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**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)**

**ANNOUNCEMENT OF AUDITED ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 AND  
RESUMPTION OF TRADING**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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

## AUDITED ANNUAL RESULTS

Reference was made to the announcements of the Company dated 21 March 2023, 29 March 2023, 3 April 2023 and 20 April 2023 respectively (the “**Announcements**”) in relation to, among others, the delay in publication of 2022 Annual Results and Annual Report, and the suspension of trading in the shares of the Company (the “**Shares**”) on the GEM of the Stock Exchange pending the publication of the 2022 Annual Results and Annual Report. Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings given to them in the Announcements.

The Board is pleased to announce that on 15 May 2023, Elite Partners CPA Limited (“**Elite Partners**”), the auditors of the Company, has completed its audit of the annual results of the Group for the year ended 31 December 2022 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The audited annual results for the year ended 31 December 2022 are set out in the full text of the annual report enclosed hereto.

## RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023, pending the release of the 2022 Annual Results and Annual Report of the Company contained in this announcement. Application has been made to the Stock Exchange for the resumption of trading in shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 16 May 2023.

By order of the Board  
**Jiangsu NandaSoft Technology Company Limited\***  
江蘇南大蘇富特科技股份有限公司  
**Zhu Yong Ning**  
Chairman

Nanjing, the People’s Republic of China, 15 May 2023

*As at the date of this announcement, the Board comprises nine Directors, of which two are executive Directors, namely Mr. Zhu Yong Ning (Chairman) and Mr. Wu Qing An, four are nonexecutive Directors, namely Mr. Xu Zhi Bin, Mr. Sha Min, Mr. Xu Hao and Mr. Yin Jian Kang and three are independent non-executive Directors, namely Mr. Zhou Mei Lin, Ms. Xu Xiao Qin and Mr. Zhang Zheng Tang.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement (if any) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on GEM’s website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*

\* For identification purpose only



**JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED**

**江蘇南大蘇富特科技股份有限公司**

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

(Stock Code: 8045)

# ANNUAL REPORT 2022

## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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# CORPORATE INFORMATION

## DIRECTORS OF THE COMPANY

### Executive Directors

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

### Non-Executive Directors

Mr. Yin Jian Kang  
Mr. Sha Min  
Mr. Xu Zhi Bin  
Mr. Xu Hao

### Independent Non-Executive Directors

Mr. 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  
Nanjing Shanxi Road Sub-branch,  
Industrial and Commercial Bank of China  
SPD Bank

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
17M/F Hopewell Centre  
183 Queen's Rd E  
Wan Chai  
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  
Hung Hom, Kowloon  
Hong Kong

## STOCK CODE

08045

# CHAIRMAN'S STATEMENT

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 2022 to the shareholders of the Company for their review.

Over the past three years, global economy had suffered from shocks and recessions caused by the recurrent outbreaks of COVID-19 raging across the world. Moreover, escalating geopolitical conflicts complicated the situation, fuelling global instability and leading to further uncertainty. On the other hand, however, China's economy has shown resilience rarely seen elsewhere amid a global downturn, and is now recovering at a faster pace. In the process of economic recovery, we are pleased to see that the integration of digital economy and real economy is accelerating as traditional industries have sped up their digital and intelligent transformation and upgrading, which will bring new opportunities to the Internet industry in general.

We, the NandaSoft people, have always been passionate about exploring the "Internet Plus" industry and striving to be at the forefront of the industry. To embrace the historical opportunities brought by a burgeoning digital economy, we have established our strategic goal with a focus on innovative businesses such as big data, blockchain, artificial intelligence and the Internet of Things, and strive to continuously empower various industries and sectors. Through technological updates and iterations, the Group integrated cloud-based services and big data operations to provide more intelligent and integrated solutions for industries in the midst of digital transformation, contributing our wisdom and strength to drive economic recovery.

