ANNUAL REPORT 2020

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)

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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. Zhou Mei Lin
Mr. Zhang Zheng Tang
Ms. Xu Xiao Qin

Supervisors

Mr. Yao Gen Yuan
Mr. Xu Chun Bin
Ms. Zhang Yan Ping
Ms. Zeng Xuan
Mr. Xu Bin

COMPANY SECRETARY

Mr. Shum Shing Kei

AUDIT COMMITTEE

Mr. Zhou Mei Lin *(Chairman)*
Mr. Zhang Zheng Tang
Ms. Xu Xiao Qin

NOMINATION COMMITTEE

Mr. Zhou Mei Lin *(Chairman)*
Mr. Zhu Yong Ning
Mr. Zhang Zheng Tang
Ms. Xu Xiao Qin

REMUNERATION COMMITTEE

Mr. Zhou Mei Lin *(Chairman)*
Mr. Zhu Yong Ning
Mr. Zhang Zheng Tang
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

Jiangsu Road sub-branch, China Citic Bank
Chengbei sub-branch, Bank of Nanjing
Shanxi Road Sub-branch,
Industrial and Commercial Bank of China
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 2020 to the shareholders for their review.

2020 was an extraordinary year. During the year, the sudden outbreak of the novel coronavirus ("COVID-19") pandemic threatened to slow down the global economy, and big data technology found wider application in generating scientific and accurate data for the fight against the COVID-19 pandemic, highlighting the value of the big data technology industry.

The rapid advancement of global big data, artificial intelligence and Internet of Things technologies has given rise to the possibility of the digital transformation and upgrading of various industries. It is the mission of NandaSoft to empower enterprises and industrial upgrade with big data technology in an everything-interconnected world.

Over the past two decades, adhering to the business philosophy of "benefiting employees, driving corporate development and creating social value", the Group has made innovations and breakthroughs in its consistent pursuit of industrialization of international scientific and technological achievements, step-by-step moving towards digital transformation. We regard our information technology and talented employees as our core competence, and always strive to provide our customers with first-rate product research and development and services on a consistent basis by segmenting market demand and improving professional technology, which has made us become an "Internet Plus" high-tech enterprise with strong market influence.

NandaSoft is committed to applying in-house developed innovative core technologies of big data, blockchain, artificial intelligence and Internet of Things to empower various industries. Through the integration of cloud services and big data operation, NandaSoft provides integrated solutions covering the whole industry chain for transportation, intellectual property, education, medical care and other fields that are in the process of digital transformation. To date, NandaSoft has established its presence in the core fields of intellectual property, intelligent transportation, smart education and smart medical service, and has made remarkable achievements. Its business maintained stable development in 2020.

In the field of intelligent transportation, despite the impacts of the COVID-19 pandemic, NandaSoft achieved a year-on-year increase of 38.4% in sales and continued to maintain its business advantages. While exploring new projects both within and outside the Jiangsu Province, it steadily pushed ahead with the implementation of projects in process.

CHAIRMAN'S STATEMENT

In the field of intellectual property trading, the intellectual property trading platform of Chinese colleges and universities has been in stable operation, with its brand influence further enhanced. Our online intellectual property custody system provides services to more than 7,500 enterprises. During the year, we have entered into cooperation agreements with the systems for commercialization of research results of certain colleges and universities, further enriching our pool of college services and resources.

In the field of smart education, building on our training base at the Industrial Center of the Changzhou Science and Education City ("SE Park"), we developed a batch of application-oriented training courses for colleges and universities in the SE Park. In addition, we developed new business areas thanks to our efforts in initiating the intellectual property-related project of colleges and universities in Changzhou through integrating intellectual property into the cloud platform of the SE Park, which significantly improved the content quality of Zhiya Online Cloud Platform.

In the field of smart medical service, we have made headway in the research in the fields of digitized medical information and nursing care of major chronic diseases, developed and built a quality control and management platform for symptoms of end-stage renal diseases and the orthopedics platform of Jiangsu Province to provide patients with health assessment, health consultation, outpatient booking and other services, and provided smart medical service solutions for more grass-root medical organizations.

BUSINESS RESULTS

For the financial year 2020, the Group recorded a turnover of approximately RMB536,185,000, representing an increase of approximately RMB148,809,000 over 2019. Net loss attributable to the parent company of the Company was approximately RMB30,681,000. The Board does not recommend payment of any final dividend for the year ended 31 December 2020.

PROSPECTS

Amid the evolving COVID-19 pandemic worldwide, various industries are adapting to a new environment and business model, in which the industries empowered by big data technology have been playing a big role. As an "Internet Plus" platform-based enterprise, NandaSoft will proactively seize the historical opportunity arising from the industrial policy-led transformation and strive to scale up existing business.

NandaSoft will remain true to its original aspiration and keep its mission firmly in mind. It will continue to build on the academic resources and talent advantages of Nanjing University, pay close attention to market demand, grasp the development trends of the industry, and strive to build itself into a leading intelligent platform-based enterprise that enables the in-depth integration of resources of various industries with the power of science and technology.

Finally, I would like to thank our shareholders, customers, partners and employees for their continued attention and support to NandaSoft over the years. Going forward, we will continue to work together to push NandaSoft to reach a new level, create greater value for shareholders, businesses and the society, and contribute to the building of a Digital China with concrete actions.

Zhu Yong Ning
Chairman

Nanjing, the PRC
7 April 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2020 was approximately RMB536,185,000, which represented an increase of approximately RMB148,809,000, when compared with 2019. During the year, 31.7% of the revenue was recognized by completion of the work-in-progress projects undertaken by Jiangsu Changtian Zhiyuan Transportation Technology Company Limited ("Changtian Zhiyuan"), a subsidiary of the company as those projects has reached the settlement stage. The gross profit margin has decreased from 13.8% for the year ended 31 December 2019 to 6.6% for the year end of 31 December 2020 since the written down of inventories provided for the year.

Loss attribute to owners of Company for the year ended 31 December 2020 was approximately RMB30,681,000, representing a decrease of approximately RMB72,399,000, or 70.2% when compared with 2019. The decrease was primarily due to (i) the inclusion of loss on fair value of investment properties of approximately RMB86,822,000 and then related reversal of deferred tax liabilities of approximately RMB19,590,000 occurred in 2019 and reversal of impairment losses on trade receivables of approximately RMB11,792,000 due to the related trade receivable recovered.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2020, current assets of the Group amounted to approximately RMB748,603,000, of which approximately RMB181,231,000 were cash and cash equivalents and approximately RMB344,272,000 were receivables and prepayments, representing an increase by RMB52,569,000 when compared with 2019. The increase in accounts receivables was attributable to an increase in turnover of approximately RMB148,809,000 for the year when compared with the previous year.

As at 31 December 2020, non-current liabilities was RMB336,886,000 and its current liabilities amounting to approximately RMB593,447,000, which mainly comprised trade payables, contract liabilities and accrual and other payables. Current liabilities increased by approximately 10.9% when compared with 2019 since the increase in contract liabilities as a result of receiving sales deposits and interest during the year. Net assets of the Group amounted to approximately RMB251,933,000 (2019: approximately RMB270,378,000), representing a decrease of RMB18,445,000 or approximately 6.8% when compared with 2019. Other long-term borrowings amounted to RMB290,460,000 in total, the current liabilities and the total liabilities were increased by RMB58,547,000 and RMB9,837,000 respectively. Its liquidity was sufficient to support the normal operation of the Group.

The Group expresses its gearing ratio as a percentage of total debts over total assets. As at 31 December 2020, the Group had a gearing ratio of 24.6% and the net asset value of the Group as at 31 December 2020 stood at approximately RMB179,946,000 (2019: RMB215,329,000), which was approximately 16.4% lower than that of 2019. The net assets value per share as at 31 December 2020 was approximately RMB0.055 (2019: RMB0.065).

CHARGE ON GROUP ASSETS

As at 31 December 2020, the Group did not have assets pledged as security for interest-bearing bank borrowings granted to the Group (2019: Nil).

FOREIGN CURRENCY RISK

As the Group's operations are mainly conducted in the PRC and over 90% of the Group's sales and purchases are 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 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 31 December 2020, the Group did not have any contracted but not yet provided for capital commitment (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, save as disclosed above, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The total remuneration of the Group's employees for the year ended 31 December 2020 amounted to approximately RMB34,194,000 (2019: approximately RMB25,957,000), including Directors' and supervisors' emoluments of approximately RMB1,200,000 (2019: approximately RMB1,210,000) and RMB403,000 (2019: approximately RMB440,000), respectively.

The number of employees for the year had increased from 269 to 280.

The Group's employees are remunerated based on their individual performance, qualifications and experience, with reference to market rates.

DIVIDENDS

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

BUSINESS REVIEW

During the Year, the sudden outbreak of the COVID-19 pandemic threatened to slow down the global economy. However, with the wise guidance and direction of the Board, the Company swiftly adopted preventive measures, strategically adjusted its existing intelligent platform-related operations and carried out its "Internet Plus" platform-based business activities in an orderly manner. In meantime, it opened up new business areas and expanded its business scope to cope with the impacts of the pandemic.

During the year, the Company and its subsidiaries increased their investments in technology research and development, and obtained three patent certificates, namely the "Method and System of Self-adjusting Smooth Playing of Platform-level Video Streaming Based on Bandwidth Detection", the "Video Processing-based Method and System for Identifying Surveillance Image Contrast Anomalies" and "A NFC-based Method for Checking and Topping up Expressway ETC Cards".

Intellectual Property Trading Platform of Chinese Colleges and Universities

During the year, the intellectual property trading platform of colleges and universities, which is owned by an associated company, Nanjing Zhonggao Intellectual Property Co., Ltd. ("Nanjing Zhonggao"), maintained stable operation, with its brand influence further enhanced. The platform provided online intellectual property custody services for more than 7,500 enterprises and connected the technical consulting of enterprises on over 1,000 occasions. In 2020, Nanjing Zhonggao concluded cooperation agreements with the systems for commercialization of research results of certain colleges and universities, and completed a number of analysis reports on patents of colleges and universities, further enriching our pool of college services and resources. In respect of the construction of sub-centres, Nanjing Zhonggao successively developed more than 20 sub-centres and subsystems such as Lianyungang, Zhongning Wolfberry, Zhongning Industry, Baoji and 4.6 Project. In order to help enterprises resume work and production, Nanjing Zhonggao provided concessions to over 400 enterprises using its annual patent fee payment services, which greatly reduced the burden of enterprises and reflected Nanjing Zhonggao's commitment in fulfilling its corporate social responsibility.

