognition. Changes in ECL are recognised in profit or loss with the corresponding adjustment to the carrying amount of the asset through a loss allowance account, except for investments in debt securities that are subsequently measured at FVTOCI for which the corresponding adjustment is recognised in other comprehensive income and accumulated in "FVTOCI (debt investment) reserve".

For trade receivables and contract assets without significant financing component, ECL is always measured at an amount equal to lifetime expected credit losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial assets (Continued)

Impairment on financial assets (Continued)

Accounting policy from 1 January 2018 (Continued)

At the end of each of the reporting period, the Group assesses whether its financial assets have become credit impaired.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts

4.11 Financial liabilities

Prior to 1 January 2018

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

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.

Equity instruments

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

Derecognition

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial liabilities (Continued)

Accounting policy from 1 January 2018

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities 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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial liabilities (Continued)

Accounting policy from 1 January 2018 (Continued)

Equity instruments

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

Derecognition

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.12 Trade and other receivables

Prior to 1 January 2018

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect the amounts due.

Accounting policy from 1 January 2018

Trade receivables are recognised when the Group has an unconditional right to receive consideration. The Group has an unconditional right to receive consideration when only the passage of time is required before payment of the consideration is due.

For the Group's trade receivables, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the trade receivables through a loss allowance account.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the debtor is unable to settle the debts in full or part of the debts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Contract assets and contract liabilities

Accounting policy from 1 January 2018

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration rom the customer.

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

As mentioned in Note 3, the Group has applied HKFRS 15 for the first time for the current year using the cumulative effect transition method. Adjustments were made as at 1 January 2018 to reclassify certain amounts from "trade and other receivables" and "gross amount due from customers" to "contract assets" and certain amounts from 'trade and other payables" and "gross amount due to customers" to "contract liabilities".

For the Group's contract assets, ECL is always measured at an amount equal to lifetime expected credit losses. In particular, ECL is estimated using a provision of matrix based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular customers available and (b) forward-looking information based on the current and forecast general economic conditions at the reporting date. ECL is recognised in profit or loss with the corresponding adjustment to the carrying amount of the contract assets through a loss allowance account.

The Group directly reduces the gross carrying amount of a contract asset when the Group has no reasonable expectations of recovering a contract asset in its entirety or a portion thereof. This is generally the time when the Group assesses and concludes that the Group is unable to recover the costs.

4.14 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.

4.15 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)

4.16 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.

4.17 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)

4.17 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)

4.18 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.

4.19 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)

4.20 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.

4.21 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.

4.22 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)

4.22 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 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.

4.23 Borrowing costs

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

4.24 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.

4.25 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)

4.26 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 2018, 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 2018					
Revenue from external customers	180,082	283,909	15,667	179	479,837
Reportable segment profit	5,822	38,702	5,444	143	50,111
Government grants					2,055
Gain on disposal of property, plant and equipment					16
Interest income					327
Other income					2,621
Fair value change on investment properties					1,400
Share of results of associated companies					5,373
Finance costs					(17,110)
Impairment loss on trade receivables					(6,054)
Impairment loss on prepayment, deposit and other receivables					(34,149)
Research expenses					(12,933)
Unallocated corporate expenses					(39,192)
Loss before income tax					(47,535)
As at 31 December 2018					
Segment assets	45,996	811,607	231,107	454	1,089,164
Goodwill	–	22,877	–	531	23,408
Interest in associated companies					83,062
Unallocated corporate assets					1,411
Total assets					1,197,045
Segment liabilities	53,722	594,324	164,403	1,964	814,413
Unallocated corporate liabilities					10,980
Total liabilities					825,393
Other segment information					
Depreciation of property, plant and equipment	201	2,510	15	477	3,203
Amortisation of intangible assets	–	120	–	–	120
Amortisation of prepaid premium for land lease	–	48	–	–	48

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 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)

(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 2018 and 2017, 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.