In recent years, we have continued our efforts in various business areas. With respect to our intelligent transportation segment, we continued to lead the industry, and opened up business channels on various fronts. While consolidating our existing customer base in Jiangsu Province, we vigorously looked for potential high-quality customers outside the province to build a more extensive business network and grow ourselves to be a leading player in the field of intelligent transportation. In the field of smart education, we have received positive responses from more tertiary institutions expressing their interest in cooperating with us, and we aim to build a more extensive Internet-based vocational education system for higher education institutions and promote the online, convenient and diversified access to vocational education. With respect to our intellectual property trading platform, we have tackled lots of technical barriers among different systems and further improved and strengthened our platform and system, bringing together intellectual property data and resources from various fields to enable more accurate matching with market demand and facilitate the commercialization of more technological achievements.

## BUSINESS RESULTS

For the year 2022, the Group recorded revenue of RMB310.8 million in total, down by approximately RMB223.8 million as compared with that for 2021; and net loss attributable to the parent company was approximately RMB22.6 million. The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

## PROSPECTS

During the past three years, economic and social activities have suffered from the COVID-19 pandemic enormously and it is expected that, given other headwinds, there would be still much uncertainty over economic recovery and the road ahead remains challenging. However, we believe that with the concerted efforts of the human community, the adverse impact of the COVID-19 pandemic on the future economy will gradually diminish, and the economic recovery will gain momentum. For this reason, three years into the pandemic, we are convinced that everything will be back on track with brighter prospects for the markets, for enterprises and for our customers.

We have now entered the post-pandemic era, where opportunities and challenges coexist. As an "Internet Plus" platform-based enterprise, NandaSoft will closely align itself with national industry policies, play its part in promoting economic recovery by catering to market demand based on its scientific research and technologies, and open up a broader space for development in the digital economy.

# CHAIRMAN'S STATEMENT

As a Chinese proverb goes, “long and difficult as the journey is, sustained actions will take us to the destination.” With a deep understanding of the trends of economic development, we will firmly grasp the opportunity of economic recovery, continue to leverage the academic resources and talent advantages of Nanjing University and forge ahead, staying true to our original aspiration and keeping our mission in mind.

Last but not least, I would like to extend my special thanks to our shareholders, customers, partners and employees for their continued attention and support to NandaSoft. We will continue to grow together with all of you, fulfilling our missions as an excellent enterprise and creating ever greater value for shareholders, businesses and the society.

**Zhu Yong Ning**

*Chairman*

15 May 2023



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2022 was approximately RMB310.8 million, which represented a decrease of approximately RMB223.8 million, when compared with 2021. During the year, the Group continues to be confronted by the impact of the COVID-19 pandemic which impacted the general economic and market conditions in China, some of the work-in-progress projects were delayed in completion and thus reducing the revenue recognized for the year ended 31 December 2022. The gross profit margin has increased from 12.4% for the year ended 31 December 2021 to 15.9% for the year ended 31 December 2022 due to the tightly control of the cost of sales during the year.

Loss attribute to owners of Company for the year ended 31 December 2022 was approximately RMB22.6 million, representing a decrease of approximately RMB17.4 million, or 43.4% when compared with 2021. The decrease was primarily due to decrease in impairment losses on financial assets of approximately RMB16.2 million and the decrease in administrative expense of approximately of RMB5.0 million.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2022, current assets of the Group amounted to approximately RMB667.5 million, of which approximately RMB44.1 million were cash and cash equivalents and approximately RMB419.8 million were receivables and prepayments, representing a decrease by RMB23.8 million when compared with 2021. The decrease in accounts receivables and other receivables was attributable to provision of allowance in credit loss of approximately RMB20.1 million and decrease in revenue for the year when compared with the previous year.

As at 31 December 2022, non-current liabilities was RMB263.0 million and its current liabilities amounting to approximately RMB628.5 million, which mainly comprised trade and other payables, lease liabilities and tax payable. Current liabilities decreased by approximately 4.6% when compared with 2021 due to the decrease in contract liabilities as a result of receiving less sales deposits during the year. Net assets of the Group amounted to approximately RMB188.2 million (2021: approximately RMB212.1 million), representing a decrease of RMB24.0 million or approximately 11.3% when compared with 2021. Other long-term borrowings amounted to RMB221.0 million in total, the current liabilities and the total liabilities were decreased by RMB30.5 million and RMB78.8 million 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 2022, the Group had a gearing ratio of 20.5% and the net asset value of the Group as at 31 December 2022 stood at approximately RMB120.2 million (2021: RMB139.2 million), which was approximately 13.6% lower than that of 2021. The net assets value per share as at 31 December 2022 was approximately RMB0.29 (2021: RMB0.34 (re-stated)).