MANAGEMENT DISCUSSION AND ANALYSIS

Nanjing Zhonggao has started the integration of its existing enterprise intellectual property custody system, national high-tech enterprise application and evaluation system, and big data-based display system for technology resources of Chinese colleges and universities, and will carry out iterative development to cater to users' needs and further enhance user experience to better serve users.

Intelligent Transportation

During the year, the intelligent transportation business of Jiangsu Changtian Zhiyuan Transportation Technology Company Ltd. ("Changtian Zhiyuan"), a company controlled by the Company, continued to maintain steady development. In 2020, the segment achieved sales revenue of approximately RMB503,715,000, representing an increase of approximately 47.8% as compared to last year.

In the first half of the year, due to the COVID-19 pandemic, Changtian Zhiyuan focused on the construction and maintenance of projects in progress and strived to mitigate the adverse impacts of the pandemic on project progress. In the middle of the year, Changtian Zhiyuan saw its business gradually getting back on track, as it successively secured three key projects, namely the CZJC-01 tender section of the construction project of the dynamic weighing system for the national and provincial trunk highway in Suzhou City (municipal area of Zhangjiagang) and Zhangjiagang municipal highways, the WFS-92 tender section of the electromechanical construction project of Wufengshan Toll Bridge and North-South Approach Expressways, and the information technology project of the Transportation Bureau of Tongzhou District. During the year, Changtian Zhiyuan also actively participated in the bidding of transportation-related projects outside Jiangsu Province in the hope of securing more key projects outside the province. As a result, it successively undertook several major projects such as the electromechanical engineering of the tunnel on the north section of Kaili Ring Expressway of Guizhou Province, the electromechanical engineering of the facility for detecting overspeeding and overloading of vehicles cum the final-stage works of the renovation project of Linzhi-Lhasa section of National Highway 318, and the electromechanical engineering of Pingliang (Huating)-Tianshui section of G8513 Pingliang–Mianyang Expressway.

Smart Education

Jiangsu Zhiya Online Education Technology Ltd. ("Zhiya Online"), which is controlled by the Company, continued to concentrate on the "Zhiya Online Cloud Platform" as the core of its business development, built on the training base at the Industrial Centre of the SE Park and developed a batch of application-oriented training courses for colleges and universities in the SE Park. During the year, based on the upgrade of the cloud platform to version 2.0, Zhiya Online successfully developed such new products as automotive VR training programs and smart classrooms, and marketed and promoted the application of such products through the cloud platforms of Zhiya Online and the SE Park from the training base to vocational colleges and enterprises outside the SE Park.

Furthermore, Zhiya Online explored cooperation opportunities in relation to the intellectual property trading platform during the year. Through in-depth cooperation with China Technology Exchange, Nanjing Zhonggao Intellectual Property Co., Ltd. and Changzhou University, Zhiya Online has launched the intellectual property-related project of colleges and universities in Changzhou by integrating intellectual property into the cloud platform of the SE Park, and aims to build the project as a standard model for replication across the whole province and the country.

Smart Medical Service

During the year, Jiangsu NandaSoft Medical Technology Co., Ltd. ("NandaSoft Medical"), an associated company of the Company, continued to focus on chronic disease health monitoring with medical information software services as its business core, and gradually penetrated into the area of chronic disease health management. NandaSoft Medical increased its efforts in the research and development of quality control and management platform for symptoms of end-stage renal diseases and the orthopedics platform, and strove to provide smart medical service solutions for more grass-root medical organizations.

Additional H Shares Issuance Plan

Due to the persistent Covid-19 pandemic, the Company's plan for additional issuance of H Shares was affected and the approval obtained from the China Securities Regulatory Commission lapsed in the year. Subject to the development of the pandemic and the general economic environment, the Company will re-activate the plan as and when appropriate so as to introduce strategic investors for joint development with the Company.

PROSPECTS

Despite the challenges brought by the persistent COVID-19 pandemic, the Company also sees plenty of new market opportunities as the pandemic has triggered the demand of businesses to adopt smart technology to, among others, upgrade their operating models. In the 5G era where everything is inter-connected, the integration of new technologies such as artificial intelligence and blockchain with the Internet of Things will be accelerated, more application hotspots will emerge, and the industrial development will be rushed to a new stage of integrated innovation and large-scale development.

Going forward, the Company will closely follow the national policies, keep a close eye on industry dynamics, and proactively adjust its development strategy to adapt to market demand. The Company will continue to give full play to its advantages in scientific research, continue to carry out business innovation and transformation, explore the integration and application of the Internet in more fields, and provide more cutting-edge intelligent solutions for various industries.

Zhu Yong Ning
Chairman

Nanjing, the PRC
7 April 2021

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 2020.

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 installation and information system integration and properties investments. The activities of the Company's subsidiaries and associated companies are set out in Note 39 and Note 21 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

The Directors do not recommend the payment of a final dividend for the year (2019: 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 2020 and for the previous four financial years are on page 106.

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 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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 41.

DISTRIBUTABLE RESERVES

At 31 December 2020, there are no reserves available for distribution to shareholders of the Company (2019: 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 subsisted 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

Subsequent to the end of the year, the Group did not undertake material investment commitment, participants in material investment or future plan concerning the acquisition of capital assets which needed to be disclosed.

FINANCIAL KEY PERFORMANCE INDICATORS AND ANALYSIS

For the year ended 31 December 2020, the Group' total assets amounted to RMB1,182,266,000. Total liabilities amounted to RMB930,333,000, the Group expresses its gearing ratio as a percentage of borrowings over total assets which was 24.6%. The total operating income amounted to RMB536,185,000. The loss before tax amounted to RMB9,571,000. The net loss attributable to owners of the Company amounted to RMB30,681,000. The return on total assets was -2.6%. The return on shareholders' equity was -17.1%.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has established compliance procedures to ensure compliance with, inter alia, applicable laws, rules and regulations that have a significant impact on its operations. The Board has delegated the audit committee to monitor and regularly review the Group's policies and practices regarding compliance with laws and regulations. The relevant employees and operation units will be informed of any changes in 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.

REPORT OF THE DIRECTORS

RELATIONSHIP WITH KEY STAKEHOLDERS

Employees

The employees of the Group work in NandaSoft Softech Park, No. 19 South Qingjiang Road, Gulou District, Nanjing, China, which is owned by the Group. They are responsible for the Group's management, administration, human resources, operations, finance and investor relations. The Group determines its employees' remuneration by reference to their individual experience and performance and the market rates. 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 employees.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

The Group's major customers are Henan Yuanmian Expressway Co., Ltd.（河南垣澠高速公路有限公司）, Nanjing Chengersi Information Technology Co., Ltd.（南京誠而思信息科技有限公司）, Gansu Luqiao Highway Investment Co., Ltd（甘肅路橋公路投資有限公司）, Jiangsu Transportation Engineering Construction Bureau（江蘇省交通工程建設局）and Nanjing ShangqiIntelligence Technology Co., Ltd（南京上騏智能化科技有限公司）.

In the year under review, sales to the Group's five largest customers accounted for 23.7% of the total sales for the year andsales to the largest customer included therein amounted to RMB41.9 million.

Suppliers

The Group's suppliers provide the Group with network security software, internet application software, education software,business application software, and systems integration services (information technology consulting).

The Group's major suppliers are Nantong Branch of China Mobile Communications Group Jiangsu Co., Ltd.（中國移動通信集團江蘇有限公司南通分公司）, Lanzhou Zhongbang Wire & Cable Group Co., Ltd.（蘭州眾邦電線電纜集團有限公司）, Beijing Wanji Technology Co., Ltd.（北京万集科技有限責任公司）and No. 23 Research Institute of China ElectronicsTechnology Corporation（中國電子科技集團公司第二十三研究所）.

Purchases from the major suppliers accounted for the following percentage:

The five largest suppliers	6.3%
The largest supplier	1.8%

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 (re-appointed on 12 May 2020)

Non-Executive Directors:

Mr. Yin Jian Kang	
Mr. Xu Zhi Bin	(re-appointed on 29 December 2020)
Mr. Sha Min	(re-appointed on 29 December 2020)
Mr. Xu Hao	

Independent Non-Executive Directors:

Mr. Xie Man Lin	(retired on 29 December 2020)
Mr. Shi Zhong Hua	(resigned on 29 December 2020)
Mr. Zhou Mei Lin	(appointed on 29 December 2020)
Mr. Zhang Zheng Tang	(appointed on 29 December 2020)
Ms. Xu Xiao Qin	(re-appointed on 10 February 2020)

Supervisors

Mr. Yao Gen Yuan	
Mr. Xu Chun Bin	
Ms. Zhang Yan Ping	
Ms. Zeng Xuan	(appointed on 23 March 2020)
Mr. Lin Hui	(retired on 29 December 2020)
Mr. Xu Bin	

Mr. Xie Man Lin retired as an independent non-executive Director on 29 December 2020 due to the expiration of the term. Mr. Shi Zhong Hua resigned as an independent non-executive Director on 29 December 2020 as he would like to devote more time to his personal commitments. On 29 December 2020, Mr. Zhou Mei Lin and Mr. Zhang Zheng Tang were appointed as independent non-executive Directors. Due to the expiration of the term, Ms. Xu Xiao Qin was re-appointed as an independent non-executive director on 10 February 2020. Due to the expiration of the term, Mr. Wu Qing An was re-appointed as an executive Director on 12 May 2020. Mr. Xu Zhi Bin and Mr. Sha Min were re-appointed as non-executive Directors on 29 December 2020 due to expiration of their terms. Mr. Lin Hui retired as a supervisor of the Company on 29 December 2020 due to the expiration of the term. Ms. Zeng Xuan was appointed as an employee representative Supervisor on 23 March 2020.

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

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, supervisors, and senior management of the Company are set out on pages 29 to 33 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 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 or their 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 2020, 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 2020, 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 2020, 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 2020 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 2020, the following interests and short positions of 5% or more of the share capital and underlying 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	Beneficial Owner	577,592,975	20.76%	–	–	577,592,975	17.57%
Fuji Investment Company Limited (Note 3, 4)	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 2020, 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) Fuji Investment Company Limited and Oriental Petroleum (Yangtze) Limited were controlled by the same shareholder.

(4) On 5 February 2021, Fuji Investment Company Limited, a shareholder of the Company, had transferred 210,000,000 domestic shares it held to Jiata'er (Nanjing) Energy Company Limited（嘉塔爾（南京）能源有限公司）and the above domestic shares had been registered in China Securities Depository and Clearing Company Limited.