	2018	2017
	RMB'000	RMB'000
Computer hardware and software products	**180,082**	227,666
Provision of system integration service	**283,909**	162,896
Rental and properties management service income	**15,667**	14,055
Others	**179**	34
	479,837	404,651

8. OTHER INCOME

	2018	2017
	RMB'000	RMB'000
Bank interest income	**327**	236
Gain on disposal of property, plant and equipment	**16**	–
Gain on disposal of interest in an associated company	**–**	2,982
Government grants	**2,055**	6,890
Realised gain on financial assets at fair value through profit or loss	**–**	397
Sundry income	**2,621**	804
	5,019	11,309

9. IMPAIRMENT LOSS

	2018	2017
	RMB'000	RMB'000
Inventory	**–**	418
Available-for-sale financial assets	**–**	2,522
Trade receivables	**6,054**	30,831
Prepayment, deposit and other receivables	**34,149**	8,534
	40,203	42,305

10. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Interest on bank and other borrowings	17,110	13,974
Interest on finance lease	–	103
Interest on other debts	–	14,911
	17,110	28,988

11. LOSS BEFORE INCOME TAX

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

	2018	2017
	RMB'000	RMB'000
Amortisation of prepaid land lease premium	48	112
Amortisation of intangible assets	120	647
Auditor's remuneration	700	670
Cost of inventories recognised as expenses	429,726	355,633
Depreciation of property, plant and equipment	3,203	4,087
Net foreign exchange loss/(gain)	(1)	155
Operating lease charges on rented premises	742	4,679
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	31,431	31,633
– Contribution to defined contribution plans	6,332	9,893

12. INCOME TAX EXPENSE

	2018	2017
	RMB'000	RMB'000
Current tax – PRC	**1,449**	1,405
Deferred tax	**350**	3,985
Income tax expenses	**1,799**	5,390

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 2018 and 2017 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% (2017: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

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:

	2018	2017
	RMB'000	RMB'000
Loss before income tax	**(47,535)**	(51,450)
Tax on profit at applicable tax rates	**(11,884)**	(12,862)
Effect of expenses not deductible for tax purpose	**6,698**	1,062
Effect of income not taxable for tax purpose	**(1,701)**	(404)
Tax effect of tax loss not recognised	**8,686**	17,535
Tax effect of temporary difference not recognised	**–**	59
Income tax expense	**1,799**	5,390

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 2018				
Executive directors:				
Zhu Yong Ning	505	–	–	505
Wu Qing An	305	–	–	305
Non-executive directors:				
Yin Shou Rong	–	–	–	–
Xu Zhi Bin	–	–	–	–
Sha Min	80	–	–	80
Xu Hao (appointed at 15 October 2018)	17	–	–	17
Independent non-executive directors:				
Xie Man Lin	80	–	–	80
Shi Zhong Hua	80	–	–	80
Xu Xiao Qin	80	–	–	80
	1,147	–	–	1,147
Supervisors	96	542	–	638

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 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 Dai 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

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 (2017: 2) directors of the Company for the year ended 31 December 2018 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2017: 3) highest paid individuals for the year ended 31 December 2018 are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**1,442**	676
Retirement benefits – defined contribution plans	**–**	170
Total	**1,442**	846

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	
	2018	2017
Nil–RMB10,000,000	**5**	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: 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 (2017: Nil).

14. DIVIDENDS

No dividend has been declared by the Company during the year (2017: Nil).

15. LOSS PER SHARE

	2018	2017
	RMB'000	RMB'000
Loss for the year attributable to the owner of the Company	**(53,698)**	(53,834)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,749,370**	1,414,181

No diluted loss per share is calculated for the year ended 31 December 2018 and 2017 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 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
Additions	–	–	39	638	677
Exchange realignment	–	–	5	–	5
Disposal	–	(2,472)	(82)	(918)	(3,472)
At 31 December 2018	85,563	–	16,051	5,783	107,397
Accumulated depreciation					
At 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
Depreciation	1,791	–	1,016	396	3,203
Exchange realignment	–	–	4	–	4
Written back on disposal	–	–	(82)	(755)	(837)
At 31 December 2018	15,113	–	11,156	4,506	30,775
Net book amount					
At 31 December 2018	**70,450**	**–**	**4,895**	**1,277**	**76,622**
At 31 December 2017	72,241	2,472	5,871	1,198	81,782

The net book value of the Group's building includes an amount of approximately RMB6,976,000 (2017: RMB7,200,000) were occupied by certain occupants.

