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)

2019
Annual Report

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

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

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CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors

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

Non-Executive Directors

Mr. Yin Jian Kang
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 Yuan
Mr. Xu Chun Bin
Ms. Zhang Yan Ping
Ms. Zeng Xuan
Mr. Lin Hui
Mr. Xu Bin

COMPANY SECRETARY

Mr. Shum Shing Kei

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Xie Man Lin *(Chairman)*
Mr. Zhu Yong Ning
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

Chengbei sub-branch and
Olympic Sports Center Sub-branch,
Nanjing City Commercial Bank
Jiangsu Road sub-branch, China Citic Bank
Hong Kong Branch, SPD Bank

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited,
46th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA AND REGISTERED OFFICE

NandaSoft Softech Park,
No. 19 South Qingjiang Road,
Gulou District,
Nanjing, China
Postal code: 210036

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9E, Phase 1,
Kaiser Estate,
41 Man Yue Street,
Hunghom, Kowloon,
Hong Kong

STOCK CODE

08045

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 2019 to the shareholders for their review.

The software industry has evolved from initial technologies, products, solutions and services to something beyond the technology itself. It is becoming the foundation and "enabler" of social systems in the digital age. Software has entered into the era of empowerment. In 2019, with the in-depth integration of high and new technologies such as artificial intelligence, big data, the Internet of things and blockchain, the definition of software became richer and more user-friendly. Software has permeated all walks of life and people's daily lives, constantly changing and creating new business and life styles.

Driven by a surging wave of science and technology, NandaSoft, relying on innovation and talents of Nanjing University, has always been committed to raising shareholder value. With a deep insight into the development trends of the new era and of the industry, the Company innovates and continues to adapt its corporate development strategies to the changeable technological and economic environment for steady growth.

In recent years, we have continued to use software as a technological means to change business models and lifestyles. Adopting a customer-oriented approach, we have helped individuals and businesses to respond to business model innovation in a more agile and innovative way. Focusing on the construction of the intelligent "Internet +" platform, we have provided technical support for the intelligent industry development using technical means such as artificial intelligence, big data analysis and cloud computing. Our platform businesses, including intelligent transportation, intelligent education, intelligent medical service and the intellectual property trading platform of colleges and universities maintained sound development in 2019.

Our intelligent transportation segment maintained substantial growth and achieved an operating revenue of approximately RMB340 million in 2019, contributing significantly to NandaSoft's annual business performance. For intelligent education, we based ourselves in the Changzhou Science and Education City. We launched VR courses for practical automobile training and applications as well as high-end online training courses for mould and electromechanical majors for the year, with products of richer and more comprehensive categories. We also established good cooperation with more vocational schools. For intelligent medical service, we have established cooperation with more and more medical organizations. Our remote medical platforms such as the "Integrated Cloud Platform for Monitoring and Diagnosing Chronic Diseases" and the "Remote Expert Consultation System" have been widely used. We enhanced our R&D capabilities with a number of software copyrights acquired for the year. When it comes to intellectual property trading sector, Zhonggao Intellectual Property Trading Platform was officially launched for the year, with number of transactions growing steadily. In addition, an online public trading managed service platform was also officially launched this year to provide clients with better real-time online patent inquiry, evaluation and transformation services as well as related legal services. We also proactively and profoundly explored the cultural education for teenagers with the National Intellectual Property Administration.

BUSINESS RESULTS

In the financial year 2019, turnover of the Group was approximately RMB387,376,000, representing a decrease of approximately RMB92,461,000 over 2018. Net loss attributable to the parent company of the Company was approximately RMB103,080,000. The Board does not recommend the distribution of final dividend for the year ended 31 December 2019.

FUTURE PROSPECTS

Looking to the future, we believe that with the deepening of China's innovation-driven development strategy and supply-side structural reform, innovation, data and model dividends will be further released during the explosive period of accelerated innovation, rapid iteration and group breakthroughs of the global software industry. Software will become an important driver leading the transformation of intelligent technologies in the future to provide solid support for economic and social development.

As China has put forward a digital power strategy, NandaSoft will adhere to the national development strategy and combine market development needs and industry development characteristics to continuously improve its enterprise development strategy.

NandaSoft will work with customers and partners to develop new application scenarios, create value beyond software and build new models for software companies by integrating software with intellectual property, medical care, education, culture and transportation industries to empower new life and promote social development.

We are confident that with the continued support of all shareholders, business partners, customers, management and staff of the Group, we will build NandaSoft into an innovative enterprise matching the academic status of the Nanjing University.

Zhu Yong Ning
Chairman

Nanjing, the PRC
8 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2019 was approximately RMB387,376,000, which represented a decrease of approximately RMB92,461,000 or approximately 19.3%, when compared with 2018. During the year, as affected by the e-commerce technology market and the Group's continuous adjustment of business with low gross profit margin, the sales of computer hardware and software dropped approximately by RMB159,722,000 as compared with the same period of last year.

Loss attribute to owners of Company for the year ended 31 December 2019 was approximately RMB103,080,000, representing an increase in loss of approximately RMB49,382,000, or 92.0% when compared with 2018. The increase in loss was primarily due to (i) the inclusion of loss on fair value of investment properties of approximately RMB85,359,000 and the related reversal of deferred tax liabilities of approximately RMB19,590,000 and (ii) the decrease in impairment loss of account receivable of approximately RMB15,604,000 which was attribute to the fact that, the Group maintain strict control over the receivables during the year ended 31 December 2019 as compared with 2018.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, current assets of the Group amounted to approximately RMB687,839,000, of which approximately RMB132,611,000 were cash and cash equivalents and approximately RMB291,703,000 were receivables, prepayments and deposits, representing a decrease of RMB17,097,000 when compared with 2018. The decrease in accounts receivables was attributable to a decrease in turnover of approximately RMB92,461,000 for the year when compared with the previous year, which led to an overall decrease in receivables, prepayment and deposit.

As at 31 December 2019, non-current liabilities was RMB327,595,000 and its current liabilities amounting to approximately RMB534,900,000, which mainly comprised trade payables, contract liabilities and accrual and other payables. Current liabilities increased by approximately 11.6% when compared with 2018. As at 31 December 2019, net assets of the Group amounted to approximately RMB270,378,000, representing a decrease of RMB101,274,000 or approximately 27.2% when compared with 2018. As at 31 December 2019, short-term borrowings and long-term borrowings amounted to RMB280,623,000 in total. Its liquidity was sufficient to support the normal operation of the Group.

As at 31 December 2019, the Group's total assets amounted to RMB1,132,873,000. Total liabilities amounted to RMB862,495,000, 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 RMB387,376,000. The loss before tax amounted to RMB119,992,000. The net loss attributable to owners of the Company amounted to RMB103,080,000. The current ratio was approximately 1.3 times (2018: 0.9 times). The return on total assets was -9.1% (2018: -4.5%). The return on shareholders' equity was -47.9% (2018: -16.9%).

CHARGE ON GROUP ASSETS

As at 31 December 2019, the Group did not have assets pledged as security for the interest-bearing bank borrowings granted to the Group (2018: Nil).

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 2019, 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 2019, the Group did not have any contracted but not yet provided for capital commitment (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, save as disclosed above, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration for the employees of the Group for the year ended 31 December 2019 amounted to approximately RMB25,957,000 (2018: approximately RMB31,431,000), including directors' and supervisors' emoluments of approximately RMB1,210,000 (2018: approximately RMB1,147,000) and RMB440,000 (2018: approximately RMB638,000) respectively.

The number of employees for the year had decreased from 292 to 269.

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 2019 (2018: Nil).

BUSINESS REVIEW

During the year, guided by the business development strategy of the Board, the Company focused on the development of the "Internet +" platform business and continued to strengthen its existing intelligent platform business. In addition, the Company was proactive in acquiring new customers and providing more cutting-edge intelligent solutions for various industries to generate revenue for the Company.

During the year, the Company and its holding companies put more efforts on research and development and was awarded the patent certificate of "RTSP-based Equipment Control and Channel Limitation Method, Device and System" issued by National Intellectual Property Administration. In addition, the Company's "Integrated Intelligent Cloud Platform for Monitoring and Analysing Transportation Videos" was awarded the title of 2019 Tengyunjiashu Excellent Product by the Big Data Development Office of the Information Technology Leading Group, Jiangsu Provincial Department of Industry and Information Technology.