Save as disclosed above, as at 31 December 2020, 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

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year is contained in note 38 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

As at 31 December 2020, the entire H shares were held by the public shareholders, which represented approximately 15.36% of the issued share capital of the Company. Upon completion of the placing of 3 billion H shares (the "Proposed Placing") under special mandate approved by the Company's shareholders on 29 December 2020, the H Shares held by the public shareholders would increase to 55.74%.

On 6 January 2021, the Company announced that the specific mandate and the China Securities Regulatory Commission approval for the Proposed Placing was lapsed due to the persistent COVID-19 pandemic and hence, the public float of the Company remained below the minimum percentage of 25% of the total number of issued shares prescribed by Rule 11.23(7) of the GEM Listing Rules.

The Company is actively formulating remedial plans, including but not limited to the proposed issue of new H shares. At the date of this report, the Company is still identifying potential investors and no concrete agreement has been reached. The Company will make further announcement if there are any updates on the progress as to restoration of its public float.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDITORS

At the annual general meeting on 29 June 2020, 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 2020.

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

Nanjing, the PRC
7 April 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance. This year considerable efforts were made to identify and formalise the best practices according to international standards. As at 31 December 2020, the 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 2020.

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 and Chief Executive Director 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 2020, 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 have 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 to act in the 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 with high 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 him 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 separate to ensure that the powers and authorities are distributed in a balanced manner and that the authorities are not focused solely on a 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.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2020, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 3 general meetings. For the year ended 31 December 2020, the composition of the Board and the attendance record of each Director at the meeting are set out below:

		No. of attendance/No. of meeting				
Name of Directors	**Title**	**Board Meeting**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General Meeting**
Mr. Zhu Yong Ning	Chairman and Executive Director	4/4	1/1	1/1	–	3/3
Mr. Wu Qing An	Executive Director (re-appointed on 12 May 2020)	4/4	–	–	–	3/3
Mr. Yin Jian Kang	Non-Executive Director	4/4	–	–	–	3/3
Mr. Xu Zhi Bin	Non-Executive Director (re-appointed on 29 December 2020)	3/4	–	–	–	3/3
Mr. Sha Min	Non-Executive Director (re-appointed on 29 December 2020)	3/4	–	–	–	3/3
Mr. Xu Hao	Non-Executive Director	4/4	–	–	–	3/3
Mr. Xie Man Lin	Independent Non-Executive Director (retired on 29 December 2020)	4/4	1/1	1/1	4/4	2/3
Mr. Shi Zhong Hua	Independent Non-Executive Director (resigned on 29 December 2020)	4/4	1/1	1/1	4/4	2/3
Mr. Zhou Mei Lin	Independent Non-Executive Director (appointed on 29 December 2020)	0/4	0/1	0/1	0/1	0/3
Mr. Zhang Zheng Tang	Independent Non-Executive Director (appointed on 29 December 2020)	0/4	0/1	0/1	0/1	0/3
Ms. Xu Xiao Qin	Independent Non-Executive Director (re-appointed on 10 February 2020)	4/4	1/1	1/1	4/4	3/3

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

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

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

NON-EXECUTIVE DIRECTORS

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

Mr. Xu Zhi Bin was re-appointed on 29 December 2020, for a term from 29 December 2020 to 28 December 2023.

Mr. Sha Min was re-appointed on 29 December 2020, for a term from 29 December 2020 to 28 December 2023.

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.

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

Mr. Zhou Mei Lin was appointed on 29 December 2020, for a term from 29 December 2020 to 28 December 2023.

Mr. Zhang Zheng Tang was appointed on 29 December 2020, for a term from 29 December 2020 to 28 December 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 in the best interest of the Company, and are always committed to act to the benefit of the Company and its shareholders in compliance with all applicable laws and regulations.

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. Zhou Mei Lin, Mr. Zhang Zheng Tang and Ms. Xu Xiao Qin.

The Chairman of the Nomination Committee is Mr. Zhou Mei Lin. Mr. Xie Man Lin retired as the chairman of the Nomination Committee on 29 December 2020, Mr. Shi Zhong Hua resigned as a member of the Nomination Committee on 29 December 2020. Mr. Zhou Mei Lin was appointed as the chairman of the Nomination Committee on 29 December 2020, and Mr. Zhang Zheng Tang was appointed as a member of the Nomination Committee on 29 December 2020.

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 reviewing eligibility of 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 and making recommendations thereon.

During the year under review, the Nomination Committee has reviewed issues including that 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. Zhou Mei Lin, Mr. Zhang Zheng Tang and Ms. Xu Xiao Qin. Mr. Xie Man Lin retired as the chairman of the Remuneration Committee on 29 December 2020, Mr. Shi Zhong Hua resigned as a member of the Remuneration Committee on 29 December 2020. Mr. Zhou Mei Lin was appointed as the chairman of the Remuneration Committee on 29 December 2020, and Mr. Zhang Zheng Tang was appointed as a member of the Remuneration Committee on 29 December 2020.

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 on 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 2020, it comprises three Independent Non-Executive Directors, namely Mr. Zhou Mei Lin, Mr. Zhang Zheng Tang and Ms. Xu Xiao Qin. Mr. Xie Man Lin retired as the chairman of the Audit Committee on 29 December 2020, Mr. Shi Zhong Hua resigned as a member of the Audit Committee on 29 December 2020, Mr. Zhou Mei Lin was appointed as the chairman of the Audit Committee on 29 December 2020, and Mr. Zhang Zheng Tang was appointed as a member of the Audit Committee on 29 December 2020.

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 2020 and granted approval 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 2020, 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 2020, the 2020 annual report, 2020 interim report, quarterly reports and relevant results announcements 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 2020 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, *Chairman*	✓
Mr. Wu Qing An (re-appointed on 12 May 2020)	✓
Mr. Yin Jian Kang	✓
Mr. Xu Zhi Bin (re-appointed on 29 December 2020)	✓
Mr. Sha Min (re-appointed on 29 December 2020)	✓
Mr. Xu Hao	✓
Mr. Xie Man Lin (retired on 29 December 2020)	✓
Mr. Shi Zhong Hua (resigned on 29 December 2020)	✓
Ms. Xu Xiao Qin (re-appointed on 10 February 2020)	✓
Mr. Zhou Mei Lin (appointed on 29 December 2020)	✓
Mr. Zhang Zheng Tang (appointed on 29 December 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, pursuant to the Reply of the State Council on Adjusting the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97)(《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), the requirements on the notice period, shareholders' proposal right and convening procedures for general meetings of joint stock limited companies incorporated in the People's Republic of China (the "PRC") and listed overseas shall be subject to the relevant provisions of the Company Law of the People's Republic of China, and the provisions of Articles 20 to 22 of the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies are no longer applicable. Therefore, the relevant provisions of the Articles of Association regarding the notice period for convening general meetings, shareholders' proposal right and convening procedures have been amended accordingly.

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 be delivered to the Company within 10 days from the date when the notice mentioned above is dispatched. 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 shall be 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 of 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 2020 is set out below:

Remuneration band	Number of individuals
Nil to RMB300,000	1
RMB300,001 to RMB500,000	1

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 was re-appointed as the auditors of the Company pursuant to the shareholders' resolution passed at the Annual General Meeting held on 29 June 2020. The auditors of the Company will consider, in advance of being contracted for and performing duties, whether such other assurance functions could lead to any potential material conflict of interest.

For the year ended 31 December 2020, the remuneration which are payable to the auditors of our Company are set out in the following table:

	Amount (RMB)
Audit services	614
The total cost	614

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 2020, 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 34 to 37 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 2020, 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
7 April 2021

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Yong Ning（朱永寧）, aged 52, 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 nearly 30 years of extensive experience in the financial industry and industrial operation. Since 1990, Mr. Zhu had worked at the international business department of China Construction Bank in Jiangsu province, and then successively served as 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 director of various major corporations. Mr. Zhu is also the Director of Christine International Holdings Limited（克莉絲汀國際控股有限公司, stock code: HK01210) and the Executive Director and CEO of IDT International Limited（萬威國際有限公司, stock code: HK00167).

Mr. Wu Qing An（吳清安）, aged 64, 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 re-appointed as an Executive Director on 12 May 2020.

Non-Executive Directors

Mr. Yin Jian Kang（尹建康）, aged 57, 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. Xu Zhi Bin（徐志斌）, aged 52, 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 re-appointed as a Non-Executive Director of the Company on 29 December 2020.

Mr. Sha Min（沙敏）, aged 55, 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 an 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 was re-appointed as a Non-Executive Director of the Company on 29 December 2020.

Mr. Xu Hao (徐浩), aged 57, 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 a Non-Executive Director of the Company on 15 October 2018.

Independent Non-Executive Directors

Mr. Xie Man Lin (謝滿林), aged 57, 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 retired from the position of the Independent Non-Executive Director on 29 December 2020.

Mr. Shi Zhong Hua (施中華), aged 50, 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 has worked in the Nanjing Branch of the Agricultural Bank of China since 1990, where he served as Head of Sub– branch and Department Head of Branch. Mr. Shi was resigned as an Independent Non-Executive Director of the Company on 29 December 2020.

Mr. Zhang Zheng Tang (張正堂), aged 45, graduated from China University of Mining and Technology with a Doctorate Degree of Management. Currently, he is a professor and a doctoral advisor of Nanjing University of Business School and acts as the director of Human Resource Management Department of the university. He was supported by Program for New Century Excellent Talents in University (2012) and was selected as a second-tier training participant of 333 High Caliber Talent Nurturing Program. He was in charge of 6 National Natural Science Funding Projects successively and published more than 40 articles in authoritative publications at home and abroad. In addition, he received numerous awards in recognition of his academic achievements, including Excellent Research Paper Award from Jiang Yi Wei Academic Fund for Corporate Reforms and Development, the Second Prize of National Higher Education Teaching Achievement (Participation), the First Prize of Jiangsu Higher Education Teaching Achievement (Participation), the First Prize for Outstanding Achievements in Humanities and Social Sciences in Universities in Jiangsu Province, the Second Prize of Excellent Achievements in Philosophy and Social Sciences in Jiangsu Province. Meanwhile, he had been working as a human resources consultant for a long term and accumulated extensive relevant experience. Presently, he is also an independent director of Shanxi Lu'an Environmental Energy Development Co., Ltd. (Shanghai Stock Exchange Stock Code: 601699). Mr. Zhang was appointed as an Independent Non-executive Director of the Company on 29 December 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhou Mei Lin（周美林）, aged 54, is a graduate of Nanjing Normal University（南京師範大學）, Chinese practicing lawyer, Chinese certified public accountant, tax agent, and a part-time teacher of Nanjing University of Finance and Economics（南京財經大學）. Mr. Zhou has extensive experience in accounting, corporate internal control, financial statement analysis, tax planning and related laws, specializing in enterprise initial public offerings, restructuring, merger and acquisition, bankruptcy, tax dispute resolution, tax risk prevention, and tax planning. Since January 2016, Mr. Zhou has been serving as a lawyer in Jiangsu Deqing Lawyers（江蘇德擎律師事務所）. Mr. Zhou has worked for Nanjing Xuanwu Tax Bureau of Jiangsu Province（江蘇省南京玄武稅務局）, taking different positions including tax administration, tax collection and management, financial management, and tax audit. He has also worked for Nanjing Shicheng Accounting (Tax) Firm（南京石城會計（稅務）師事務所）. During his tenure at the tax bureau, Mr. Zhou was employed as a part-time teacher for the tax system, participated in the compilation of risk platforms and inspection guidelines for provincial and municipal tax systems for many times, and participated in dozens of enterprise bankruptcy, conversion, restructuring, and merger and acquisition tasks. By virtue of his profound business expertise, he has won the title of "Business Expert" of the tax system for many times. Currently, Mr. Zhou also serves as an independent non-executive director of IDT International Limited (a company listed on the Main Board of the Stock Exchange; Stock Code: 167). Mr. Zhou was appointed as an Independent Non-executive Director of the Company on 29 December 2020.