17. PREPAID LAND LEASES PREMIUM

	Land-use rights
	RMB'000
At cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	5,120
Amortisation and impairment	
At 1 January 2017	475
Amortisation for the year	112
At 31 December 2017 and 1 January 2018	587
Amortisation for the year	48
At 31 December 2018	635
Net carrying amount	
At 31 December 2018	**4,485**
At 31 December 2017	4,533

18. INTANGIBLE ASSETS

	Computer Software
	RMB'000
At cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	3,784
Amortisation and impairment	
At 1 January 2017	2,711
Amortisation for the year	647
At 31 December 2017 and 1 January 2018	3,358
Amortisation for the year	120
At 31 December 2018	3,478
Net carrying amount	
At 31 December 2018	**306**
At 31 December 2017	426

19. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	RMB'000
At fair value		
At 1 January	553,840	537,899
Fair value change	1,400	15,941
At 31 December	555,240	553,840

Notes:

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

(b) As at 31 December 2018, the fair values of the Group's investment properties were approximately RMB555,240,000 (2017:RMB553,840,000). 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 2018

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 RMB23 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.

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.

19. INVESTMENT PROPERTIES (Continued)

(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.

(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 2018, the fair value of the Occupied Property Units included in the Group's investment properties was approximately RMB74,200,000 (2017: RMB142,400,000) and the net book value of the Occupied Property included in the Group's property, plant and equipment was approximately RMB6,976,000 (2017: HK$7,168,000), 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

	2018	2017
	RMB'000	RMB'000
Cost of investment in associated companies	**77,689**	81,481
Share of post-acquisition profit and other comprehensive income	**6,215**	2,104
Dividend received	**(842)**	(434)
Addition	**–**	2,000
Less: disposal	**–**	(7,018)
Exchange realignment	**–**	(444)
	83,062	77,689

20. INTEREST IN ASSOCIATES (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
		2018	2017	**2018**	2017	
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
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 Zhonggao Intellectual Property Co., Ltd.	PRC	**20%**	20%	**20%**	20%	Provision of consultancy service
Beijing Zhong Zhi Cultural Creative Development Company Limited	PRC	**41%**	N/A	**41%**	N/A	Provision of education culture service

20. INTEREST IN ASSOCIATES (Continued)

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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**12,694**	11,855	**–**	1
Profit/(loss) for the year	**21,477**	5,847	**(1,247)**	(16,981)
Fair value adjustment of investment property	**–**	11,609	**–**	–
Total comprehensive income	**21,477**	17,456	**(1,247)**	(16,981)
Carrying amount of interest in associated companies at the beginning of the year	**51,820**	47,016	**14,159**	17,720
Total comprehensive income attributable to the Group	**6,443**	5,237	**(226)**	(3,072)
Less: dividend received	**(842)**	(434)	**–**	–
Exchange realignment	**–**	–	**–**	(489)
Carrying amount of interest in associated companies at the end of the year	**57,421**	51,819	**13,933**	14,159

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

	2018	2017
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	**23,408**	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 13.4% (2017: 13%). Cash flows beyond the one-year period are extrapolated using growth rates of 3% (2017: 3%) 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. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
	RMB'000	RMB'000
Unlisted investments:		
– equity securities	**5,708**	10,782

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. These AFS investments were reclassified to FVTOCI as appropriate as at 1 January 2018.

23. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Raw material	–	11,811
Finished goods	40,024	52,081
Less: provision of impairment loss	(4,610)	(4,610)
	35,414	59,282

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

	2018	2017
	RMB'000	RMB'000
At 1 January	4,610	4,192
Impairment loss recognised	–	418
At 31 December	4,610	4,610

24. TRADE RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Trade receivable	213,078	182,852
Less: allowance for impairment loss of trade receivables	(121,441)	(109,951)
	91,637	72,901

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:

	2018	2017
	RMB'000	RMB'000
Within 3 months	63,262	29,489
3–6 months	3,654	39,073
6–12 months	10,857	1,046
Over 1 year	13,864	3,293
	91,637	72,901

24. TRADE RECEIVABLES (Continued)

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

	2018	2017
	RMB'000	RMB'000
Neither past due nor impaired	63,262	29,489
Less than 3 month past due	3,654	39,073
More than 3 months past due	24,721	4,339
	91,637	72,901

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

	2018	2017
	RMB'000	RMB'000
At 1 January (1 January 2018 amount has been restated)	115,397	79,128
Impairment loss recognised	6,054	30,831
Exchange realignment	(10)	(8)
At 31 December	121,441	109,951

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

	2018	2017
	RMB'000	RMB'000
Prepayment and deposit	**126,909**	137,174
Other receivables	**233,915**	166,457
Less: allowance for impairment loss	**(143,661)**	(109,512)
	217,163	194,119

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. CASH AND CASH EQUIVALENTS

Included in bank and cash balances of the Group is a balance of approximately RMB74,000 as at 31 December 2018 which were denominated in Hong Kong dollar ("HK$") (2017: RMB49,000).