Intellectual Property Trading Platform of 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 is enhancing continuously. The platform has connected the demands of enterprises for intellectual property rights and scientific and technological services on over one hundred occasions cumulatively. During 2019, colleges and universities have opened nearly 230 stores through the "Patentpal" platform. Experts have opened more than 2,500 flagship stores through the "Patent Bag", accumulating 830,000 data on various technology achievements. During the year, Zhonggao Intellectual Property Trading Platform was officially launched, providing a more comprehensive online intellectual property management business system covering patent consulting, patent transformation and intellectual property-related legal services, being delegated by 7,000 users.

In addition, the Company continued to strengthen its cooperation with the National Intellectual Property Administration to proactively explore innovative cultural education for teenagers. Taking the series of "I Can Also Invent" (我也會發明) as a starting point and Beijing Zhong Zhi Cultural Creative Development Company Limited (北京中知文化創意發展有限公司) as the platform, the Company continued to develop more series of products, with a view to building itself into an excellent brand in the Chinese teenager innovative education market.

Intelligent Transportation

During the year, the intelligent transportation business of Jiangsu Changtian Zhiyuan Technology Company Ltd. ("Changtian Zhiyuan"), which is controlled by the Company, continued to maintain its strong advantages. In 2019, the segment achieved sales revenue of approximately RMB340,000,000, representing a significant increase of approximately 27.7% as compared to last year.

In terms of business development, Changtian Zhiyuan developed new business with the Transportation Engineering and Construction Bureau of Jiangsu Province during the year. It undertook the business of tender section XT-91 of the electromechanical construction project for the north-south highway toll system of the River Cross Tunnel from Wuxi to Nantong. The project is about 32 kilometers long in total. In addition, Changtian Zhiyuan also undertook two key projects. They are the demolition of the interprovincial toll booths of Hebei Province (Qinhuangdao-Chengde) and the second tender section (JHJDSG2) of the electromechanical integration for the reconstruction and expansion of the Laiwu-to-Linyi section (Shandong and Jiangsu Junction Area) of the Beijing-Shanghai Expressway. In the second half of the year, Changtian Zhiyuan obtained the electromechanical construction project for the Shuanghu Avenue Interchange on the Beijing-Hong Kong-Macao Expressway, the electromechanical construction project for the Juye-to-Shanxian section (Shandong and Anhui Junction Area) of the Dezhou-Shangrao Expressway and the HBS-SG1 tender section of "Good Bus" BRT system in Suqian City. These key projects contributed significantly to the Company's annual performance.

Intelligent Education

Jiangsu Zhiya Online Education Technology Ltd. ("Zhiya Online"), which is controlled by the Company, continues to focus on the construction and upgrade of the training base in the industrial centre of the Changzhou Science and Education City. It actively develops online application-oriented training courses for colleges and universities in the Science and Education City. The Zhiya Online Cloud Platform was upgraded to version 2.0 during the year. The company has also developed high-end online practical training courses based on the original basic courses such as VR courses for practical automobile training and applications as well as courses for mould and electromechanical majors. Additionally, it strengthened the research and development of new products such as intelligent classrooms, video surveillance systems and vertical display systems. Relying on the functions of the Science and Education City Training Base, Zhiya Online built model projects in the park and tried to establish an excellent demonstration base for practical training courses for vocational colleges.

In addition, using the training base in the Changzhou Science and Education City as a platform, Zhiya Online continued to learn about the actual needs of governments, enterprises and colleges and vigorously promoted its applications with a view to developing cooperation channels with more colleges and enterprises. Relying on the platform functions of the training base, Zhiya Online developed vocational and employment training export models and provided more competitive practical products and services.

Intelligent Medical Service

During this year, Jiangsu NandaSoft Medical Technology Co., Ltd. ("NandaSoft Medical"), in which the Company is a shareholder, continued to take remote medical information software services as the core of its business development, further explored intelligent health management for chronic diseases with a focus on intelligent health monitoring for chronic diseases. NandaSoft Medical continued to increase its research, development and upgrade of the "Integrated Cloud Platform for Monitoring and Diagnosing Chronic Diseases" to keep improving the platform usability and compliance for patients. During the year, it obtained 8 software copyrights, including the provincial-level "Remote Consultation System" IOS V1.0 and "Integrated Cloud Platform for Monitoring and Diagnosing Chronic Diseases" IOS V1.0. In addition, it also continued to consolidate the foundation of its strategic cooperation with the People's Hospital of Jiangsu Province, expanded its service scope and coverage to provide intelligent medical service solutions for more grass-root medical organizations. Through close cooperation with many hospitals, NandaSoft Medical continued to improve its comprehensive operational capabilities for large medical projects with its business resources becoming more abundant.

Computer Hardware Sales and IT Services

Affected by the development in e-commerce market, the Company strategically adjusted the proportion of trade businesses with low gross margins for the year. The hardware sales of Jiangsu NandaSoft Computer Equipment Co., Ltd. ("Computer Equipment"), which is controlled by the Company, continued to decline, significantly impacting the year's overall performance. Computer Equipment is committed to business transformation, focusing on intelligent IT projects such as large screen systems and cloud classrooms.

Additional H Shares Issuance Plan

To further improve the financial and cashflow position of the Group, the Company entered into the placing agreement for issuance of new H Shares during the year. The Company places no more than 3,000,000,000 H Shares at a placing price of HK$0.12 with the aggregate value approximately HK$360,000,000 (the "Placing"). The funds to be raised will be mainly used for repaying the Company's existing debts, and as supplemental working capital of the Group. The Placing was approved by China Securities Regulatory Commission on January 2020. In light of the generally downward market conditions and the outbreak of Novel Coronavirus for the global business environment, the management will implement the Placing afterwards.

PROSPECTS

2020 has arrived. The "Internet +" led innovation-driven development strategy has been heavily promoted with industry resources more closely integrated. As an "Internet +" platform-based enterprise with university development background, we will continue to make the best of our higher education research advantage to keep exploring intelligent services.

The Company will continue to consolidate the foundations for each intelligent business segment and continue to innovate in models, businesses and technologies. In addition, the Company will also promote the integration of the Internet with medical, education and transportation resources, scientific research achievements and cultural innovation resources to provide more intelligent solutions and strive to become an excellent intelligent platform-based benchmark enterprise.

Zhu Yong Ning
Chairman

Nanjing, the PRC
8 May 2020

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 2019.

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 medical and pharmaceutical equipment, provision of services in relation to building on installation and information system integration and properties investments. The activities of the Company's subsidiaries and associated companies are set out in Note 41 and Note 21 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

The directors do not recommend the payment of a final dividend for the year (2018: 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 2019 and for the previous four financial years are on page 108.

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 36 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 43.

DISTRIBUTABLE RESERVES

At 31 December 2019, there are no reserves available for distribution to shareholders of the Company (2018: 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 17 February 2020 (the "Announcement"), the relevant PRC government authority has recently given an unconditional consent to the carrying out of the requisite formalities to complete the transfers of the Properties from the Company to the relevant Purchasers in the form of issuing a no-objection letter ("No-objection Letter"), save and except one Property ("Unconsented Property") due to the Disposal thereof failing to satisfy the Restrictions.

After obtaining of the No-objection Letter of the Properties under the relevant laws and regulations in relation to the Disposal and the Agency in respect of the Consented Properties being obtained by the Company, completion of the Disposal in respect of the Consented Properties may be resumed.

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 2019, the Group' total assets amounted to RMB1,132,873,000. Total liabilities amounted to RMB862,495,000, 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 RMB387,376,000. The loss before tax amounted to RMB119,992,000. The net loss attributable to owners of the Company amounted to RMB103,080,000. The return on total assets was -9.1%. The return on shareholders' equity was -47.9%.

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 Shandong Aolian Information Technology Co., Ltd., Jinan Kinetic Energy Technology Co., Ltd.,Nanjing Ruiyongda Information System Co., Ltd., Zhejiang Dahua Technology Co., Ltd., and Jinan Huayuan Engineering.

Customers

The major customers of the Group are Shandong Gezhouba Judan Expressway Co., Ltd., Jiangsu Transportation Holding Co., Ltd., Zhejiang University Zhongkong Information Technology Co., Ltd., Taizhou Taizheng Transportation Investment Co., Ltd., and Jiangsu Ninghang Expressway Co., Ltd..