Ms. Xu Xiao Qin（徐小琴）, aged 65, is a senior accountant with a postgraduate degree and extensive experience in finance and corporate management. 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）. She had been the Chairman of Nanjing Ningma Expressway Company Limited（南京寧馬高速公路有限責任公司）. 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 57, 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 Nanjing University Science and Technology Industry (Group) Company*（南京大學科技實業（集團）公司）, Head of Corporate Management in both Industrial Office of Nanjing University*（南京大學產業辦公室）and Nanjing University Science and Technology Industry (Group) Company*（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 a supervisor and the chairman of the supervisor committee of the Company on 28 June 2019.

Mr. Xu Chun Bin（徐純彬）, aged 56, 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 is currently an executive director of Christine International Holdings Limited (stock code:01210). Mr. Xu was appointed as a supervisor of the Company on 9 September 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Chen Jian Hong（陳建紅）, aged 51, 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 38, 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 a supervisor of the Company by the workers' congress on 23 July 2018.

Ms. Zeng Xuan（曾璇） aged 32, 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 48, 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 retired from the position of the independent supervisor of the Company on 29 December 2020.

Mr. Xu Bin（徐斌）, aged 55, 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 an independent supervisor of the Company from 1 June 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Wu Zheng Rong (吳崢嶸), aged 43, 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 49, 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 purpose.*

INDEPENDENT AUDITOR'S REPORT

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

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

OPINION

We have audited the consolidated financial statements of Jiangsu NandaSoft Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 105, which comprise the consolidated statement of financial position as at 31 December 2020, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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 opinion.

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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

Refer to note 18 to the consolidated financial statements.

The Group had investment properties located in the People's Republic of China (the "PRC") which were measured at fair value of approximately RMB281,763,000 as at 31 December 2020. The fair value of the investment properties were determined by management with reference to the valuations performed by an independent professional valuers (the "Valuers") engaged by the Group.

The valuations of investment properties involved significant judgments and estimates, including but not limited to the determination of valuation techniques and the selection of key inputs to apply in the models.

We had identified valuation of investment properties as a key audit matter because significance judgment and estimates had to be made for the valuation.

Our audit procedures to address the valuation of investment properties included the following:

- Evaluated the Valuers' competence, capabilities and objectivity;
- Discussed with the Group's management and the Valuers about the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques; and
- Evaluated the appropriateness and reasonableness of judgments and key assumptions made, in particular the income capitalisation rate.

Impairment assessment of trade receivables

Refer to note 36 to the consolidated financial statements.

As at 31 December 2020, the Group had trade receivables of approximately RMB148,439,000, net of allowance for credit losses.

We had identified allowance for credit losses of trade receivables as a key audit matter because significant judgments and estimates had to be made by management. Management has determined that impairment loss of approximately RMB12,208,000 in respect of trade receivables was reversed during the year ended 31 December 2020.

Our audit procedures to address the impairment assessment of trade receivables included the following:

- 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;
- Tested on a sample basis the aging of trade receivables at the end of the reporting period;
- Checked on a sample basis the settlement subsequent to the end of the reporting period to the trade receivables; and
- Assessed the appropriateness of the expected credit loss ("ECL") 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 ECL.

OTHER INFORMATION

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 THE 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 the 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 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 Mr. Wong Ho Kwan with Practising Certificate number P07543.

Elite Partners CPA Limited
Certified Public Accountants

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

7 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020	2019
		RMB'000	RMB'000
Revenue	6	**536,185**	387,376
Cost of sales		**(500,828)**	(334,071)
Gross profit		**35,357**	53,305
Other income and net gain	8	**3,406**	5,988
Selling and distribution expenses		**(7,453)**	(9,440)
Administrative expenses		**(45,541)**	(45,293)
Impairment losses reversed/(recognised), net	9	**11,792**	(24,599)
Finance costs	10	**(10,448)**	(14,691)
Gain/(loss) arising on fair value changes of investment properties		**1,463**	(85,359)
Share of results of associates		**1,853**	97
Loss before taxation		**(9,571)**	(119,992)
Income tax (expense)/credit	11	**(4,172)**	18,644
Loss for the year	12	**(13,743)**	(101,348)
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,292)**	1,166
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(3,410)**	(1,092)
Other comprehensive (loss)/income for the year, net of income tax		**(4,702)**	74
Total comprehensive loss for the year		**(18,445)**	(101,274)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(30,681)**	(103,080)
– Non-controlling interests		**16,938**	1,732
		(13,743)	(101,348)
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(35,383)**	(103,006)
– Non-controlling interests		**16,938**	1,732
		(18,445)	(101,274)
Loss per share (RMB cents)			
– Basic and diluted	15	**(0.93)**	(3.14)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020	2019
		RMB'000	RMB'000
Non-current Assets			
Property, plant and equipment	16	**51,447**	57,942
Right-of-use assets	17	**7,808**	8,827
Investment properties	18	**281,763**	280,300
Goodwill	19	**23,408**	23,408
Intangible assets	20	**504**	555
Interests in associates	21	**66,920**	66,418
Equity instruments at fair value through other comprehensive income	22	**1,206**	4,616
Deferred tax assets	31	**607**	2,968
Total non-current assets		**433,663**	445,034
Current Assets			
Trade receivables	23	**148,439**	86,307
Prepayment, deposits and other receivables	23	**195,833**	205,396
Inventories	24	**19,384**	52,809
Cash and cash equivalents	25	**181,231**	132,611
		544,887	477,123
Non-current assets classified as held for sale	26	**203,716**	210,716
Total current assets		**748,603**	687,839
Total Assets		**1,182,266**	1,132,873
Current Liabilities			
Trade payables	27	**196,544**	167,981
Accruals and other payables	27	**197,416**	196,191
Contract liabilities	28	**181,526**	152,932
Lease liabilities	33	**910**	807
Tax payables		**17,051**	16,989
Total current liabilities		**593,447**	534,900
Net Current Assets		**155,156**	152,939
Total Assets Less Current Liabilities		**588,819**	597,973

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020	2019
		RMB'000	RMB'000
Non-Current Liability			
Deferred tax liabilities	31	**43,643**	43,279
Other borrowings	32	**290,460**	280,623
Lease liabilities	33	**2,783**	3,693
Total non-current liabilities		**336,886**	327,595
Total Liabilities		**930,333**	862,495
Net Assets		**251,933**	270,378
Capital and Reserves			
Share capital	29	**328,800**	328,800
Reserves	30	**(148,854)**	(113,471)
Equity attributable to owners of the Company		**179,946**	215,329
Non-controlling interests		**71,987**	55,049
Total Equity		**251,933**	270,378

The consolidated financial statements were approved and authorised for issue by the board of directors on 7 April 2021 and are signed on its behalf by:

Zhu Yong Ning
Director

Wu Qing An
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Revaluation reserve	Surplus reserve	Translation reserve	Fair value through other comprehensive income reserve	Accumulated losses	Sub-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
As at 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 income/(loss), net of income tax:										
Exchange difference on translations of foreign operations	–	–	–	–	1,166	–	–	1,166	–	1,166
Fair value changes on equity instruments	–	–	–	–	–	(1,092)	–	(1,092)	–	(1,092)
Total comprehensive income/(loss) for the year	–	–	–	–	1,166	(1,092)	(103,080)	(103,006)	1,732	(101,274)
Transfer to surplus reserve	–	–	–	143	–	–	(143)	–	–	–
As at 31 December 2019 and as at 1 January 2020	328,800	214,069	81,862	20,277	619	(3,666)	(426,632)	215,329	55,049	270,378
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(30,681)**	**(30,681)**	**16,938**	**(13,743)**
Other comprehensive loss, net of income tax:										
Exchange difference on translations of foreign operations	**–**	**–**	**–**	**–**	**(1,292)**	**–**	**–**	**(1,292)**	**–**	**(1,292)**
Fair value changes on equity instruments	**–**	**–**	**–**	**–**	**–**	**(3,410)**	**–**	**(3,410)**	**–**	**(3,410)**
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(1,292)**	**(3,410)**	**(30,681)**	**(35,383)**	**16,938**	**(18,445)**
Transfer to surplus reserve	**–**	**–**	**–**	**145**	**–**	**–**	**(145)**	**–**	**–**	**–**
As at 31 December 2020	**328,800**	**214,069**	**81,862**	**20,422**	**(673)**	**(7,076)**	**(457,458)**	**179,946**	**71,987**	**251,933**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Loss before taxation	**(9,571)**	(119,992)
Adjustments for:		
Amortisation of intangible assets	**51**	48
Depreciation of property, plant and equipment	**7,159**	6,342
Depreciation of right-of-use assets	**1,019**	776
Interest income	**(577)**	(465)
Interest expenses	**10,448**	14,691
Impairment loss reversed in respect of trade receivables	**(12,208)**	11,189
Impairment loss recognised in respect of deposits and other receivables	**416**	1,013
Impairment loss recognised in respect of interest in associates	**–**	12,397
Write-down of inventories	**25,965**	–
Share of results of associates	**(1,853)**	(97)
(Gain)/loss arising on fair value changes of investment properties	**(1,463)**	85,359
Gain on disposal of property, plant and equipment	**–**	(1)
Operating cash flows before movements in working capital	**19,386**	11,260
Decrease/(increase) in inventories	**7,460**	(17,395)
Increase in trade receivables	**(49,924)**	(5,851)
Decrease in prepayment, deposit and other receivables	**17,498**	10,754
Increase/(decrease) in trade payables	**28,563**	(2,766)
Increase in accruals and other payables	**983**	29,549
Increase in contract liabilities	**28,594**	47,978
Decrease in amounts due to related parties	**–**	(790)
Cash generated from operations	**52,560**	72,739
Income tax paid	**(1,385)**	(2,436)
Net cash generated from operating activities	**51,175**	70,303

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
Cash flows from investing activities		
Capital injection in investment in an associate	–	(3,500)
Purchase of property, plant and equipment	(668)	(1,831)
Purchase of intangible assets	–	(297)
Dividend received from an associate	–	844
Interest received	577	465
Proceeds from disposal of property, plant and equipment	4	35
Net cash used in investing activities	(87)	(4,284)
Cash flows from financing activities		
Repayment of bank and other borrowings	(322)	(29,438)
Dividend paid	–	(3,454)
Repayment of lease liabilities	(1,096)	(802)
Interest paid	–	(711)
Net cash used in financing activities	(1,418)	(34,405)
Net increase in cash and cash equivalents	49,670	31,614
Cash and cash equivalents at the beginning of the reporting period	132,611	101,032
Effect on foreign exchange rate changes, net	(1,050)	(35)
Cash and cash equivalents at the end of the reporting period	181,231	132,611

1. GENERAL 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 shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 April 2001.