27. TRADE PAYABLES

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

	2018	2017
	RMB'000	RMB'000
Within 3 months	**46,078**	28,263
More than 3 months	**124,669**	159,181
	170,747	187,444

28. ACCRUAL AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Accrual	**2,381**	2,078
Other payables	**165,427**	338,589
Interest payables	**–**	25,109
Deferred income	**–**	5,131
	167,808	370,907

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

29. BANK AND OTHER BORROWINGS

	Note	2018	2017
		RMB'000	RMB'000
Secured bank borrowing	a	**7,500**	29,380
Secured other borrowing	b	**6,165**	37,612
Unsecured other borrowing	c	**282,627**	163,614
		296,292	230,606
Less: balance repayable within twelve months (shown under current liabilities)		**(13,665)**	(45,619)
		282,627	184,987

Notes:

(a) As at 31 December 2018, the Group's interest-bearing bank borrowings of RMB3,500,000 were bearing floating interest rate at 5.2% per annum over HIBOR and secured by the building held by a shareholder of a subsidiary, which is repayable within two years. The remaining bank borrowings were bearing floating interest rate from 6.1% to 6.3% per annum over HIBOR and secured by a building held by a shareholder of a subsidiary, which are repayable within one year.

(b) As at 31 December 2018, the Group's other borrowings of RMB6,165,000 were bearing fixed interest rate 19.5% per annum and covered by corporate guarantee provided by the Group, which is repayable on demand.

(c) As at 31 December 2018, the Group's other borrowing from a private company with common shareholder of RMB282,627,000 at fixed interest rate at 6% per annum and repayable after one year.

30. OBLIGATION UNDER FINANCE LEASE

	2018	2017
	RMB'000	RMB'000
Current liabilities	**–**	326

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 Nil% (2017: 12.7%) per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Obligations under finance leases payable:				
Within one year	**–**	334	**–**	326
Within a period of more than one year but not more than two years	**–**	–	**–**	–
	–	334	**–**	326
Less: future finance charge	**–**	(8)	**–**	N/A
Present value of lease obligations	**–**	326		
Less: amount due for settlement with 12 months (shown under current liabilities)			**–**	(326)
Amount due for settlement after 12 months			**–**	–

31. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets	**Provision for impairment of assets**
	RMB'000
At 1 January 2017	2,968
Credit to profit or loss for the year	–
At 31 December 2017 and 1 January 2018	2,968
Credit to profit or loss for the year	–
At 31 December 2018	2,968

Deferred tax liabilities	**Revaluation of investment properties**
	RMB'000
At 1 January 2017	(59,069)
Charge to profit or loss for the year	(3,985)
At 31 December 2017 and 1 January 2018	(63,054)
Charge to profit or loss for the year	(350)
At 31 December 2018	(63,404)

32. SHARE CAPITAL

	Number of domestic share	Number of H share	Total	Amount
	'000	'000	'000	RMB'000
Issued and fully paid:				
At 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 a)	–	84,200	84,200	8,420
At 31 December 2017 and 1 January 2018, ordinary shares of RMB0.1 each	982,800	505,200	1,488,000	148,800
Issue of ordinary shares by placing (note b)	1,800,000	–	1,800,000	180,000
At 31 December 2018	2,782,800	505,200	3,288,000	328,800

Notes:

(a) 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.

(b) On 9 November 2018, 1,800,000,000 domestic shares of RMB0.1 each were allotted and issued at the subscription price of RMB0.147 per share. The net proceeds from the placing are approximately RMB264.6 million used to repay debts of the Group.

33. 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.