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 30.7% of the total sales for the year and sales to the largest customer included therein amounted to RMB44,100,000.

Purchases from the major suppliers accounted for the following percentage:

The five largest suppliers	14.5%
The largest supplier	3.4%

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.

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.

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. Yin Jian Kang	(appointed on 28 June 2019)
Mr. Yin Shou Rong	(retired on 5 May 2019)
Mr. Xu Zhi Bin	
Mr. Sha Min	
Mr. Xu Hao	

Independent Non-Executive Directors:

Mr. Xie Man Lin	
Mr. Shi Zhong Hua	(re-appointed on 10 February 2020)
Ms. Xu Xiao Qin	(re-appointed on 10 February 2020)

Supervisors:

Mr. Yao Gen Yuan	(re-appointed on 28 June 2019)
Mr. Xu Chun Bin	(appointed on 9 September 2019)
Ms. Chen Jian Hong	(retired on 23 March 2020)
Ms. Zhang Yan Ping	
Ms. Zeng Xuan	(appointed on 23 March 2020)
Mr. Lin Hui	
Mr. Xu Bin	
Ms. Zhang Xiao Hong	(resigned on 9 September 2019)

Mr. Yin Shou Rong has tendered his resignation as a director after the expiration of the term on 5 May 2019. Mr. Yin Jian Kang was appointed as an Non-Executive Director and Mr.Yao Gen Yuan was re-elected as the supervisor both on 28 June 2019. For the expiration of the term, Mr.Shi Zhong Hua and Ms. Xu Xiao Qin were re-appointed as Independent Non-Executive Directors on 10 February 2020. Ms. Chen Jian Hong retired from the position of the supervisor representing the workers on 23 March 2020 and Ms. Zeng Xuan was appointed as the supervisor representing the workers on 23 March 2020. Ms. Zhang Xiao Hong wishes to devote more time on her other business commitments and has tendered her resignation as a supervisor on 9 September 2019.

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors, and senior management of the Company are set out on pages 30 to 34 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 EXECUTIVE'S INTERESTS, SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, 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)	–	29.49%	–	24.96%

Notes:

(1) As of 31 December 2019, the Company issued 2,782,800,000 domestic shares and issued, 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 and 11,983,735 domestic shares were owned by Jiangsu Jintao Investment Company Ltd. ("Jiangsu Jintao") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning is deemed to be interested in the above shareholdings of Jiangsu Keneng Electricity and Jiangsu Jintao.

Save as disclosed above, as at 31 December 2019, 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 2019 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 2019, 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 (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic shares and H shares	Percentage of domestic shares and H shares (Note 1)
Jiangsu Keneng Electricity Technology Co., Ltd. (Note 2)	Beneficial Owner	808,800,000	29.06%	–	–	808,800,000	24.60%
Anhui Jiuxi Property Investment Co., Ltd (Note 4)	Beneficial Owner	577,592,975	20.76%	–	–	577,592,975	17.57%
Fuji Investment Company Limited (Note 3)	Beneficial Owner	450,000,000	16.17%	–	–	450,000,000	13.69%
Jiangsu Fuchuang Electronic Business Company Limited	Beneficial Owner	225,000,000	8.09%	–	–	225,000,000	6.84%
Jiangsu Yuchang Modern Agricultural Development Company Limited	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) As at 31 December 2019, the Company has issued 2,782,800,000 domestic shares and issued 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) Oriental Petroleum (Yangtze) Limited and Fuji Investment Company Limited were controlled by the same shareholder.

(4) Jiangsu Hightech Investment Group Company had transferred 43,931,959 domestic shares to Anhui Jiuxi Property Investment Co., Ltd and the above domestic shares had been registered in China Securities Depository and Clearing Company Limited on 16 April 2019.

Save as disclosed above, as at 31 December 2019, 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 36 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 qualifed opinion on the consolidated financial statements of the Group for the year ended 31 December 2019, details of the qualified opinion are disclosed in the Independent Auditor's Report on pages 35 to 39 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 Audit Qualification is a consequential result arising from the qualified opinion expressed by the auditor of the Company on the possible effect of the limitations on the scope of the audit in relation to investment properties as at 31 December 2018. The details of which have been set out in the auditor's report in 2018 Annual Report dated 30 March 2019 (the "2018 Annual 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 AND AUDIT COMMITTEE'S RESPONSE TO "SCOPE LIMITATION – OPENING BALANCES AND CORRESPONDING FIGURES"

Save for the audit qualification that may affect the opening balances of the investment properties 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 2019, for details, please refer to the page 40 to page 46 of the 2018 Annual Report. After knowing the reasons and non-recurring nature of the audit qualification, the Company's board and audit committee have no further comment on this audit 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 expect that this audit qualification will be removed and will not affect the Company's consolidated financial statements in the future.

AUDITORS

At the annual general meeting on 28 June 2019, the Shareholders of the Company passed the ordinary resolution which approved the appointment of Elite Partners CPA Limited as the auditor of the Company for the year ended 31 December 2019.

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

Nanjing, the PRC
8 May 2020

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 2019, 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 2019.

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 2019, 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 for 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 2019, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 2 general meetings. For the year ended 31 December 2019, 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	–	2/2
Mr. Wu Qing An	Executive Director	4/4	–	–	–	2/2
Mr. Yin Shou Rong	Non-Executive Director (resigned on 5 May 2019)	1/4	–	1/1	–	0/2
Mr. Yin Jian Kang	Non-Executive Director (appointed on 28 June 2019)	2/4	–	–	–	2/2
Mr. Xu Zhi Bin	Non-Executive Director	4/4	–	–	–	2/2
Mr. Sha Min	Non-Executive Director	1/4	–	–	–	0/2
Mr. Xu Hao	Non-Executive Director	2/4	–	–	–	1/2
Mr. Xie Man Lin	Independent Non-Executive Director	4/4	1/1	1/1	4/4	2/2
Mr. Shi Zhong Hua	Independent Non-Executive Director (re-appointed on 10 February 2020)	4/4	1/1	1/1	4/4	2/2
Ms. Xu Xiao Qin	Independent Non-Executive Director (re-appointed on 10 February 2020)	4/4	1/1	1/1	4/4	2/2

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. Yin Jian Kang was appointed on 28 June 2019,for a term from 28 June 2019 to 27 June 2022.

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 re-appointed on 10 February 2020, for a term from 10 February 2020 to 9 February 2023.

Ms. Xu Xiao Qin was re-appointed on 10 February 2020 for a term from 10 February 2020 to 9 February 2023.

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 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 the 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 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 reviews the market norms and consults professional advice in relation 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 2019, 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 2019 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 2019, the Audit Committee has conducted 4 meetings, 2 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 2019, the 2019 Annual Report, 2019 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 2019 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. Yin Jian Kang (appointed on 28 June 2019)	✓
Mr. Xu Zhi Bin	✓
Mr. Sha Min	✓
Mr. Yin Shou Rong (retired on 5 May 2019)	✓
Mr. Xu Hao	✓
Mr. Xie Man Lin	✓
Mr. Shi Zhong Hua (re-appointed on 10 February 2020)	✓
Ms. Xu Xiao Qin (re-appointed on 10 February 2020)	✓

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, there is no amendment to the Articles of Association of the Company.

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 9E, Phase I, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, 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 sets 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 2019 is set out below:

Remuneration band	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 28 June 2019. 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 2019, the remuneration which are payable to the auditors of our Company are set out in the following table:

	Amount (RMB)
Audit services	700,000
The total cost	700,000

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the statement of affairs of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended 31 December 2019, 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 35 to 39 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 2019, 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
8 May 2020

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Yong Ning, (朱永寧), aged 51, Chairman of the Company and the member of remuneration committee and nomination committee. Mr. Zhu 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 a 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 Nanjing Hanzhong Road sub-branch of China Everbright Bank and investment advisor of Huaxia Securities Venture Capital Co., Ltd. (華夏證券創業投資有限公司). Mr. Zhu is also the Executive Director of Christine international holdings limited (克里斯汀國際控股有限公司, stock code: 01210) and the Executive Director and CEO of IDT International Limited (萬威國際有限公司, stock code: 00167).