## CHARGE ON GROUP ASSETS

As at 31 December 2022, the Group did not have assets pledged as security for interest-bearing bank borrowings granted to the Group (2021: 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 2022, 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 2022, the Group did not have any contracted but not yet provided for capital commitment (2021: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2022, 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 2022 amounted to approximately RMB26.9 million (2021: approximately RMB37.0 million), including Directors' and supervisors' emoluments of approximately RMB1.2 million (2021: approximately RMB1.2 million) and RMB0.4 million (2021: approximately RMB0.3 million), respectively.

The number of employees for the year had decreased from 272 to 265.

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 2022 (2021: Nil).

## BUSINESS REVIEW

During the year, the Company addressed the adverse impact of the COVID-19 pandemic, kept abreast of development trend of the digital economy, actively made deployment based on its major advantageous businesses such as cloud computing, big data and the Internet of Things, and dynamically adjusted and optimised its business strategy, thereby stabilising the business development throughout the year. Meanwhile, the management further took effective measures to reduce costs and increase efficiency and continuously reduced operating losses, which enabled the Company to reduce its financial burden and grasp the business development opportunities arising from the economic recovery, thus cementing a more solid foundation for development.

### 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 Nanjing Zhonggao Intellectual Property Co., Ltd. ("Nanjing Zhonggao"), an associated company of the Company, maintained stable operation, with its brand influence further enhanced. The custody platform has attracted more than 28,000 enterprise users in accumulative basis, and bridged the technical consulting of enterprises on over 1,000 occasions during the year. Nanjing Zhonggao continued to strengthen development of products for both the government end and the university end, improved 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 carried out iterative development to cater to users' needs, further enhancing user experience.

During the year, Nanjing Zhonggao entered into cooperation agreements with the systems for commercialization of research results of certain colleges and universities, and developed new customers such as Tibet Zhiye Building Materials Co., Ltd. (西藏志業建築材料有限公司), Shanghai Zhongde Metal Products (Qidong) Co., Ltd. (上海眾德金屬製品啟東有限公司) and Hunan Art & Crafts Vocational College (湖南工藝美術職業學院), making significant progress in the field of university-enterprise cooperation. Nanjing Zhonggao smoothly completed the acceptance of "the Construction Project of Ningxia Technology Transfer Research Institute", and successfully delivered and launched the "Intellectual Property Platform of Jiangsu-Liaoning Cooperation Innovation Park", both being its key base projects. During the year, the progress of many projects of Nanjing Zhonggao was affected due to COVID-19 outbreaks and will enter the implementation stage in succession later.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, maintained steady development. Under the unfavourable external circumstances, Changtian Zhiyuan strengthened efforts in innovation as well as research and development, and consolidated inter-regional team cooperation, maintaining its traditional advantages in the industry.

Facing the increasingly fierce competition in the industry, Changtian Zhiyuan worked hard to develop new customers. During the year, Changtian Zhiyuan undertook a material project – the LHKJ-JDBT tender section of the provisional electromechanical maintenance for the expansion project of the Lianyungang-Huai’an section of the Changchun-Shenzhen Expressway, laying the foundation for the business development of the whole year. During the year, a number of projects in various regions were affected to different extent due to COVID-19 outbreaks. In order to protect the interests of customers, Changtian Zhiyuan responded actively, innovated the work communication mechanism, and scheduled local sub-centers by remote control to promote the project progress collaboratively.

## 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 Changzhou Science and Education City and proactively explored opportunities for in-depth cooperation with the intellectual property trading platform in the commercialization of scientific and technological achievements. Besides, Zhiya Online has established a regular communication mechanism with a number of peers to further explore various possibilities and application scenarios of online education ecology, contributing to the development of the online vocational education industry.

## Plan for Issue of Additional H Shares

During the year, in accordance with the relevant requirements of the Listing Rules of the Hong Kong Stock Exchange, the Company smoothly completed the capital reorganisation and has negotiated with a number of potential strategic investors for subscription of H shares. At present, the Company is actively working with relevant parties on the arrangement of issuance of additional H shares, and expects to complete the entire process in the year of 2023.