34. 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:

	2018	2017
	RMB'000	RMB'000
Short-term employee benefits	**3,103**	2,183
Pension costs – defined contribution plan	**85**	237
	3,188	2,420

(b) Transaction with related parties

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

	Relationship	**2018**	2017
		RMB'000	RMB'000
Finance cost	Common shareholder	**13,320**	8,669
Rental income:			
Guotai Junan Assets Management Company Limited	Common director	**–**	300

35. 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:

	2018	2017
	RMB'000	RMB'000
Within one year	909	1,797
Within two to five years	504	1,021
	1,413	2,818

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:

	2018	2017
	RMB'000	RMB'000
Within one year	8,935	9,603
Within two to five years	22,734	27,250
After five years	12,067	15,606
	43,736	52,459

36. STATEMENT OF FINANCIAL POSITION

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

	2018	2017
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	74,500	79,660
Prepaid land lease premium	4,485	4,533
Intangible assets	143	258
Investment properties	550,240	548,840
Investment in subsidiaries (Note)	82,846	82,846
Interest in associates	11,331	13,741
Available-for-sale financial assets	4,864	9,907
Total non-current assets	728,409	739,785
Current assets		
Inventories	–	867
Trade receivables	12,946	8,864
Prepayment, deposit and other receivables	64,131	105,146
Amounts due from subsidiaries (note)	–	2,420
Dividend receivables	6,151	6,151
Cash and cash equivalents	3,901	687
Total current assets	87,129	124,135
Total assets	815,538	863,920
Current liabilities		
Trade payables	51,540	50,280
Advance from customers	81,010	81,054
Accruals and other payables	26,470	318,487
Amounts due to subsidiaries (note)	95,898	86,765
Dividend payables	6,004	6,004
Bank and other borrowings	–	52,673
Obligation under finance lease	–	326
Tax payables	3,069	3,756
Total current liabilities	263,991	599,345
Net current liabilities	(176,862)	(475,210)

36. STATEMENT OF FINANCIAL POSITION (Continued)

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

	2018	2017
	RMB'000	RMB'000
Non-current liabilities		
Bank and other borrowings	**273,032**	184,987
Deferred tax liabilities	**62,674**	62,324
Total non-current liabilities	**335,706**	247,311
Total liabilities	**599,697**	846,656
NET ASSETS	**215,841**	17,264
CAPITAL AND RESERVE		
Share capital	**328,800**	148,800
Reserves	**(112,959)**	(131,536)
TOTAL EQUITY	**215,841**	17,264

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 30 March 2019.

Zhu Yong Ning
Director

Wu Qing An
Director

36. STATEMENT OF FINANCIAL POSITION (Continued)

(b) Movement of reserves of the Company

	Capital reserve	Surplus reserve	Revaluation reserve	FVTOCI reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2018	129,469	20,470	81,862	–	(363,337)	(131,536)
Adjustment on initial application of HKFRS 9	–	–	–	2,185	(784)	1,401
Adjusted balance at 1 January 2018	129,469	20,470	81,862	2,185	(364,121)	(130,135)
Loss for the year	–	–	–	–	(62,724)	(62,724)
Fair value change on equity investment	–	–	–	(4,700)	–	(4,700)
Share issued by placing	84,600	–	–	–	–	84,600
At 31 December 2018	214,069	20,470	81,862	(2,515)	(426,845)	(112,959)

37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 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) 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.

37. 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 31 December				
Non-current assets	**605**	696	**9,794**	6,909
Current assets	**531,198**	73,822	**336,155**	254,611
Non-current liabilities	**–**	–	**(730)**	(730)
Current liabilities	**(44,590)**	(67,286)	**(246,913)**	(166,738)
Net assets	**9,213**	7,232	**98,306**	94,052
Carrying amount of NCI	**4,814**	3,544	**48,176**	46,085
Year ended 31 December				
Revenue	**179,099**	195,626	**266,945**	143,735
Expenses	**(177,117)**	(204,536)	**(261,085)**	(139,672)
Profit/(Loss) for the year	**1,982**	(8,910)	**5,860**	4,063
Profit/(Loss) attributable to NCI	**971**	(4,366)	**2,871**	1,991
Dividend paid to NCI	**–**	–	**–**	(2,450)
Total profit/(loss) attributable to NCI	**971**	(4,366)	**2,871**	(459)
Net cash flow (used in)/generated from				
Operating activities	**(6,492)**	9,421	**35,575**	57,439
Investing activities	**(1)**	19	**(482)**	3,165
Financing activities	**(280)**	(220)	**(4,335)**	–

38. 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**").