Mr. Wu Qing An, (吳清安), aged 63, 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 Jian Kang, (尹建康), aged 56, graduated from the Department of Geography of Nanjing University, is a researcher. Mr. Yin once served as the general manager of the Logistics Service Group of Nanjing University and the head of the Capital Construction Office of Nanjing University, with extensive operation and management experience. Mr. Yin is currently the chairman, legal representative and general manager of Nanjing University Capital Management Co., Ltd. (南京大學資產經營有限公司). Mr. Yin was appointed as a Non-Executive Director of the Company on 28 June 2019.

Mr. Yin Shou Rong, (印壽榮), aged 60. 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 retired as a Non-Executive Director on 5 May 2019.

Mr. Xu Zhi Bin, (徐志斌), aged 51, 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 54, 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 56, 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 Non-Executive Directors

Mr. Xie Man Lin, (謝滿林), aged 56, 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 reappointed as the Independent Non-Executive Director on 30 December 2017.

Mr. Shi Zhonghua, (施中華), aged 49, 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. 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 re-appointed as an Independent Non-Executive Director of the Company on 10 February 2020.

Ms. Xu Xiaoqin, (徐小琴), aged 64, 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 re-appointed as an Independent Non-Executive Director of the Company on 10 February 2020.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Yao Gen Yuan, (姚根元), aged 56, 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 re-appointed as the supervisor and the chairman of the supervisor committee of the Company on 28 June 2019.

Mr. Xu Chun Bin, (徐純彬), aged 55, 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 a supervisor of the Company on 9 September 2019.

Ms. Zhang Xiao Hong, (張曉紅), aged 52, 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 had resigned as the supervisor of the Company on 9 September 2019.

Ms. Chen Jian Hong, (陳建紅), aged 50, joined the Company in August 2013. Ms. Chen 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 retired from the position of the supervisor representing the workers on 23 March 2020.

Ms. Zhang Yan Ping, (張燕萍), aged 37, 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.

Ms. Zeng Xuan, (曾璇), aged 31, majored in Finance. Since 2012, Ms. Zeng had worked in East China Geological Exploration Bureau of nonferrous metals in Jiangsu Province. She has rich experience in enterprise investment and management. Ms. Zeng joined the company in 2017 and now works in the office of the president of the company. Ms. Zeng has been elected and appointed as the supervisor representing employees of the Company with effective from 23 March 2020.

Mr. Lin Hui, (林輝), aged 47, is currently the independent supervisor of 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 54, 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 2018. 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, (吴峥嵘), aged 42, 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 2019. 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. And since August 2013, she has been the vice president of the company.

Mr. Shum Shing Kei, (沈成基), aged 48, 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 since 7 July 2016.

* *For identification purposes only*

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 40 to 107, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect 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 consolidated financial position of the Group as at 31 December 2019, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

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 2018 contained qualification on the disposal of investment properties ("Disposal"). Details of which has been set out in the auditor's report dated 30 March 2019.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2018 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 Disposal would have a significant effect on the current year's opening balances and results for on the consolidated financial statements of the Group and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2019.

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. 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 RMB280,300,000 as at 31 December 2019. 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 2019, the Group had trade receivables of approximately RMB86,307,000, 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 RMB11,189,000 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 understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables; – We tested on a sample basis the aging of trade receivables at year end; – We checked on a sample basis the settlement subsequent to the financial year end to the trade receivables; and – We assessed the appropriateness of the expected credit loss provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Elite Partners CPA Limited
Certified Public Accountants

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

8 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019	2018
		RMB'000	RMB'000
Revenue	7	387,376	479,837
Cost of sales		(334,071)	(429,726)
Gross profit		53,305	50,111
Other income	8	5,988	5,019
Selling and distribution expenses		(9,440)	(10,195)
Administrative expenses		(45,293)	(41,930)
Impairment losses	9	(24,599)	(40,203)
Finance costs	10	(14,691)	(17,110)
(Loss)/gain on fair value changes of investment properties		(85,359)	1,400
Share of results of associates		97	5,373
Loss before tax	11	(119,992)	(47,535)
Income tax (credit)/expense	12	18,644	(1,799)
Loss for the year		(101,348)	(49,334)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,166	(4,547)
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments as at FVTOCI		(1,092)	(4,803)
Other comprehensive expense for the year		74	(9,350)
Total comprehensive expenses for the year		(101,274)	(58,684)
Loss for the year attributable to:			
– Owners of the Company		(103,080)	(53,698)
– Non-controlling interests		1,732	4,364
		(101,348)	(49,334)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		(103,006)	(61,333)
– Non-controlling interests		1,732	2,649
		(101,274)	(58,684)
Loss per share	15		
– Basic and diluted (RMB cents)		(3.14)	(3.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019	2018
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**57,942**	76,622
Prepaid land lease premium	17	**–**	4,485
Right-of-use assets	18	**8,827**	–
Intangible assets	19	**555**	306
Investment properties	20	**280,300**	555,240
Interests in associates	21	**66,418**	83,062
Goodwill	22	**23,408**	23,408
Equity instruments at fair value through other comprehensive income	23	**4,616**	5,708
Deferred tax assets	35	**2,968**	2,968
Total non-current assets		**445,034**	751,799
Current assets			
Inventories	24	**52,809**	35,414
Trade receivables	25	**86,307**	91,637
Prepayments, deposits and other receivables	26	**205,396**	217,163
Cash and cash equivalents	27	**132,611**	101,032
		477,123	445,246
Non-current assets classified as held for sale	28	**210,716**	–
Total current assets		**687,839**	445,246
Total assets		**1,132,873**	1,197,045
Current liabilities			
Trade payables	29	**167,981**	170,747
Amount due to a related party	30	**–**	790
Contract liabilities	31	**152,932**	104,954
Accrual and other payables	32	**196,191**	167,808
Dividend payables		**–**	3,454
Bank and other borrowings	33	**–**	13,665
Lease liabilities	34	**807**	–
Tax payables		**16,989**	17,944
Total current liabilities		**534,900**	479,362
Net current assets/(liabilities)		**152,939**	(34,116)
Total assets less current liabilities		**597,973**	717,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019	2018
		RMB'000	RMB'000
Non-current liabilities			
Bank and other borrowings	33	**280,623**	282,627
Lease liabilities	34	**3,693**	–
Deferred tax liabilities	35	**43,279**	63,404
Total non-current liabilities		**327,595**	346,031
Total liabilities		**862,495**	825,393
NET ASSETS		**270,378**	371,652
CAPITAL AND RESERVE			
Share capital	36	**328,800**	328,800
Reserves	37	**(113,471)**	(10,465)
Equity attributable to owners of the Company		**215,329**	318,335
Non-controlling interests		**55,049**	53,317
TOTAL EQUITY		**270,378**	371,652

The consolidated financial statements were approval and authorised for issue by the board of directors on 8 May 2020.