## PROSPECTS

In the post-pandemic era, the external development environment remains challenging, but at the same time, more opportunities have arisen, which will lead to the growing scale of the digital economy and the constant emergence of the Internet Plus related new business.

Looking ahead, as the economy is already on the road to recovery, the market demand will also be reignited. The Company will closely follow the national policies, keep close eyes on changes in market demand, and proactively adapt to the environmental changes. In addition, the Company will continue to promote business innovation and transformation, explore the integration and application of the Internet in more fields, uphold the development concept of leveraging on the scientific research strength of Nanjing University, insist on its original aspiration, and continue to work hard to build the Company into an industry-leading “Internet Plus” benchmark enterprise.

**Zhu Yong Ning**  
*Chairman*

Nanjing, the PRC  
15 May 2023

# 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 2022.

## 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 37 and Note 21 to the financial statements, respectively.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 36.

The Directors do not recommend the payment of a final dividend for the year (2021: 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 HKEx news 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 2022 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 30 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 39.

# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

At 31 December 2022, there are no reserves available for distribution to shareholders of the Company (2021: 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 2022, the Group's total assets amounted to RMB1,079.7 million. Total liabilities amounted to RMB891.5 million, the Group expresses its gearing ratio as a percentage of borrowings over total assets which was 20.5%. The total operating income amounted to RMB310.8 million. The loss before tax amounted to RMB27.9 million. The net loss attributable to owners of the Company amounted to RMB22.6 million. The return on total assets was -2.1%. The return on shareholders' equity was -18.8%.

## 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.

# 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 Jiangsu Southern Suxichang Expressway Co., Ltd. (江蘇蘇錫常南部高速公路有限公司), Jiangsu Wufengshan Bridge Co., Ltd. (江蘇五峰山大橋有限公司), Gansu Luqiao Highway Investment Co., Ltd. (甘肅路橋公路投資有限公司), Shandong Gezhouba Juye-Shanxian Expressway Co., Ltd. (山東葛洲壩巨單高速公路有限公司) and Yancheng Highway Development Centre (鹽城市公路事業發展中心).

In the year under review, sales to the Group's five largest customers accounted for 46.9% of the total sales for the year and sales to the largest customer included therein amounted to RMB72.8 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 Jiangsu Intellitrans Technology Development Company Limited (江蘇智運科技發展有限公司), Shandong Aolian Information Technology Co., Ltd. (山東奧聯信息科技有限公司), Nantong Branch of China Mobile Communications Corporation (中國移動通訊集團有限公司南通分公司), Gansu Shidai Xuri Traffic Facilities Co., Ltd. (甘肅時代旭日交通設施有限公司) and Nanjing Suhe Electronic Technology Co., Ltd. (南京蘇河電子科技有限責任公司).

Purchases from the major suppliers accounted for the following percentage:

|                            |       |
|----------------------------|-------|
| The five largest suppliers | 21.0% |
| The largest supplier       | 6.3%  |

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.

# REPORT OF THE DIRECTORS

## EQUITY LINE OF CREDIT AGREEMENT

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

## DIRECTORS AND SUPERVISORS

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

### Executive Directors:

Mr. Zhu Yong Ning (*Chairman*)

Mr. Wu Qing An

### Non-Executive Directors:

Mr. Yin Jian Kang

Mr. Xu Zhi Bin

Mr. Sha Min

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

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

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, supervisors, and senior management of the Company are set out on pages 28 to 31 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.

# REPORT OF THE DIRECTORS

## 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 2022, 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 (the "Mr. Zhu") | Interest of controlled corporation | 102,597,967 (Note 3)      | –                  | 29.49%  | –  | 24.96%   |



# REPORT OF THE DIRECTORS

## Notes:

- (1) As at 31 December 2022, the Company issued 347,850,000 domestic shares and issued 63,150,000 H shares, i.e. 411,000,000 shares in total.
- (2) On 12 July 2022, the Company implemented the capital reorganisation which comprise the share consolidation on the basis that every eight (8) Existing Domestic Shares of nominal value of RMB0.10 each be consolidated into one (1) Consolidated Domestic Share of nominal value of RMB0.80 each (the “Consolidated Domestic Share”); and every eight (8) Existing H Shares of nominal value of RMB0.10 each be consolidated into one (1) Consolidated H Share of nominal value of RMB0.80 each, (the “Consolidated H Share”).