The address of the Company's registered office is 12/F, NandaSoft Softech Park, No. 19 South Qingjiang Road, Gulou District, Nanjing, China and its principal place of business in Hong Kong is 9E, Phase 1, Kaiser Estate, 41 Man Yue Street, Hunghom, Kowloon, Hong Kong.

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.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated, which is also the functional currency of the Company.

2. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap.622.

The consolidated financial statements have been prepared on the historical cost basis except for equity instruments at fair value through other comprehensive income ("FVTOCI") and investment properties, which are measured at fair value at the end of the reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, 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*.

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

2. Basis of preparation of consolidated financial statements (Continued)

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 HKFRSS

a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS (Continued)

b) 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 and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 –2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by 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 owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to 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. 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 ("CGUs") (or group of CGUs) 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 CGU (or group of CGUs) 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 CGU (or group of CGUs) 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 CGUs).

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. 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. The difference between the carrying amount of the associate 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 consolidated financial statements only to the extent of interests in the associate 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Revenue from contracts with customers (Continued)

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).

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.

4.6 Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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 over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Leases (Continued)

The Group as a lessee (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 as a separate line item on the consolidated statement of financial position.

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor 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.

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

4.7 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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" 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Buildings	45 years
Office equipment	5 years
Motor vehicles	6 years

The Group determines that there are 3% of residual values for each item of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.8 Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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 disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4.9 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 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 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 fair value through profit or loss ("FVTPL"), except that at 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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. 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 accumulated losses.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits paid, other receivables and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period 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 end of the reporting period. 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 end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Company measures the loss allowance equal to 12 months ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case 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 end of the reporting period 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.

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;

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- 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; or
- 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.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

(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; or

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

(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.

(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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

– 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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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.

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 FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

***Financial liabilities and equity** (Continued)*

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accrual and other payables and other borrowings 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.

4.12 Inventories

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

4.13 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

4.15 Borrowing costs

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

4.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable 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. Such grants are presented under "other income".

4.17 Employee benefits

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Employee benefits (Continued)

(i) Short term and other long-term employee benefits (Continued)

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.

(ii) Retirement benefit obligations

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000. The Group's contributions to the scheme are expensed as incurred are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

4.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in associates and investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such interests and investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 rate (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 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, except for freehold land, which is always presumed to be recovered entirely through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4.20 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

4.22 Related party transactions

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Related party transactions (Continued)

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Close family members 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The followings 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU 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 or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress, evolve and volatility in financial markets, including potention disruptions of the Group's operations.

Details are set out in note 19 to the consolidated financial statements.

(ii) Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without under costs or effort. At the end of each reporting perod, 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. The information about the ECL is disclosed in note 36(b) to the consolidated financial statements.

(iii) Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by the independent professional valuers (the "Valuer"). The Valuers have determined the fair value based on a method of valuation which involves certain assumptions of market conditions.

In relying on the valuation report, the directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuation of the Group's investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of social changes or other unexpected incidents as a result of restrictions implemented by many countries, increased complexity in international trade tensions geopolitics changes in policy direction and/or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iv) Assessment of economic useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated or amortised over their economic useful lives. The assessment of estimated useful life is a matter of judgment based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long life of assets, changes to the estimates used can result in variations in their carrying amounts.

(v) Net realisable value of inventory

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of change in market condition. The directors will re-assess the estimations at the end of each reporting period.

(vi) Fair value measurement of financial instruments

As at 31 December 2020, the Group's unquoted equity instruments classified at FVTOCI amounting to approximately RMB1,206,000 (2019: RMB4,616,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year.

6. REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Trading of computer hardware and software products	**11,532**	20,360
Provision of system integration service	**507,950**	352,004
Properties management service income	**1,175**	1,521
Online education	**–**	75
Revenue from contracts with customers	**520,657**	373,960
Revenue from other source:		
Rental income	**15,528**	13,416
Total revenue	**536,185**	387,376
Timing of revenue recognition:		
At a point in time	**11,532**	20,435
Over-time	**509,125**	353,525
	520,657	373,960

6. REVENUE (Continued)

Performance obligations for contracts with customers

Sales of computer hardware and software products

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

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.

Properties management service income

The Group provides 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. For contracts that includes both lease and non-lease components (properties management services), the Group applies HKFRS 15 to allocate the consideration to separate lease and non-lease components on a relative stand-alone selling price basis. Advance consideration allocated to the properties management services is recognised as a contract liability and is released over the period of services.

Provision of online education platform

Revenue from provision of online education platform are recognised at a point in time when control of the platform has transferred, being when the platform are avaliable for use by the customer.

Transaction allocated to the remaining performance obligation for contracts with customers

Except for the revenue from provision of system integration service, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 to all of its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contract that had an original expected duration of one year or less.

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing for system integration contracts and will recognise the expected revenue in future when or as the work is completed which is expected to occur within the next 5 years.

7. OPERATING SEGMENTS

According to the internal organisational structure of the Group, requirement for managements and internal reporting system, the operating business is classified into four reporting segments: (i) the computer hardware and software products, (ii) system integration service, (iii) property investments and (iv) online education. These reporting 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 consolidated financial statements.

7. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results

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

	Computer hardware and software products	System integration service	Property investments	Online education	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2020					
Revenue from external customers	11,532	507,950	16,703	–	536,185
Reportable segment (loss)/profit	(124)	20,970	10,572	(330)	31,088
Gain arising on fair value changes of investment properties					1,463
Share of results of associates					1,853
Finance costs					(10,448)
Unallocated corporate expenses					(33,527)
Loss before taxation					(9,571)
As at 31 December 2020					
Segment assets	22,239	510,113	581,167	586	1,114,105
Interests in associates					66,920
Unallocated corporate assets					1,241
Total assets					1,182,266
Segment liabilities	40,531	490,059	371,371	1,190	903,151
Unallocated corporate liabilities					27,182
Total liabilities					930,333
Other segment information					
Depreciation of property, plant and equipment	12	7,054	–	93	7,159
Depreciation of right-of-use assets	–	–	1,019	–	1,019
Amortisation of intangible assets	4	–	–	47	51
Impairment losses recognised/(reversed) in respect of:					
– Trade receivables	178	(12,302)	(84)	–	(12,208)
– Deposits and other receivables	–	416	–	–	416
Write-down of inventories	–	25,965	–	–	25,965
Additions to non-current assets	9	659	–	–	668

7. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results (Continued)

	Computer hardware and software products	System integration service	Property investments	Online education	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
Loss arising on fair value changes of investment properties					(85,359)
Share of results of associates					97
Finance costs					(14,691)
Unallocated corporate expenses					(29,095)
Loss before taxation					(119,992)
As at 31 December 2019					
Segment assets	30,874	493,825	540,353	785	1,065,837
Interests in associates					66,418
Unallocated corporate assets					618
Total assets					1,132,873
Segment liabilities	31,710	590,053	194,676	1,191	817,630
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
Impairment losses recognised in respect of:					
– Trade receivables	989	10,200	–	–	11,189
– Deposits and other receivables	126	887	–	–	1,013
– Interests in associates	–	12,397	–	–	12,397
Gain on disposal of property, plant and equipment	–	1	–	–	1
Additions to non-current assets	–	1,831	4,873	297	7,001

Segment results represent the profit earned/(loss suffered) by each segment without allocation of central administrative expenses, under the heading of "unallocated corporate expenses", finance costs, share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. OPERATING SEGMENTS (Continued)

(a) Segment revenues and results (Continued)

For the purposes of resource allocation and performance assessment between segments:

- all assets are allocated to reportable segments, other than partial property, plant and equipment; and
- all liabilities are allocated to reportable segments, other than partial trade payables, accruals and other payables and tax payables.

(b) Geographic information

All of the Group's revenue from external customers are generated from the PRC and over 90% of the Group's non-current assets are located in the PRC. Accordingly, no geographical information have been presented.

(c) Information about major customers

For the year ended 31 December 2020, there was no customer accounted for over 10% of the total revenue of the Group (2019: Nil).

8. OTHER INCOME AND NET GAIN

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Bank interest income	**577**	465
Government grants (Note)	**1,905**	1,210
Gain on disposal of property, plant and equipment	**–**	1
Sundry income	**924**	4,312
	3,406	5,988

Note: Government grants have been received from PRC government as subsidies. The Group recognised these government grants as other income when all the conditions specified in the government approval was fulfilled.