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 2019

	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 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 foreign operations	–	–	–	–	(2,832)	–	–	(2,832)	(1,715)	(4,547)
Fair value changes on investments in equity instruments	–	–	–	–	–	(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 reserve	–	–	–	114	–	–	(114)	–	–	–
At 31 December 2018 and 1 January 2019	**328,800**	**214,069**	**81,862**	**20,134**	**(547)**	**(2,574)**	**(323,409)**	**318,335**	**53,317**	**371,652**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(103,080)**	**(103,080)**	**1,732**	**(101,348)**
Other comprehensive expenses:										
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**1,166**	**–**	**–**	**1,166**	**–**	**1,166**
Fair value changes on investments in equity instruments	**–**	**–**	**–**	**–**	**–**	**(1,092)**	**–**	**(1,092)**	**–**	**(1,092)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**1,166**	**(1,092)**	**(103,080)**	**(103,006)**	**1,732**	**(101,274)**
Transfer to surplus reserve	**–**	**–**	**–**	**143**	**–**	**–**	**(143)**	**–**	**–**	**–**
At 31 December 2019	**328,800**	**214,069**	**81,862**	**20,277**	**619**	**(3,666)**	**(426,632)**	**215,329**	**55,049**	**270,378**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	RMB'000	RMB'000
Operating activities		
Loss before tax	**(119,992)**	(47,535)
Adjustments for:		
Amortisation of prepaid premium for land leases	**–**	48
Depreciation of right-of-use assets	**776**	–
Amortisation of intangible assets	**48**	120
Depreciation of property, plant and equipment	**6,342**	3,203
Interest income	**(465)**	(327)
Interest expenses	**14,691**	17,110
Share of results of associates	**(97)**	(5,373)
(Loss)/Gain on fair value changes of investment properties	**85,359**	(1,400)
Impairment loss on interest in an associate	**12,397**	–
Provision of bad debt on trade and other receivables	**12,202**	40,203
Gain on disposal of property, plant and equipment	**(1)**	(16)
Operating cash flows before movements in working capital	**11,260**	6,033
(Increase)/Decrease in inventories	**(17,395)**	23,868
Increase in trade receivables	**(5,851)**	(24,790)
Decrease/(Increase) in prepayments, deposits and other receivables	**10,754**	(63,535)
Decrease in trade payables	**(2,766)**	(16,697)
Increase/(Decrease) in accrual and other payables	**29,549**	(196,920)
Increase/(Decrease) in contract liabilities	**47,978**	(6,753)
(Decrease)/Increase in amount due to related parties	**(790)**	41
Cash generated from/(used in) operations	**72,739**	(278,753)
Income tax paid	**(2,436)**	(2,085)
Interest received	**–**	1,197
Net cash generated from/(used in) operating activities	**70,303**	(279,641)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	RMB'000	RMB'000
Investing activities		
Interest received	465	327
Capital injection in investment in an associate	(3,500)	–
Dividend received from an associate	844	842
Dividend paid to non-controlling interests	–	(2,550)
Purchases of property, plant and equipment	(1,831)	(677)
Purchase of intangible assets	(297)	–
Proceeds from disposal of property, plant and equipment	35	2,641
Net cash (used in)/generated from investing activities	(4,284)	583
Financing activities		
Proceeds from issue of domestic shares upon placing	–	264,600
Interest paid	(711)	(18,307)
Repayment of bank and other borrowings	(29,438)	(72,206)
Drawdown of bank and other borrowings	–	131,713
Dividend paid	(3,454)	–
Repayment of lease liabilities	(802)	–
Repayment of obligation under finance lease	–	(326)
Net cash (used in)/generated from financing activities	(34,405)	305,474
Net increase in cash and cash equivalents	31,614	26,416
Cash and cash equivalents at the beginning of year	101,032	75,151
Effect of foreign exchange rate change, net	(35)	(535)
Cash and cash equivalents at the end of year	132,611	101,032
Analysis of balances of cash and cash equivalents		
Cash and bank balances	132,611	101,032

1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (the "Company") was incorporated as a 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 address of the principal place of business and registered office of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are the sales of computer hardware and software products, provision of system integration services, and properties investments.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") 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.

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

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

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

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

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

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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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.

HKFRS 16 Leases

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

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

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

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

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

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

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is ranging from 7.2% to 8.3%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,413
Less: Recognition exemption – short-term leases	(648)
	765
Less: Total future interest expenses	(89)
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	676
Analysed as	
Current	218
Non-current	458
	676

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessee (Continued)

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

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	676
Reclassified from prepaid lease payments (Note)	4,485
	5,161

Note: Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the prepaid lease payments amounting to RMB4,485 was reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition.

Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 16 Leases (Continued)

As a lessor (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Prepaid lease payments	4,485	(4,485)	–
Right-of-use assets	–	676	676
Current Liabilities			
Lease liabilities	–	218	218
Non-current liabilities			
Lease liabilities	–	458	458

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

4 Effective for annual periods beginning on or after 1 January 2020.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

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.

Control is achieved when the Company:

– has power over the investee;

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Investments in associates (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 is not allocated to any asset, including goodwill, that 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4.4 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Investment properties

Investment properties are land and/or buildings held by the Group to earn rental income and/or for capital appreciation.

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.

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%

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Property, plant and equipment (Continued)

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 Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4.8 Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Short-term leases and leases of low-value assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Lease liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group as a lessee (prior to 1 January 2019)

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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances.

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

(i) *Significant increase in credit risk*

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including borrowings, amount due to a related party, trade payables and others payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4.10 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.

4.11 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)

4.12 Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

Output method

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Revenue from contracts with customers (Continued)

Principal versus agent (Continued)

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4.13 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 realised 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income taxes (Continued)

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.

4.14 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. RMB) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Borrowing costs

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

4.18 Government grants

Government grants that are receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.19 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Related parties (Continued)

(b) (Continued)

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.

Key sources of estimation uncertainty

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

(i) Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

(ii) Depreciation and amortisation

The Group depreciated the property, plant and equipment and right-of-use 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (Continued)

(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

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.

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of the discounted cash flows, a material impairment loss may arise.

6. SEGMENT REPORTING

(a) Reportable segments

According to the internal organisational 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 organisation 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 segments:

	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 2019					
Revenue from external customers	20,360	352,004	14,937	75	387,376
Reportable segment (loss) profit	(1,732)	2,938	8,198	(348)	9,056
Fair value change on investment properties					(85,359)
Share of results of associates					97
Finance costs					(14,691)
Unallocated corporate expenses					(29,095)
Loss before tax					(119,992)
As at 31 December 2019					
Segment assets	30,874	470,417	540,353	785	1,042,429
Goodwill	–	23,408	–	–	23,408
Interest in associates					66,418
Unallocated corporate assets					618
Total assets					1,132,873
Segment liabilities	31,710	446,614	87,492	1,191	567,007
Bank and other borrowing	–	143,439	107,184	–	250,623
Unallocated corporate liabilities					44,865
Total liabilities					862,495
Other segment information					
Depreciation of property, plant and equipment	33	6,216	–	93	6,342
Depreciation of right-of-use assets	–	–	776	–	776
Amortisation of intangible assets	3	14	–	31	48
Addition to non-current assets	–	1,327	504	–	1,831

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 2018					
Revenue from external customers	180,082	283,909	15,667	179	479,837
Reportable segment profit	1,431	3,310	7,362	(293)	11,810
Fair value change on investment properties					1,400
Share of results of associates					5,373
Finance costs					(17,110)
Unallocated corporate expenses					(49,008)
Loss before tax					(47,535)
As at 31 December 2018					
Segment assets	45,996	432,000	610,714	454	1,089,164
Goodwill	–	23,408	–	–	23,408
Interest in associates					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	139	3,043	–	21	3,203
Amortisation of intangible assets	3	73	–	44	120
Amortisation of prepaid premium for land lease	48	–	–	–	48
Additions to non-current assets	13	656	–	–	669

(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 2019 and 2018, there was no customer accounted for over 10% of the total revenue of the Group.

7. REVENUE

Disaggregation of revenue from contracts with customers for the year.

	2019	2018
	RMB'000	RMB'000
Computer hardware and software products	**20,360**	180,082
Provision of system integration service	**352,004**	283,909
Rental and properties management service income	**14,937**	15,667
Others	**75**	179
	387,376	479,837
Timing of revenue recognition:		
At a point in time	**20,435**	180,261
Over time	**366,941**	299,576
	387,376	479,837

Performance obligations for contracts with customers

(i) Sales of computer hardware and software products

Revenue from trading of computer hardware and software products are recognised at a point in time when the goods have been delivered to the customer's specific location.

(ii) Provision of system integration service

The Group provides system integration service to customers. The customers simultaneously receive and consume the benefit provided by the Group, accordingly, the revenue is recognised as a performance obligation satisfied over time.

(iii) Rental and properties management service income

The Group provides rental and properties management service to customers. The customers simultaneously receive and consume the benefit provided by the Group, accordingly, the revenue is recognised as a performance obligation satisfied over time.

8. OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Bank interest income	**465**	327
Gain on disposal of property, plant and equipment	**1**	16
Government grants	**1,210**	2,055
Sundry income	**4,312**	2,621
	5,988	5,019

9. IMPAIRMENT LOSSES

	2019	2018
	RMB'000	RMB'000
Impairment losses recognised on:		
Trade receivables	11,189	6,054
Deposit and other receivables	1,013	34,149
Interest in associates	12,397	–
	24,599	40,203

10. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest on bank and other borrowings	14,480	17,110
Interest on lease liabilities	211	–
	14,691	17,110

11. LOSS BEFORE TAX

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

	2019	2018
	RMB'000	RMB'000
Amortisation of prepaid land lease premium	–	48
Amortisation of intangible assets	48	120
Auditor's remuneration	705	700
Cost of inventories recognised as expenses	334,071	429,726
Depreciation of property, plant and equipment	6,342	3,203
Depreciation of right-of-use assets	776	–
Net foreign exchange gain	–	(1)
Operating lease charges on rented premises	579	742
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	25,957	31,431
– Contribution to defined contribution plans	3,802	6,332

12. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	RMB'000	RMB'000
Current tax – PRC	**1,481**	1,449
Deferred tax	**(20,125)**	350
Income tax (credit)/expense	**(18,644)**	1,799

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 2019 and 2018 as the Group did not have assessable profit arising or derived from Hong Kong during both years. Enterprise income tax arising from subsidiaries operating in the PRC was calculated at either 15% or 25% (2018: 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 (credit)/expense and accounting loss at applicable tax rates is as follows:

	2019	2018
	RMB'000	RMB'000
Loss before income tax	**(119,992)**	(47,535)
Tax on profit at applicable tax rates	**(30,803)**	(11,884)
Effect of expenses not deductible for tax purpose	**5,220**	6,698
Effect of income not taxable for tax purpose	**(78)**	(1,701)
Tax effect of tax loss not recognised	**7,017**	8,686
Income tax (credit)/expense	**(18,644)**	1,799

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 2019				
Executive directors:				
Zhu Yong Ning	505	–	–	505
Wu Qing An	305	–	–	305
Non-executive directors:				
Yin Shou Rong (resigned on 5 May 2019)	–	–	–	–
Xu Zhi Bin	–	–	–	–
Sha Min	80	–	–	80
Xu Hao	80	–	–	80
Yin Jian Kang (appointed on 28 June 2019)	–	–	–	–
Independent non-executive directors:				
Xie Man Lin	80	–	–	80
Shi Zhong Hua	80	–	–	80
Xu Xiao Qin	80	–	–	80
	1,210	–	–	1,210
Supervisors	150	290	–	440

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 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 on 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

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 (2018: 2) directors of the Company for the year ended 31 December 2019 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2018: 3) highest paid individuals for the year ended 31 December 2019 and 2018 are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, allowance and benefits in kind	**1,132**	1,442

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	
	2019	2018
Nil–RMB1,000,000	**5**	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: 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 (2018: Nil).

14. DIVIDENDS

No dividend has been declared by the Company during the year (2018: Nil).

15. LOSS PER SHARE

	2019	2018
	RMB'000	RMB'000
Loss for the year attributable to the owner of the Company	**(103,080)**	(53,698)

Number of shares	**2019**	2018
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,288,000**	1,749,370

No diluted loss per share for both 2019 and 2018 were presented 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 2018	85,563	2,472	16,089	6,063	110,187
Additions	–	–	39	638	677
Exchange realignment	–	–	5	–	5
Eliminated on disposals	–	(2,472)	(82)	(918)	(3,472)
At 31 December 2018	85,563	–	16,051	5,783	107,397
Additions	–	–	1,342	489	1,831
Exchange realignment	–	–	2	–	2
Eliminated on disposals	–	–	(52)	(125)	(177)
Reclassified as held-for-sale	(18,130)	–	–	–	(18,130)
At 31 December 2019	67,433	–	17,343	6,147	90,923
Depreciation					
At 1 January 2018	13,322	–	10,218	4,865	28,405
Depreciation	1,791	–	1,016	396	3,203
Exchange realignment	–	–	4	–	4
Eliminated on disposal	–	–	(82)	(755)	(837)
At 31 December 2018	15,113	–	11,156	4,506	30,775
Depreciation	1,791	–	4,275	276	6,342
Exchange realignment	–	–	2	–	2
Eliminated on disposal	–	–	(49)	(94)	(143)
Reclassified as held-for-sale	(3,995)	–	–	–	(3,995)
At 31 December 2019	12,909	–	15,384	4,688	32,981
Carrying value					
At 31 December 2019	**54,524**	**–**	**1,959**	**1,459**	**57,942**
At 31 December 2018	70,450	–	4,895	1,277	76,622

17. PREPAID LAND LEASES PREMIUM

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

The amounts represent the medium-term land use rights situated in the PRC for a period of 50 years.

As at 31 December 2019, all lease payments were accounted in accordance with HKFRS 16 and reclassified to right-of-use assets.

18. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019			
Carrying amount	4,485	676	5,161
As at 31 December 2019			
Carrying amount	4,441	4,386	8,827
For the year ended 31 December 2019			
Depreciation charge	44	732	776
Expense relating to short-term leases with lease terms and within 12 months of the date of initial application of HKFRS 16			648
Less: Early termination of short-term leases			(69)
			579
Total cash outflow for leases			802
Additions to right-of-use assets			4,873

19. INTANGIBLE ASSETS

	Computer software
	RMB'000
At cost	
At 1 January 2018, 31 December 2018 and 1 January 2019	3,784
Additions	297
Eliminated on disposal	(2,441)
At 31 December 2019	1,640
Amortisation	
At 1 January 2018	3,358
Amortisation for the year	120
At 31 December 2018 and 1 January 2019	3,478
Amortisation for the year	48
Eliminated on disposal	(2,441)
At 31 December 2019	1,085
Net carrying amount	
At 31 December 2019	**555**
At 31 December 2018	306

The above intangible assets have finite useful lives. Such computer software is amortised on a straight-line basis over 10 years.

20. INVESTMENT PROPERTIES

	2019	2018
	RMB'000	RMB'000
At fair value		
At 1 January	**555,240**	553,840
Fair value change	**(85,359)**	1,400
Reclassified as non-current assets classified as held-for-sale	**(189,581)**	–
At 31 December	**280,300**	555,240

Notes:

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

(b) On 13 January 2013, the Nanjing Municipal Government issued 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"). 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 and the purchasers of which must be R&D enterprises or institutions (but not natural persons). Further, the saleable floor areas must not exceed 50% of the aggregate gross floor areas for construction of the buildings.

Pursuant to the ordinary resolutions passed in the annual general meeting of the Company dated 28 June 2019, the sales and purchase agreements ("SPAs") relating to the disposal of certain units of the investment properties ("Disposal Units") has been approved. The completion of the SPAs is subject to, among other things, the consents and approvals for the Disposal Units to be obtained from local government authorities. At the end of the reporting period, the SPAs were yet to complete, accordingly, the fair value for the Disposal Units of approximately RMB189,581,000 were transferred to non-current asset classified as held for sales as disclosed in note 28 to the consolidated financial statements. Subsequent to the end of the reporting period, the Company obtained an unconditional consent from the local government authorities for the Disposal Units.

(c) As at 31 December 2019, the fair values of the Group's investment properties were approximately RMB280,300,000 (2018: RMB555,240,000). 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 income capitalisation approach. 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 2019 and 2018

Type of investment properties	**Valuation technique**	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Investment properties located in PRC	Income capitalisation approach	Rental value of RMB23 to RMB92 per square feet (2018: RMB23 to RMB87 per square feet)/ income capitalisation rate from 6.50% to 7.00% (2018: 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.

21. INTEREST IN ASSOCIATES

	2019	2018
	RMB'000	RMB'000
Cost of investment in associates	**21,440**	24,893
Share of post-acquisition profit and other comprehensive income, net of dividend received	**44,978**	58,169
	66,418	83,062

Details of the Group's interest in associates 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
		2019	2018	**2019**	2018	
Shenzhen Nanda Research Institute Company Limited	PRC	**30%**	30%	**30%**	30%	Property investment
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%**	41%	**41%**	41%	Provision of education culture service

21. INTEREST IN ASSOCIATES (Continued)

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

	Shenzhen Nanda Research Institute Company Limited	
	2019	2018
	RMB'000	RMB'000
Revenue	**12,710**	12,694
Profit for the year	**1,517**	21,477
Carrying amount of interest in associates at the beginning of the year	**51,334**	45,733
Total comprehensive income attributable to the Group	**455**	6,443
Less: dividend received	**(844)**	(842)
Carrying amount of interest in associates at the end of the year	**50,945**	51,334

22. GOODWILL

	2019	2018
	RMB'000	RMB'000
Cost:		
At 1 January and 31 December	**23,408**	23,408

Goodwill is allocated to one individual cash generating unit ("CGU"), comprising one subsidiary in the system integration service segment.