Immediately following the share consolidation, the registered capital of the Company is proposed to be reduced by a reduction of the nominal value of each Consolidated Domestic Share and each Consolidated H Share from RMB0.80 to RMB0.10, such reduction will comprise a cancellation of the registered capital of the Company to the extent of RMB0.70 per Consolidated Domestic Share and Consolidated H Share respectively so that each Consolidated Domestic Share and each Consolidated H Share shall be of nominal value of RMB0.10 in the share capital of the Company immediately following the Capital Reduction. The credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company for use by the Directors in any manner permitted by the laws of the PRC and the Articles.

- (3) 101,100,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. (“Jiangsu Keneng Electricity”) which Mr. Zhu held 90% ownership and 1,497,967 domestic shares were owned by Jiangsu Jintao Investment Company Ltd. (“Jiangsu Jintao”) which Mr. Zhu held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu is deemed to be interested in the above shareholdings of Jiangsu Keneng Electricity and Jiangsu Jintao.

Save as disclosed above, as at 31 December 2022, 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 2022 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 2022, 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:

# REPORT OF THE DIRECTORS

## Long positions:

| Shareholder   | Nature           | Number of Domestic shares | Percentage of domestic shares (Note 1) | Number of H shares | Percentage of H shares (Note 1) | Number of domestic and H shares | Percentage of domestic and H shares (Note 1) |
|---|------------------|---------------------------|--|--------------------|---------------------------------|---------------------------------|--|
| Jiangsu Keneng Electricity Technology Co., Ltd. (Note 3)        | Beneficial Owner | 101,100,000               | 29.06%                                 | –                  | –                               | 101,100,000                     | 24.60%                                       |
| Anhui Jiuxi Property Investment Co. Ltd                         | Beneficial Owner | 74,199,122                | 21.33%                                 | –                  | –                               | 74,199,122                      | 18.05%                                       |
| Fuji Investment Company Limited (Note 4)                        | Beneficial Owner | 30,000,000                | 8.62%                                  | –                  | –                               | 30,000,000                      | 7.30%  |
| Jiangsu Fuchuang Electronic Business Company Limited            | Beneficial Owner | 28,125,000                | 8.09%                                  | –                  | –                               | 28,125,000                      | 6.84%  |
| Jiangsu Yuchang Modern Agricultural Development Company Limited | Beneficial Owner | 28,125,000                | 8.09%                                  | –                  | –                               | 28,125,000                      | 6.84%  |
| Jiata'er (Nanjing) Energy Company Limited                       | Beneficial Owner | 26,250,000                | 7.55%                                  | –                  | –                               | 26,250,000                      | 6.39%  |
| Oriental Petroleum (Yangtze) Limited (Note 4)                   | Beneficial Owner | –                         | –                                      | 10,525,000         | 16.67%                          | 10,525,000                      | 2.56%  |

### Notes:

- As at 31 December 2022, the Company has issued 347,850,000 domestic shares and issued 63,150,000 H shares, i.e. 411,000,000 shares in total.
- On 12 July 2022, the Company implemented the capital reorganisation which comprise the share consolidation on the basis that every eight (8) Existing Domestic Shares of nominal value of RMB0.10 each be consolidated into one (1) Consolidated Domestic Share of nominal value of RMB0.80 each (the “Consolidated Domestic Share”); and every eight (8) Existing H Shares of nominal value of RMB0.10 each be consolidated into one (1) Consolidated H Share of nominal value of RMB0.80 each, (the “Consolidated H Share”).  
  