9. IMPAIRMENT LOSSES REVERSED/RECOGNISED, NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Impairment losses (reversed)/recognised on:		
– Trade receivables	**(12,208)**	11,189
– Deposits and other receivables	**416**	1,013
– Interests in associates	**–**	12,397
	(11,792)	24,599

10. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expenses on bank and other borrowings	**10,159**	14,480
Interest expenses on lease liabilities	**289**	211
	10,448	14,691

11. INCOME TAX EXPENSE/(CREDIT)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax		
– PRC Enterprise Income Tax	**1,447**	1,481
Deferred tax charge/(credit) *(note 31)*	**2,725**	(20,125)
Income tax expense/(credit)	**4,172**	(18,644)

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

On 2 December 2020, 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 2020. Enterprise income tax ("EIT") arising from subsidiaries operating in the PRC was calculated at either 15% or 25% (2019: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

11. INCOME TAX EXPENSE/(CREDIT) (Continued)

Reconciliation between income tax expense/(credit) and accounting loss at applicable tax rates is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss before taxation	**(9,571)**	(119,992)
Tax at applicable tax rates	**1,344**	(30,803)
Effect of expenses not deductible for tax purpose	**1,660**	5,220
Effect of income not taxable for tax purpose	**(6,634)**	(78)
Tax effect of tax loss not recognised	**7,802**	7,017
Income tax expense/(credit)	**4,172**	(18,644)

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Amortisation of intangible assets	**51**	48
Auditor's remuneration		
– Audit services	**614**	705
– Non-audit services	**175**	189
Cost of inventories sold recognised as expenses	**474,863**	334,071
Depreciation of property, plant and equipment	**7,159**	6,342
Depreciation of right-of-use assets	**1,019**	776
Expenses relating to short-term leases	**306**	579
Write-down of inventories (including in cost of sales)	**25,965**	–
Staff costs (including directors' and supervisors' remuneration)		
– Wages, salaries and bonus	**34,194**	25,957
– Contribution to defined contribution plans	**2,984**	3,802

13. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The remuneration of the directors and supervisors for the year is set out below:

	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution pension plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020				
Executive directors				
Zhu Yong Ning	500	–	–	500
Wu Qing An	300	–	–	300
Non-executive directors:				
Xu Zhi Bin	–	–	–	–
Sha Min	80	–	–	80
Xu Hao	80	–	–	80
Yin Jian Kang	–	–	–	–
Independent non-executive directors:				
Xie Man Lin (resigned on 29 December 2020)	80	–	–	80
Shi Zhong Hua (resigned on 29 December 2020)	80	–	–	80
Xu Xiao Qin	80	–	–	80
Zhou Mei Lin (appointed on 29 December 2020)	–	–	–	–
Zhang Zheng Tang (appointed on 29 December 2020)	–	–	–	–
	1,200	–	–	1,200
Supervisors:				
Yao Gen Yuan	–	–	–	–
Zhang Yan Ping	–	123	–	123
Xu Bin	–	50	–	50
Xu Chun Bin	–	50	–	50
Chen Jian Hong (resigned on 23 March 2020)	–	72	–	72
Lin Hui (resigned on 29 December 2020)	–	50	–	50
Zeng Xuan (appointed on 23 March 2020)	–	59	–	78
	1,200	404	–	1,604

13. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and supervisors' remuneration (Continued)

	Directors' fee	Salaries, allowances and benefits in kind	Contributions to defined contribution pension plans	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:				
Yao Gen Yuan (resigned on 5 May 2019 and appointed on 28 June 2019)	–	–	–	–
Zhang Yan Ping	–	101	–	–
Xu Bin	–	50	–	–
Xu Chun Bin (appointed on 9 September 2019)	–	50	–	–
Zhang Xiao Hong (resigned on 9 September 2019)	–	–	–	–
Chen Jian Hong	–	188	–	–
Lin Hui	–	50	–	–
	1,210	439	–	1,649

Directors' 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. DIRECTORS' AND SUPERVISORS REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Directors' and supervisors' retirement benefits and termination benefits

None of the directors and supervisors received or will receive any retirement benefits or termination benefits for the years ended 31 December 2020 and 2019.

(c) Consideration provided to third parties for making available directors' and supervisors' services

During the years ended 31 December 2020 and 2019, the Company did not pay consideration to any third parties for making available directors' and supervisors' services.

(d) Transactions, arrangements or contracts in which the directors and supervisors have material interests

Except for disclosed in note 38(b) to the consolidated financial statements, no other transactions, arrangements and contracts in relation to the Group's business to which the Company or any subsidiaries of the Company was a party and in which a director or supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(e) Five highest paid individuals

The five highest-paid individuals of the Group during the year included 2 (2019: 2) directors, whose remunerations are reflected in the analysis presented above. The remunerations of remaining 3 (2019: 3) highest paid individuals who are neither a director nor chief executive of the Company for the year are set out below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**846**	1,132
Contributions to defined contribution pension plans	**–**	–
	846	1,132

The enduements of the individuals fell within the following bands:

	2020	2019
	Number of employees	Number of employees
Nil to RMB1,000,000	**3**	3

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: 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 (2019: Nil). None of the directors or five highest paid individuals waived or agreed to waive any emoluments for both years.

14. DIVIDENDS

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

15. LOSS PER SHARE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company	**(30,681)**	(103,080)

Number of shares

	Year ended 31 December	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,288,000**	3,288,000

Diluted loss per share were same as the basic loss per shares as there were no potential dilutive ordinary shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicle	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
As at 1 January 2019	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 non-current assets classified as held-for-sale	(18,130)	–	–	(18,130)
As at 31 December 2019 and as at 1 January 2020	67,433	17,343	6,147	90,923
Additions	–	464	204	668
Exchange realignment	–	(5)	–	(5)
Eliminated on disposals	–	(144)	–	(144)
As at 31 December 2020	67,433	17,658	6,351	91,442
Accumulated depreciation				
As at 1 January 2019	15,113	11,156	4,506	30,775
Charged for the year	1,791	4,275	276	6,342
Exchange realignment	–	2	–	2
Eliminated on disposal	–	(49)	(94)	(143)
Reclassified as non-current assets classified as held-for-sale	(3,995)	–	–	(3,995)
As at 31 December 2019 and as at 1 January 2020	12,909	15,384	4,688	32,981
Charged for the year	5,242	1,532	385	7,159
Exchange realignment	–	(5)	–	(5)
Eliminated on disposal	–	(140)	–	(140)
As at 31 December 2020	18,151	16,771	5,073	39,995
Carrying amounts				
As at 31 December 2020	**49,282**	**887**	**1,278**	**51,447**
As at 31 December 2019	54,524	1,959	1,459	57,942

17. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2020			
Carrying amounts	4,397	3,411	7,808
As at 31 December 2019			
Carrying amounts	4,441	4,386	8,827
For the year ended 31 December 2020			
Depreciation charge	44	975	1,019
For the year ended 31 December 2019			
Depreciation charge	44	732	776

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Expense relating to short-term leases	**306**	648
Less: Early termination of short-term leases	**–**	(69)
	306	579
Total cash outflow for leases	**1,402**	1,381
Additions to right-of-use assets	**–**	4,873

For both years, the Group leases an office for its operations.

Lease contracts are entered into for fixed term of 5 years (2019: 5 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreement do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The carrying amount of the leasehold land is in the PRC under the medium-term lease. The Group is the registered owner of these leasehold land. Lump sum payments were made upfront to acquire these property interests from their previous owners, and there are no longer payments to be made under the term of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities. The leasehold land components of these owned properties are presented separately only if the payment can be allocated reliably.

18. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
As at 1 January 2019	555,240
Loss arising on fair value changes	(85,359)
Reclassified as non-current assets classified as held-for-sale *(note b)*	(189,581)
As at 31 December 2019 and as at 1 January 2020	280,300
Gain arising on fair value changes	1,463
As at 31 December 2020	**281,763**

Notes:

(a) The Group's investment properties are held in PRC under medium-term leases. The Group leases out offices under operating leases with rental payable monthly. The leases typically run for an initial period of 1 to 10 years (2019: 1 to 10 years), with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

(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 and buildings classified as property, plant and equipment (the "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. As at 31 December 2019, 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 sale as disclosed in note 26 to the consolidated financial statements. During the year ended 31 December 2020, the Company obtained an unconditional consent from the local government authorities for the Disposal Units.

(c) The fair values have been determined based on the valuation carried out by Jiangsu Hetai Land and Real Estate Appraisal Company Limited (2019: Sino-Infinite Appraisal Limited), an independent valuers who are 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*.

In estimating the fair value of investment properties, the management work closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the investment properties.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

18. INVESTMENT PROPERTIES (Continued)

Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	**Range 2020**	Range 2019	Relationship of significant unobservable inputs to fair value
Investment properties located in the PRC	Income capitalisation approach	(i) Rental value	**RMB25 to RMB90 per sqm**	RMB23 to RMB92 per sqm	The higher the rental value, the higher the fair value.
		(ii) Income capitalisation rate	**6.0% to 6.5%**	6.5% to 7.0%	The lower the income capitalisation rate, the higher the fair value.

19. GOODWILL

	2020	2019
	RMB'000	RMB'000
Carrying amount		
As at 1 January and as at 31 December	**23,408**	23,408

Goodwill is allocated to the CGU, comprising a subsidiary which engaged in the system integration service operation.

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 18.4% (2019: 18.9%). Cash flows beyond the five-year period are extrapolated using growth rates of 3% (2019: 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. If the discount rate was changed to 16.5%, while other parameters remain constant, the recoverable amount of CGU would equal to its carrying amount.

20. INTANGIBLE ASSETS

	Computer software
	RMB'000
Cost	
As at 1 January 2019	3,784
Additions	297
Eliminated on disposal	(2,441)
As at 31 December 2019, as at 1 January 2020 and as at 31 December 2020	**1,640**

20. INTANGIBLE ASSETS (Continued)

	Computer software
	RMB'000
Accumulated amortisation	
As at 1 January 2019	3,478
Amortised during the year	48
Eliminated on disposal	(2,441)
As at 31 December 2019 and as at 1 January 2020	1,085
Amortised during the year	51
As at 31 December 2020	1,136
Carrying amount	
As at 31 December 2020	**504**
As at 31 December 2019	555

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

21. INTERESTS IN ASSOCIATES

	2020	2019
	RMB'000	RMB'000
At the beginning of the reporting period	**66,418**	21,440
Share of post-acquisition profits, net of dividend received	**502**	44,978
At the end of the reporting period	**66,920**	66,418

21. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's material interests in associates at the end of the reporting period are as follows:

Name of entity	Principal country of incorporation and business	Proportion of ownership interest held by the Company 2020	2019	Principal activities
Shenzhen Nanda Research Institute Company Limited* ("SNRCL")	PRC	**30%**	30%	Property investment
NandaSoft Intelligence Technology (Shanghai) Company Limited*	PRC	**25%**	25%	Trading of computer equipment
Jiangsu Fu Man Investment Limited*	PRC	**40%**	40%	Project investment and management
Nanjing Furuiwei Medical Technologies Company Limited*	PRC	**–**	40%	Trading of health-care product.
Jiangsu Sheng Feng Medical Technology Company Limited*	PRC	**30%**	30%	Trading of health-care product
Nanjing Zhonggao Intellectual Property Company Limited*	PRC	**20%**	20%	Provision of consultancy service
Beijing Zhong Zhi Cultural Creative Development Company Limited*	PRC	**41%**	41%	Provision of education culture service

* *English translation for identification only*

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below.