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 five-year period, and a discount rate of 18.9% (2018: 13.4%). Cash flows beyond the five-year period are extrapolated using growth rates of 3% (2018: 3%). Another key assumption for the value in use calculation is the budgeted sales and 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.

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	RMB'000	RMB'000
Unlisted investments:		
– Equity securities	**4,616**	5,708

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they are held for long-term strategic purposes.

24. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Finished goods	**57,419**	40,024
Less: provision of impairment loss	**(4,610)**	(4,610)
	52,809	35,414

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

	2019	2018
	RMB'000	RMB'000
At 1 January	**4,610**	4,610
Impairment loss recognised	**–**	–
At 31 December	**4,610**	4,610

25. TRADE RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	218,937	213,078
Less: allowance for credit losses	(132,630)	(121,441)
	86,307	91,637

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 90 days from invoice date. The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	2019	2018
	RMB'000	RMB'000
Within 3 months	64,502	63,262
3–6 months	2,236	3,654
6–12 months	19,569	10,857
Over 1 year	–	13,864
	86,307	91,637

26. PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Prepayment	114,995	126,909
Deposit	62,365	53,836
Other receivables	28,036	36,418
	205,396	217,163

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

Prepayment mainly represents the advance payment to suppliers.

27. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents was a balance of approximately RMB76,000 and RMB268,000 as at 31 December 2019 which were denominated in Hong Kong dollar ("HK$") and Euro, respectively (2018: RMB74,000 and RMB272,000).

28. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Notes	2019	2018
		RMB'000	RMB'000
Total assets classified as held for sale			
Buildings	(a)	**14,135**	–
Investment properties	(a)	**189,581**	–
Interest in an associate	(b)	**7,000**	–
		210,716	–

Notes:

(a) The Company entered into a sale and purchase agreement with various buyers in relation to the sale of certain investment properties and buildings. During the year ended 31 December 2019, the Company appointed a property agent to negotiate with each of the buyers regarding the terms and conditions. The Company expected that the sale of investment properties and buildings to be completed in one year.

(b) On 31 December 2019, the Company entered into an agreement with an independent third party to dispose of the entire interest in an associate. The directors concluded that the interest in an associate should be classified as held for sale as at 31 December 2019 as it is highly probable that the disposal will be completed within one year.

29. TRADE PAYABLES

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

	2019	2018
	RMB'000	RMB'000
Within 3 months	**40,227**	46,078
More than 3 months	**127,754**	124,669
	167,981	170,747

30. AMOUNT DUE TO A RELATED PARTY

	2019	2018
	RMB'000	RMB'000
A related company	**–**	790

The amount is unsecured, interest free and repayable on demand.

31. CONTRACT LIABILITIES

	2019	2018
	RMB'000	RMB'000
System integration contracts	152,932	104,954

Movements in contract liabilities:

	2019	2018
	RMB'000	RMB'000
Balance at 1 January	104,954	111,707
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(9,354)	(44,903)
Increase in contract liabilities as a result of receiving sales deposits and instalments during the year	57,332	38,150
Balance at 31 December	152,932	104,954

32. ACCRUAL AND OTHER PAYABLES

	2019	2018
	RMB'000	RMB'000
Accrual	1,477	2,381
Deposit received	97,803	96,472
Other payables	96,911	68,955
	196,191	167,808

Deposit received mainly represent deposit for disposal of investment properties and security deposit received from constructors.

33. BANK AND OTHER BORROWINGS

	Notes	2019	2018
		RMB'000	RMB'000
Secured bank and other borrowing	(a)	–	13,665
Unsecured other borrowing	(b)	280,623	282,627
		280,623	296,292
Less: balance repayable within twelve months (shown under current liabilities)		–	(13,665)
Balance repayable after twelve months (shown under non-current – liabilities)		280,623	282,627

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 and other 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. During the year ended 31 December 2019, the secured bank and other borrowings were settled.

(b) As at 31 December 2018 and 2019, the Group's other borrowing from a private company with common shareholder of RMB282,627,000 and RMB280,623,000, respectively, at fixed interest rate at 6% per annum and repayable after one year.

34. LEASE LIABILITIES

	2019	2018
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	807	–
Within a period of more than one year but not more than two years	3,693	–
	4,500	–
Less: Amount due for settlement within 12 months shown under current liabilities	(807)	–
Amount due for settlement after 12 months shown under non-current liabilities	3,693	–

35. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets	Provision for impairment of assets
	RMB'000
At 1 January 2018	2,968
Credit to profit or loss for the year	–
At 31 December 2018 and 1 January 2019	2,968
Credit to profit or loss for the year	–
At 31 December 2019	2,968

Deferred tax liabilities	Revaluation of investment properties
	RMB'000
At 1 January 2018	(63,054)
Charge to profit or loss for the year	(350)
At 31 December 2018 and 1 January 2019	(63,404)
Charge to profit or loss for the year	20,125
At 31 December 2019	(43,279)

36. SHARE CAPITAL OF THE COMPANY

	Number of domestic share	Number of H share	Total	Amount
	'000	'000	'000	RMB'000
Issued and fully paid:				
At 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)	1,800,000	–	1,800,000	180,000
At 31 December 2018, 1 January 2019 and 31 December 2019, ordinary shares of RMB0.1 each	2,782,800	505,200	3,288,000	328,800

Note: 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.

37. 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 foreign operations from their functional currencies to the Company's presentation currency.

(c) Revaluation reserve

Revaluation reserve represent cumulative gains and losses arising on the revaluation of the corresponding properties that have been recognised in other comprehensive income. Such item will not be reclassified to profit or loss in subsequent periods.

(d) FVTOCI reserve

The FVTOCI reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVTOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those equity instruments at FVTOCI are disposed of or are determined to be impaired.

(e) Surplus reserve

In accordance with the Company Law of People's Republic of China and the relevant Articles of Association, the PRC subsidiaries of the Company are required to appropriate amount equal to 10% of their profit after taxation as determined in accordance with the PRC accounting standards to the statutory surplus reserve.

Statutory surplus reserve is part of shareholders' equity and when its balance reaches an amount equal to 50% of the registered capital, further appropriation is not required. According to the Company Law of the PRC, statutory surplus reserve may be used to make up past losses, to increase production and business operations or to increase capital by means of conversion.

38. 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:

	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	2,860	3,103
Pension costs – defined contribution plan	–	85
	2,860	3,188

(b) Transaction with related parties

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

Nature of balance/transactions	Relationships	2019	2018
		RMB'000	RMB'000
Finance cost	Common shareholder	13,769	13,320
Other borrowings	Common shareholder	280,623	282,627
Amount due to a related party	Common shareholder	–	790

39. 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
	RMB'000
Within one year	909
Within two to five years	504
	1,413

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:

	2019	2018
	RMB'000	RMB'000
Within one year	**19,617**	8,935
Within two to five years	**1,919**	22,734
After five years	**–**	12,067
	21,536	43,736

40. STATEMENT OF FINANCIAL POSITION

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

	2019	2018
	RMB'000	RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	55,857	74,500
Prepaid land lease premium	–	4,485
Right-of-use assets	4,441	–
Intangible assets	143	143
Investment properties	275,400	550,240
Investment in subsidiaries	53,470	82,846
Interest in associates	10,488	11,331
Equity instruments at FVTOCI	3,790	4,864
Total non-current assets	403,589	728,409
Current assets		
Trade receivables	5,246	12,946
Prepayment, deposit and other receivables	38,830	64,131
Dividend receivables	–	6,151
Cash and cash equivalents	25,445	3,901
	69,521	87,129
Non-current assets classified as held for sale	203,716	–
Total current assets	273,237	87,129
Total assets	676,826	815,538
Current liabilities		
Trade payables	48,613	51,540
Contract liabilities	80,448	81,010
Accruals and other payables	17,235	26,470
Amounts due to subsidiaries	112,308	95,898
Dividend payables	–	6,004
Tax payables	2,735	3,069
Total current liabilities	261,339	263,991
Net current assets/(liabilities)	11,898	(176,862)

40. STATEMENT OF FINANCIAL POSITION (Continued)

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

	2019	2018
	RMB'000	RMB'000
Non-current liabilities		
Bank and other borrowings	**280,623**	273,032
Deferred tax liabilities	**62,164**	62,674
Total non-current liabilities	**342,787**	335,706
Total liabilities	**604,126**	599,697
NET ASSETS	**72,700**	215,841
CAPITAL AND RESERVE		
Share capital	**328,800**	328,800
Reserves	**(256,100)**	(112,959)
TOTAL EQUITY	**72,700**	215,841

The Company's statement of financial position was approved and authorised for issue by the board of directors on 8 May 2020.