Immediately following the share consolidation, the registered capital of the Company is proposed to be reduced by a reduction of the nominal value of each Consolidated Domestic Share and each Consolidated H Share from RMB0.80 to RMB0.10, such reduction will comprise a cancellation of the registered capital of the Company to the extent of RMB0.70 per Consolidated Domestic Share and Consolidated H Share respectively so that each Consolidated Domestic Share and each Consolidated H Share shall be of nominal value of RMB0.10 in the share capital of the Company immediately following the Capital Reduction. The credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company for use by the Directors in any manner permitted by the laws of the PRC and the Articles.
- 101,100,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd (“Jiangsu Keneng Electricity”) which Mr. Zhu held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu was deemed as holding the above interests of shares.
- Fuji Investment Company Limited and Oriental Petroleum (Yangtze) Limited were controlled by the same shareholder.

Save as disclosed above, as at 31 December 2022, 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.

# REPORT OF THE DIRECTORS

## 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 36 to the consolidated financial statements. None of the transactions as described in the said note fell under the definition of connected transactions.

## SUFFICIENCY OF PUBLIC FLOAT

On 6 January 2022, 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.

As at 31 December 2022, the entire H shares were held by the public shareholders, which represented approximately 15.36% of the issued share capital of the Company. Capital Reorganization was approved by the Company's Shareholders on 13 May 2022 and the Company has negotiated with a number of potential strategic investors for subscriptions of H shares and will maintain the sufficient float of more than 25% the issued shares as required under the GEM Listing rules.

## 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 30 June 2022, 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 2022.

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

Nanjing, the PRC  
15 May 2023

# 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 2022, the Company has complied with the provisions set out in Appendix 15 of the code provision of the Corporate Governance Code (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 2022.

## 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. Separation of the position of Chairman and Chief Executive Director 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 2022, 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 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.

# CORPORATE GOVERNANCE REPORT

## 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, 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 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 separated 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 2022, the Company has conducted 5 regular board meetings, 5 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 1 general meeting. For the year ended 31 December 2022, the composition of the Board and the attendance record of each Director at the meeting are set out below:

| Name of Directors    | Title                              | No. of attendance/No. of meeting |                      |                        |                 |                 |
|----------------------|------------------------------------|----------------------------------|----------------------|------------------------|-----------------|-----------------|
|                      |                                    | Board Meeting                    | Nomination Committee | Remuneration Committee | Audit Committee | General Meeting |
| Mr. Zhu Yong Ning    | Chairman and Executive Director    | 5/5                              | 1/1                  | 1/1                    | -               | 1/1             |
| Mr. Wu Qing An       | Executive Director                 | 5/5                              | -                    | -                      | -               | 1/1             |
| Mr. Yin Jian Kang    | Non-Executive Director             | 5/5                              | -                    | -                      | -               | 1/1             |
| Mr. Xu Zhi Bin       | Non-Executive Director             | 3/5                              | -                    | -                      | -               | 1/1             |
| Mr. Sha Min          | Non-Executive Director             | 3/5                              | -                    | -                      | -               | 1/1             |
| Mr. Xu Hao           | Non-Executive Director             | 4/5                              | -                    | -                      | -               | 1/1             |
| Mr. Zhou Mei Lin     | Independent Non-Executive Director | 4/5                              | 0/1                  | 0/1                    | 3/5             | 1/1             |
| Mr. Zhang Zheng Tang | Independent Non-Executive Director | 4/5                              | 1/1                  | 1/1                    | 5/5             | 1/1             |
| Ms. Xu Xiao Qin      | Independent Non-Executive Director | 5/5                              | 1/1                  | 1/1                    | 5/5             | 1/1             |

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

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

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

# CORPORATE GOVERNANCE REPORT

## 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 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.

# CORPORATE GOVERNANCE REPORT

## 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.

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.



# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000. As at 31 December 2022, it comprises three Independent Non-Executive Directors, namely Mr. Zhou Mei Lin, Mr. Zhang Zheng Tang and Ms. Xu Xiao Qin.