All of these associates are accounted for using the equity method in these consolidated financial statements.

SNRCL

	2020	2019
	RMB'000	RMB'000
Currents assets	**42,580**	40,253
Non-current assets	**31,697**	34,025
Current liabilities	**(23,783)**	(23,910)
Non-current liabilities	**(30,824)**	(32,361)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**11,787**	12,710
Profit and total comprehensive income for the year	**6,170**	1,517
Dividend received	**1,352**	844

Reconciliation of the above summarised financial information to the carrying amount of the interest in SNRCL recognised in the consolidated financial statement:

	2020	2019
	RMB'000	RMB'000
Net assets of SNRCL	**19,670**	18,007
Proportion of the Group's ownership interest in SNRCL	**30%**	30%
The Group's share of net assets of SNRCL	**5,901**	5,402
Goodwill on acquisition of interest in SNRCL	**45,543**	45,543
Carrying amount of the Group's interest in SNRCL	**51,444**	50,945

21. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2020	2019
	RMB'000	RMB'000
The Group's share of profit/(loss) and total comprehensive income/(loss)	**3**	(358)
Aggregate carrying amounts of the Group's interests in these associates	**15,476**	15,473

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	RMB'000
Unlisted investments:		
– Equity instruments	**1,206**	4,616

The above unlisted equity instruments represent the Group's equity interest in private entities established in the PRC. The directors have elected to designate these investments in equity instruments at FVTOCI as they are held for long-term strategic purposes.

Fair value measurement of unlisted investments

(i) Fair value hierarchy

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The following table gives information about how the fair value of these financial assets are determined.

	Level 3
	RMB'000
As at 31 December 2020	
Equity instruments at FVTOCI	**1,206**
As at 31 December 2019	
Equity instruments at FVTOCI	4,616

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the date of the events or change in circumstances that caused the transfer.

There were no transfers between level 1 to level 2, or transfers into or out of level 3.

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Fair value measurement of unlisted investments (Continued)

(i) Fair value hierarchy (Continued)

In estimating the fair value of an asset, the management work closely with Jiangsu Hetai Land and Real Estate Appraisal Company Limited to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of the equity instruments classified at FVTOCI are disclosed above.

	Fair value as at 31 December 2020	Fair value as at 31 December 2019	**Valuation technique**	**Significant unobservable input(s)**	**Relationship of significant unobservable input to fair value**
	RMB'000	RMB'000			
Equity instruments in private companies established in the PRC	**1,206**	4,616	Asset-based approach	Account value	The higher the account value, the higher the fair value

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI
	RMB'000
As at 1 January 2019	5,708
Fair value changes in other comprehensive income	(1,092)
As at 31 December 2019 and as at 1 January 2020	4,616
Fair value changes in other comprehensive income	(3,410)
As at 31 December 2020	**1,206**

Fair value changes in other comprehensive income relating to unlisted equity instruments classified as equity instruments at FVTOCI held at the end of the reporting period and is reported as changes of FVTOCI reserve.

23. TRADE RECEIVABLES, PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables from contracts with customers and other source	**240,695**	218,937
Less: Allowance for credit losses	**(120,422)**	(132,630)
Trade receivables (net of allowance for credit losses)	**120,273**	86,307
Retention receivables from customers for contract work *(Note)*	**28,166**	–
	148,439	86,307
Prepayment, deposits and other receivables		
Prepayment	**77,456**	114,995
Deposits	**82,498**	62,365
Other receivables	**35,879**	28,036
	195,833	205,396

Note: Retention receivables in respect of the system integration services are settled in accordance with the terms of the respective contracts.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period granted to recurring customers is 90 days from invoice date.

The following is an aging analysis of the trade receivables (excluding of retention receivables), net of allowance for credit losses, presented based on earlier of invoice date or revenue recognition date is as follows:

	2020	2019
	RMB'000	RMB'000
Within 3 months	**71,114**	64,502
3-6 months	**1,458**	2,236
6-12 months	**47,701**	19,569
	120,273	86,307

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate gross carrying amounts of approximately RMB175,154,000 (2019: RMB152,199,000) which are past due at the end of the reporting period. Out of the past due balances, approximately RMB49,159,000 (2019: RMB21,805,000) (net of allowance for credit loss) is not considered as in default because of no recent history of default and the directors are in opinion of these balances are still considered as collectible.

23. TRADE RECEIVABLES, PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (Continued)

In determining the recoverability of a trade receivable, the directors consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

Details of impairment assessment are set out in note 36(b) to the consolidated financial statements.

24. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Finished goods	**19,384**	52,809

25. CASH AND CASH EQUIVALENTS

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

As at 31 December 2020, the Group has cash and cash equivalents of approximately RMB180,894,000, RMB74,000 and RMB263,000 (2019: RMB76,000 and RMB268,000) denominated in RMB, Hong Kong dollar ("HKD") and Euro ("EUR") respectively.

The Group's cash and cash equivalents denominated in RMB which are located in the PRC are subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

	Notes	**2020**	2019
		RMB'000	RMB'000
Total assets classified as held for sale			
– Buildings	(a)	**14,135**	14,135
– Investment properties	(a)	**189,581**	189,581
– Interest in an associate	(b)	**–**	7,000
		203,716	210,716

Notes:

(a) The Company entered into a SPAs with various buyers in relation to the disposal of the Disposal Units. The completion of the SPAs is subjected to the consents and approvals for the disposal to be obtained from local government authorities. During the year ended 31 December 2020, the Group obtained unconditional consent from the local government authorities for the disposal. In the opinion of the directors, the disposal of the Disposal Units was not completed within twelve months of the date of reclassification as assets held for sale due to delay in fulfilling the condition precedents caused by events and circumstances beyond the Group's control and both the Company and the purchasers remain committed to sell or purchase the assets.

(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. During the year ended 31 December 2020, the Group completed to dispose interest in an associate.

27. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

The aging analysis of the trade payables of the Group based on the invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Within 3 months	42,169	40,227
3-6 months	8,400	127,754
6-12 months	2,173	–
Over 1 year	143,802	–
	196,544	167,981
Accruals and other payables		
Accruals	1,458	1,477
Deposit received	76,440	97,803
Other payables	119,518	96,911
	197,416	196,191

The credit period granted by suppliers normally ranges from 90 to 120 days.

Deposits received mainly represented deposits for disposal of the Disposal Units and security deposits received from constructors.

28. CONTRACT LIABILITIES

	2020	2019
	RMB'000	RMB'000
System integration contracts	181,526	152,932
Movements in contract liabilities:		
As at 1 January	152,932	104,954
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 reporting period	(13,886)	(9,354)
Increase in contract liabilities as a result of receiving sales deposits and instalments during the year	42,480	57,332
As at 31 December	181,526	152,932

Contract liabilities represented advance deposits received from customers before the service commences, this will give rise to contract liabilities at the start of a contract, for which the revenue recognised on the based on the progress stated in the system integration contracts. The Group typically receives certain percentage as a deposit on acceptance of the services as stated in the contract.

29. SHARE CAPITAL

	Number of domestic share	Number of H share	Total	Amount
	'000	'000	'000	RMB'000
Issued and fully paid				
As at 1 January 2019, as at 31 December 2019, as at 1 January 2020 and as at 31 December 2020, ordinary shares of RMB0.1 each	2,782,800	505,200	3,288,000	328,800

30. 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) 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.

(c) Surplus reserve

In accordance with the Company Law of the PRC 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.

30. RESERVES (Continued)

(d) 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.

(e) 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.

31. DEFERRED TAX ASSETS/LIABILITIES

	Provision for impairment of assets
Deferred tax assets	
As at 1 January 2019, as at 31 December 2019 and as at 1 January 2020	2,968
Charged to profit or loss for the year	(2,361)
As at 31 December 2020	**607**

	Revaluation of investment properties
Deferred tax liabilities	
As at 1 January 2019	(63,404)
Credited to profit or loss for the year	20,125
As at 31 December 2019 and as at 1 January 2020	(43,279)
Charged to profit or loss for the year	(364)
As at 31 December 2020	**(43,643)**

32. OTHER BORROWINGS

As at 31 December 2020, the Group's other borrowings from a private company with common shareholder are unsecured, interest bearing at 6% per annum (2019: 6% per annum) and have no fixed repayment term.

33. LEASE LIABILITES

	2020	2019
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	910	807
Within a period of more than one year but not more than two years	2,783	3,693
	3,693	4,500
Less: Amount due for settlement within 12 months shown under current liabilities	(910)	(807)
Amount due for settlement after 12 months shown under non-current liabilities	2,783	3,693

The weighted average incremental borrowing rates applied to lease liabilities range from 7.2% to 8.3% (2019: from 7.2% to 8.3%).

34. OPERATING LEASING ARRANGEMENTS

The Group as a lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2020	2019
	RMB'000	RMB'000
Within one year	11,281	19,617
In the second year	36,444	1,919
	47,725	21,536

35. CAPITAL RISK 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 of new shares, repurchase of existing shares or sell assets to reduce debt. No changes had been made in the objectives, policies and processes for both years.

The Group is not subject to any external imposed capital requirements.

36. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2020	2019
	RMB'000	RMB'000
Financial assets		
Equity instruments at FVTOCI	1,206	4,616
At amortised cost:		
Trade receivables	148,439	86,307
Deposits and other receivables	118,377	90,401
Cash and cash equivalents	181,231	132,611
	449,253	313,935
Financial liabilities		
At amortised cost:		
Trade payables	196,544	167,981
Accruals and other payables	197,416	196,191
Other borrowings	290,460	280,623
	684,420	644,795

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instruments at FVTOCI, trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables and other borrowings. Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements.

The risks associated with these financial instruments include credit risk, liquidity risk and market risk (currency risk and interest rate risk). The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and cash equivalents. The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

36. FINANCIAL INSTRUMENTS (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment *(Continued)*

Trade receivables

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on debtors individually.

The Group's exposure to credit risk for trade receivables which are assessed individually within lifetime ECL.

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)	Lifetime ECL (credit-imapired)	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	19,146	102,295	121,441
Impairment loss recognised	1,681	9,508	11,189
Transfer to credit-impaired	(17,896)	17,896	–
As at 31 December 2019 and as at 1 Janaury 2020	2,931	129,699	132,630
Impairment loss recognised	63	7,733	7,796
Impairment loss reversed	(135)	(19,869)	(20,004)
Transfer to credit-impaired	(1,105)	1,105	–
As at 31 December 2020	1,754	118,668	120,422

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Deposits and other receivables

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 considered the ECL for deposit and other receivables is RMB416,000 (2019: RMB1,013,000).