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 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.

According to the announcement on 22 June 2018 by the Company, the title to all the Settlement Properties as agreed with the Plaintiff has been duly transferred to Huaxing, and the Company has fully repaid in cash to Huaxing the outstanding balance and interest of the Settlement Sum (after deduction of the aggregate value of the Settlement Properties transferred).Such legal case was fully resolved.

38. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

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. In February 2018, the relevant payment was fully settled. Such legal case was fully resolved.

38. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

Legal case 3

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. The Company made sufficient provision for this legal claim and in March 2018, the relevant payment was fully settled. Such legal case was fully resolved.

(b) Sales and lease 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 regulations 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 2018, save as disclosed above, the Group had no significant contingent liabilities.

39. 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:

	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through other comprehensive income:		
Equity investments at fair value through other comprehensive income	**5,708**	–
Available-for-sale financial assets	**–**	10,782
Financial assets at amortised cost:		
Trade receivables	**91,637**	72,901
Other receivables	**90,254**	56,945
Cash and cash equivalents	**101,032**	75,151
	288,631	204,997
Financial liabilities		
Financial liabilities at amortised costs:		
Trade payables	**170,747**	187,444
Accrual and other payables	**167,808**	370,907
Advance from customers	**104,954**	111,707
Dividend payables	**3,454**	6,004
Bank and other borrowings	**296,292**	230,606
Amount due to related parties	**790**	749
Obligation under finance lease	**–**	326
	744,045	907,743

39. 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:

	2018	2017
	RMB'000	RMB'000
HK$	74	479

At 31 December 2018, 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 RMB7,000 higher/lower (2017: RMB48,000 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. 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:

	2018	2017
	RMB'000	RMB'000
Increase/(decrease) in loss/profit for the year and retained profits		
Increase/decrease in percentage ("%")		
+/–0.5%	38	75

39. 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.

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.

The Group applied the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected loss rates are based on actual loss experience over the past 3 years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

39. 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 2018			
Trade and other payables	46,079	338,555	338,555
Bank and other borrowings	13,665	282,627	296,292
At 31 December 2017			
Trade and other payables	15,038	558,351	558,351
Bank and other borrowings	66,619	177,552	230,606

39. 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 2018, 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 2018				
Financial assets at fair value through other comprehensive income	–	–	5,708	5,708

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

40. 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 2017 and 2018.

FIVE YEAR FINANCIAL SUMMARY

31 December 2018

	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**479,837**	404,651	443,365	513,130	524,322
Cost of sales	**(429,726)**	(355,633)	(384,322)	(445,081)	(457,642)
Gross profit	**50,111**	49,018	59,043	68,049	66,680
Other income	**6,419**	27,250	16,111	12,981	23,358
Selling and distribution costs	**(10,195)**	(9,711)	(13,434)	(19,674)	(23,757)
Research and development costs	**–**	(12,407)	(2,288)	(6,048)	(24,788)
Administrative expenses	**(41,930)**	(36,411)	(74,077)	(118,853)	(32,923)
Finance costs	**(17,110)**	(28,988)	(38,449)	(35,005)	(26,197)
Impairment loss	**(40,203)**	(42,305)	(53,288)	(45,469)	(48,839)
Share of results of associated companies	**5,373**	2,104	2,431	(625)	387
(Loss)/Profit before tax	**(47,535)**	(51,450)	(103,951)	(144,644)	(66,079)
Income tax expense	**(1,799)**	(5,390)	(2,308)	(4,918)	(11,357)
Loss for the year	**(49,334)**	(56,840)	(106,259)	(149,562)	(77,436)
Attributable to:					
Owners of the Company	**(53,698)**	(53,834)	(109,609)	(160,393)	(78,858)
Non-controlling interest	**4,364**	(3,006)	3,350	10,831	1,423
	49,334	(56,840)	(106,259)	(149,562)	(77,435)
Total assets	**1,197,045**	1,156,881	1,169,725	1,315,443	1,470,488
Total liabilities	**(825,393)**	(987,928)	(957,651)	(1,045,174)	(1,060,891)
Non-controlling interest	**(53,317)**	(50,668)	(56,032)	(50,803)	(39,442)
	318,335	118,285	156,042	219,466	370,155