Zhu Yong Ning
Director

Wu Qing An
Director

40. 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 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 and 1 January 2019	214,069	20,470	81,862	(2,515)	(426,845)	(112,959)
Loss for the year	–	–	–	–	(142,039)	(142,039)
Fair value change on equity investment	–	–	–	(1,102)	–	(1,102)
At 31 December 2019	214,069	20,470	81,862	(3,617)	(568,884)	(256,100)

41. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 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 Zhi Yuen Technology Company Ltd.	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	–	100%	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

41. PARTICULARS OF SUBSIDIARIES (Continued)

Notes:

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 Equipment Co., Ltd.		Jiangsu Changtian Zhi Yuen Technology Company Ltd.	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 31 December				
Non-current assets	**590**	605	**9,763**	9,763
Current assets	**33,403**	53,306	**413,979**	333,899
Non-current liabilities	**–**	(9,594)	**(705)**	(730)
Current liabilities	**(26,204)**	(34,996)	**(321,341)**	(246,913)
Net assets	**7,789**	9,321	**101,696**	96,019
Carrying amount of NCI	**3,817**	4,567	**49,831**	47,049
Year ended 31 December				
Revenue	**19,916**	179,099	**346,378**	266,945
Expenses	**(21,447)**	(177,117)	**(340,700)**	(261,085)
Profit/(Loss) for the year	**(1,531)**	1,982	**5,678**	5,860
Profit/(Loss) attributable to NCI	**(750)**	971	**2,782**	2,871
Dividend paid to NCI	**–**	–	**–**	–
Total comprehensive income/(expense) attributable to NCI	**(750)**	971	**2,782**	2,871
Net cash flow (used in)/generated from				
Operating activities	**6,945**	(6,492)	**11,547**	35,575
Investing activities	**(4)**	(1)	**(182)**	(482)
Financing activities	**(7,697)**	(280)	**–**	(4,335)

42. FINANCIAL RISK MANAGEMENT

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

	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through other comprehensive income:		
Equity instruments at FVTOCI	**4,616**	5,708
Financial assets at amortised cost:		
Trade receivables	**86,307**	91,637
Deposit and other receivables	**164,555**	90,254
Cash and cash equivalents	**132,611**	101,032
	388,089	288,631
Financial liabilities		
Financial liabilities at amortised costs:		
Trade payables	**167,981**	170,747
Accrual and other payables	**196,191**	167,808
Dividend payables	**–**	3,454
Bank and other borrowings	**280,623**	296,292
Amount due to related parties	**–**	790
Lease liabilities	**4,500**	–
	649,295	639,091

42. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

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

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

	2019	2018
	RMB'000	RMB'000
HK$	**–**	74

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), 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 and lease liabilities. 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:

	2019	2018
	RMB'000	RMB'000
Increase/(decrease) in loss/profit for the year and retained profits		
Increase/decrease in percentage ("%")		
+/–0.5%	**–**	38

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.

42. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk and impairment assessment

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.

Trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on debtors with significant balances individually and/or by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

As part of the Group's credit risk management, for debtors that are assessed collectively, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Average loss rates of 0.03% to 55.79% (2018: 0.03% to 52.18%) were applied by the Group to the trade receivable with carrying amount of RMB21,805,000 (2018: RMB28,375,000) which are past due at the reporting period end.

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

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

	Lifetime ECL (not credit impaired)
	RMB'000
As at 1 January 2018	115,397
Impairment losses recognised	6,054
Exchange adjustments	(10)
As at 31 December 2018	121,441
Impairment losses recognised	11,189
Exchange adjustments	–
As at 31 December 2019	132,630

Deposit and other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. Based on the historical default rate, repayment history and forecast of future condition on economy and debtors, the directors of the Company considered the expected credit loss for deposit and other receivables is RMB1,013,000 (2018: 34,149,000).

42. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

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

	Within 1 year or on demand	1 to 5 years	Total undiscounted amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019				
Trade payables	167,981	–	167,981	167,981
Accrual and other payables	196,191	–	196,191	196,191
Lease liabilities	1,095	4,183	5,278	4,500
Bank and other borrowings	–	297,460	297,460	280,623
At 31 December 2018				
Trade payables	170,747	–	170,747	170,747
Amount due to related parties	790	–	790	790
Accrual and other payables	167,808	–	167,808	167,808
Bank and other borrowings	15,297	299,585	314,882	296,292

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.

42. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments measured at fair value (Continued)

At 31 December 2018 and 2019, 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 2019				
Equity instruments at FVTOCI	–	–	4,616	4,616
Financial assets at 31 December 2018				
Equity instruments at FVTOCI	–	–	5,708	5,708

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

Financial assets/financial liabilities	Fair value as at 31/12/2019	Fair value as at 31/12/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Private equity investments at FVTOCI	Equity investments in private companies established in the PRC – RMB4,616,000	Equity investments in private companies established in the PRC – RMB5,708,000	Level 3	Asset-based approach	Account value

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI
	HK$'000
At l January 2018	10,511
Total gains (losses) in other comprehensive income	(4,803)
At 31 December 2018 and 1 January 2019	5,708
Total gains (losses) in other comprehensive income	(1,092)
At 31 December 2019	4,616

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings	Lease liabilities/ obligations under finance lease
	RMB'000	RMB'000
At 1 January 2018	230,606	326
Interest expenses	17,110	–
Interest paid	(10,931)	–
Drawdown of bank and other borrowings	131,713	–
Repayments of bank and other borrowings	(72,206)	–
Repayments of lease liabilities	–	(326)
At 31 December 2018	296,292	–
Interest expenses	14,480	211
Interest paid	(711)	–
Repayments of bank and other borrowings	(29,438)	–
Addition to lease liabilities	–	5,091
Repayments of lease liabilities	–	(802)
At 31 December 2019	280,623	4,500

44. 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 2018 and 2019.

45. EVENT AFTER THE END OF THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 8 May 2020.

FIVE YEAR FINANCIAL SUMMARY

31 December 2019

	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**387,376**	479,837	404,651	443,365	513,130
Cost of sales	**(334,071)**	(429,726)	(355,633)	(384,322)	(445,081)
Gross profit	**53,305**	50,111	49,018	59,043	68,049
Other income	**5,988**	5,019	11,309	7,943	12,981
Selling and distribution costs	**(9,440)**	(10,195)	(9,711)	(13,434)	(19,674)
Research and development costs	**–**	–	(12,407)	(2,288)	(6,048)
Administrative expenses	**(45,293)**	(41,930)	(36,411)	(74,077)	(101,155)
Finance costs	**(14,691)**	(17,110)	(28,988)	(38,449)	(35,005)
Impairment loss	**(24,599)**	(40,203)	(42,305)	(53,288)	(45,469)
(Loss)/gain on fair value changes of investment properties	**(85,359)**	1,400	15,941	8,168	(17,698)
Share of results of associated companies	**97**	5,373	2,104	2,431	(625)
(Loss)/Profit before tax	**(119,992)**	(47,535)	(51,450)	(103,951)	(144,644)
Income tax expense	**18,644**	(1,799)	(5,390)	(2,308)	(4,918)
Loss for the year	**(101,348)**	(49,334)	(56,840)	(106,259)	(149,562)
Attributable to:					
Owners of the Company	**(103,080)**	(53,698)	(53,834)	(109,609)	(160,393)
Non-controlling interest	**1,732**	4,364	(3,006)	3,350	10,831
	(101,348)	(49,334)	(56,840)	(106,259)	(149,562)
Total assets	**1,132,873**	1,197,045	1,156,881	1,169,725	1,315,443
Total liabilities	**(862,495)**	(825,393)	(987,928)	(957,651)	(1,045,174)
Non-controlling interest	**(55,049)**	(53,317)	(50,668)	(56,032)	(50,803)
	215,329	318,335	118,285	156,042	219,466