36. FINANCIAL INSTRUMENTS (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment *(Continued)*

Deposits and other receivables (Continued)

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for deposit and other receivables under the simplified approach:

	Lifetime ECL (credit-impaired)
	RMB'000
As at 1 January 2019	142,709
Impairment loss recognised	1,013
As at 31 December 2019 and as at 1 January 2020	143,722
Impairment loss recognised	416
As at 31 December 2020	**144,138**

Cash and cash equivalents

The Group deposited bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to bank balances held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk as at 31 December 2020 and 2019 were minimal.

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of 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.

36. FINANCIAL INSTRUMENTS (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk *(Continued)*

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.

	Weighted average interest rate	On demand or less than 1 year	1-5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020					
Trade payables	–	196,544	–	196,544	196,544
Accruals and other payables	–	197,416	–	197,416	197,416
Other borrowings	6%	–	307,888	307,888	290,460
Lease liabilities	7.2%-8.3%	1,139	3,044	4,183	3,693
		395,099	310,932	706,031	688,113
As at 31 December 2019					
Trade payables	–	167,981	–	167,981	167,981
Accruals and other payables	–	196,191	–	196,191	196,191
Other borrowings	6%	–	297,460	297,460	280,623
Lease liabilities	7.2%-8.3%	1,095	4,183	5,278	4,500
		365,267	301,643	666,910	649,295

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB denominated assets. In addition, the Group has certain assets denominated in HKD and EUR which are currencies other than the functional currency of the relevant group entities.

The monetary assets denominated in EUR is minimal, the Group considers there has no material foreign exchange risk exposure in respect of EUR. Therefore, no sensitivity analysis of EUR is presented.

36. FINANCIAL INSTRUMENTS (Continued)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to other borrowings with fixed interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The exposure to the interest rate risk for variable rate bank balances is insignificant as the bank balances have a short maturity period.

(c) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

37. 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**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	296,292	–	296,292
Addition to lease liabilities	–	5,091	5,091
Interest expenses	14,480	211	14,691
Interest paid	(711)	–	(711)
Repayment of bank and other borrowings	(29,438)	–	(29,438)
Repayment of lease liabilities	–	(802)	(802)
As at 31 December 2019	280,623	4,500	285,123
Interest expenses	10,159	289	10,448
Repayment of other borrowings	(322)	–	(322)
Repayment of lease liabilities	–	(1,096)	(1,096)
As at 31 December 2020	290,460	3,693	294,153

38. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following material transactions with related parties:

(a) Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 13(a) to the consolidated financial statements, is as follows:

	2020	2019
	RMB'000	RMB'000
Directors' fees	**1,200**	1,210
Salaries, allowances and benefits in kind	**404**	1,650
	1,604	2,860

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Transaction with related parties

Nature of balance/transactions	**Relationships**	**2020**	2019
		RMB'000	RMB'000
Other borrowings	Common shareholder	**290,460**	280,623
Finance cost	Common shareholder	**10,159**	13,769

39. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name of subsidiary	Country/place of incorporation/ registration	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2020	2019	**2020**	2019	
Jiangsu NandaSoft Computer Equipment Company Limited*	PRC	RMB10,000,000	**51%**	51%	–	–	Sale of computer hardware products
Jiangxi NandaSoft Service Outsourcing Park Company Limited*	PRC	RMB10,000,000	**70%**	70%	–	–	Inactive
Jiangsu NandaSoft Biochemical Technology Company Limited*	PRC	RMB5,814,000	**100%**	100%	–	–	Inactive
Nanjing NandaSoft Property Service Company Limited*	PRC	RMB500,000	**100%**	100%	–	–	Provision of properties management service
NandaSoft Technology (Shenzhen) Company Limited*	PRC	RMB5,000,000	**90%**	90%	10%	10%	Sale of computer hardware products and equipment
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited*	PRC	RMB30,280,000	**51%**	51%	–	–	Rendering of Communication intelligence control system
Nanjing Changtian Zhiyuan Technology Company Limited*	PRC	RMB500,000	**-**	–	51%	–	Inactive
Jiangxi NandaSoft Technology Company Limited*	PRC	RMB2,000,000	**70%**	70%	–	–	Inactive
Jiangsu Zhiya Online Education Technology Limited*	PRC	RMB10,000,000	**70%**	70%	–	–	Provision of online education service
Nanjing NandaSoft System Integration Company Limited*	PRC	RMB20,000,000	**100%**	100%	–	–	Rendering of system integration services

39. PARTICULARS OF SUBSIDIARIES (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiary	Country/place of incorporation/ registration	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
			Directly		Indirectly		
			2020	2019	**2020**	2019	
Jiangsu Sheng Feng Investment Company Limited*	PRC	RMB10,000,000	**100%**	100%	–	–	Investment holding
Jiangsu NandaSoft (Hong Kong) Limited	Hong Kong	HKD2,000,000	**100%**	100%	–	–	Inactive
Smartful Venture Holdings Limited	British Virgin Islands	United States dollar 100	**60%**	60%	–	–	Investment holding
Vast Rich Asia Limited	Hong Kong	HK$100	**–**	–	60%	60%	Investment holding
Staterich Technology (Jiangsu) Company Limited*#	PRC	RMB4,964,523	**–**	–	60%	60%	Sales of computer hardware and software outsourcing

* English translation for identification only

Wholly foreign owned enterprise

All subsidiaries are private company with limited liabilities.

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

39. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests ("NCI") is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	
	2020	2019
	RMB'000	RMB'000
As at 31 December		
Non-current assets	**6,832**	9,763
Current assets	**505,798**	413,979
Non-current liabilities	**(705)**	(705)
Current liabilities	**(374,605)**	(321,341)
Net assets	**137,320**	101,696
Carrying amount of NCI	**67,287**	49,831
	Year ended 31 December	
Revenue	**509,962**	346,378
Expenses	**(475,365)**	(340,700)
Profit and total comprehensive income for the year	**34,597**	5,678
Profit and total comprehensive income attributable to NCI	**16,953**	2,782
Dividend paid to NCI	**–**	–
Net cash inflow from operating activities	**67,338**	11,547
Net cash outflow from investing activities	**(1,037)**	(182)
Net cash inflow	**66,301**	11,365

Except disclosed above, the directors consider that the Group's other NCI were insignificant to the Group and thus are not separately presented in these consolidated financial statements for both years. In addition, no separate financial information of these non-wholly owned subsidiaries is required to be presented.

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial position of the Company

	2020	2019
	RMB'000	RMB'000
Non-Current Assets		
Property, plant and equipment	49,721	55,857
Right-of-use assets	4,397	4,441
Intangible assets	143	143
Investment properties	276,856	275,400
Investments in subsidiaries	51,593	53,470
Interests in associates	8,706	10,488
Equity instruments at fair value through other comprehensive income	1,206	3,790
	392,622	403,589
Current Assets		
Trade receivables	3,458	5,246
Prepayment, deposits and other receivables	67,226	38,830
Dividend receivables	6,151	–
Cash and cash equivalents	4,267	25,445
	81,102	69,521
Non-current assets classified as held for sale	203,716	203,716
Total Assets	677,440	676,826
Current liabilities		
Trade payables	48,713	48,613
Contract liabilities	109,026	80,448
Accruals and other payables	7,819	17,235
Amounts due to subsidiaries	152,216	112,308
Tax payables	2,777	2,735
	320,551	261,339

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(a) Statement of Financial position of the Company (Continued)

	2020	2019
	RMB'000	RMB'000
Non-Current liabilities		
Other borrowings	290,460	280,623
Deferred tax liabilities	42,938	62,164
	333,398	342,787
Total Liabilities	653,949	604,126
Net Assets	23,491	72,700
Capital and Reserves		
Share capital	328,800	328,800
Reserves	(305,309)	(256,100)
Total Equity	23,491	72,700

Signed on its behalf of the board of directors by:

Zhu Yong Ning
Director

Wu Qing An
Director

(b) Movement in the Company's reserves

	Capital reserve	Revaluation reserve	Surplus reserve	FVTOCI reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	214,069	81,862	20,470	(2,515)	(426,845)	(112,959)
Loss for the year	–	–	–	–	(142,039)	(142,039)
Fair value change on equity instruments	–	–	–	(1,102)	–	(1,102)
As at 31 December 2019 and as at 1 January 2020	214,069	81,862	20,470	(3,617)	(568,884)	(256,100)
Loss for the year	–	–	–	–	(45,799)	(45,799)
Fair value change on equity instruments	–	–	–	(3,410)	–	(3,410)
As at 31 December 2020	214,069	81,862	20,470	(7,027)	(614,683)	(305,309)

FIVE YEAR FINANCIAL SUMMARY

31 December 2020

	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**536,185**	387,376	479,837	404,651	443,365
Cost of sales	**(500,828)**	(334,071)	(429,726)	(355,633)	(384,322)
Gross profit	**35,357**	53,305	50,111	49,018	59,043
Other income and net gain	**3,406**	5,988	5,019	11,309	7,943
Selling and distribution expenses	**(7,453)**	(9,440)	(10,195)	(9,711)	(13,434)
Research and development costs	**–**	–	–	(12,407)	(2,288)
Administrative expenses	**(45,541)**	(45,293)	(41,930)	(36,411)	(74,077)
Impairment losses reversed/(recognised), net	**11,792**	(24,599)	(40,203)	(42,305)	(53,288)
Finance costs	**(10,448)**	(14,691)	(17,110)	(28,988)	(38,449)
Gain/(loss) arising on fair value changes of investment properties	**1,463**	(85,359)	1,400	15,941	8,168
Share of results of associates	**1,853**	97	5,373	2,104	2,431
Loss before tax	**(9,571)**	(119,992)	(47,535)	(51,450)	(103,951)
Income tax (expense)/credit	**(4,172)**	18,644	(1,799)	(5,390)	(2,308)
Loss for the year	**(13,743)**	(101,348)	(49,334)	(56,840)	(106,259)
Attributable to:					
Owners of the Company	**(30,681)**	(103,080)	(53,698)	(53,834)	(109,609)
Non-controlling interests	**16,938**	1,732	4,364	(3,006)	3,350
	(13,743)	(101,348)	(49,334)	(56,840)	(106,259)
Total assets	**1,182,266**	1,132,873	1,197,045	1,156,881	1,169,725
Total liabilities	**(930,333)**	(862,495)	(825,393)	(987,928)	(957,651)
Non-controlling interests	**(71,987)**	(55,049)	(53,317)	(50,668)	(56,032)
Equity attributable to owners of the Company	**179,946**	215,329	318,335	118,285	156,042