The primary duties of the audit committee are to review and provide supervision over the financial reporting and risk management and internal control system of the Group. The audit committee has reviewed the annual result announcement, annual report and the independent auditors' report for the year ended 31 December 2022 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 2022, the Audit Committee has conducted 5 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 2022, the 2021 annual report, 2022 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 2022 is summarized below:

| <b>Name of Directors</b>           | <b>Attending seminar(s)/programme(s)/<br/>conference(s)/internal briefing(s) relevant to<br/>the business or Directors' duties</b> |
|------------------------------------|--|
| Mr. Zhu Yong Ning, <i>Chairman</i> | ✓  |
| Mr. Wu Qing An                     | ✓  |
| Mr. Yin Jian Kang                  | ✓  |
| Mr. Xu Zhi Bin                     | ✓  |
| Mr. Sha Min                        | ✓  |
| Mr. Xu Hao                         | ✓  |
| Ms. Xu Xiao Qin                    | ✓  |
| Mr. Zhou Mei Lin                   | ✓  |
| Mr. Zhang Zheng Tang               | ✓  |

# CORPORATE GOVERNANCE REPORT

## 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](http://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.

An appropriate balance of diversity was maintained on the Board, which comprised members of both gender. All appointments of Directors will take into account the measurable objectives with regard to the benefits of diversity on the Board to develop a pipeline of potential successors to the Board to maintain gender diversity. For the year ended 31 December 2022, the Board was comprised of approximately 87.5% male and approximately 12.5% female.

## 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.

# CORPORATE GOVERNANCE REPORT

## 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, Hung Hom, 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.

The attendance of each Director at the 2021 AGM is as follows:

| <b>Name of Directors</b>                  | <b>Board meeting attended/<br/>Eligible to attend</b> |
|---|---|
| <b>Executive Directors</b>                |   |
| Mr. Zhu Yong Ning, Chairman               | 1/1   |
| Mr. Wu Qing An                            | 1/1   |
| <b>Non-Executive Directors</b>            |   |
| Mr. Yin Jian Kang                         | 1/1   |
| Mr. Xu Zhi Bin                            | 1/1   |
| Mr. Sha Min                               | 0/1   |
| Mr. Xu Hao                                | 0/1   |
| <b>Independent Non-Executive Director</b> |   |
| Ms. Xu Xiao Qin                           | 1/1   |
| Mr. Zhou Mei Lin                          | 0/1   |
| Mr. Zhang Zheng Tang                      | 1/1   |

The Board considers that general meetings of the Company provide an important channel for the shareholders to exchange views with the Board.

# CORPORATE GOVERNANCE REPORT

## 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.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF THE SENIOR MANAGEMENT BY BAND

Pursuant to Code Provision B1.5 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 2022 is set out below:

| Remuneration band        | Number of individuals |
|--------------------------|-----------------------|
| Nil to RMB300,000        | 3                     |
| 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 30 June 2022. 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 2022, the remuneration which are payable to the auditors of our Company are set out in the following table:

|                | Amount (RMB'000) |
|----------------|------------------|
| Audit services | 548              |
| The total cost | 548              |

## 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 2022, 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 32 to 35 in the Independent Report of the Auditors.

# REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

Jiangsu NandaSoft Technology Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2022, 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, truly 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 complied 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  
15 May 2023

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Zhu Yong Ning** (朱永寧), aged 54, 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 66, 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 59, 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 Assets 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 54, 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 57, 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.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Xu Hao (徐浩)**, aged 59, 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. Zhang Zheng Tang (張正堂)**, aged 47, 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.

**Mr. Zhou Mei Lin (周美林)**, aged 56, 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.



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Xu Xiao Qin (徐小琴)**, aged 67, 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 59, 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 Assets 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 58, 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. Zhang Yan Ping** (張燕萍), aged 40, 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 34, 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. Xu Bin** (徐斌), aged 57, 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.

## SENIOR MANAGEMENT

**Ms. Wu Zheng Rong** (吳嶢嶢), aged 45, 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 51, 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



## 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 36 to 105, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 judgement, 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.

# INDEPENDENT AUDITOR'S REPORT

## Key audit matter

### Valuation of investment properties

*Refer to note 18 to the consolidated financial statements.*

The Group's investment properties, which are located in the People's Republic of China (the "PRC"), mainly comprise office premises, and were stated at fair value of RMB272,714,000, accounting for approximately 25% of the Group's total assets as at 31 December 2022 with a loss on change in fair value of RMB3,695,000 recognised in the consolidated statement of profit and loss and other comprehensive income for the year then ended.

All of the Group's investment properties are measured using the fair value model based on independent valuations conducted by an external professional valuer (the "Valuer").

We identified valuation of the Group's investment properties as a key audit matter due to the significance of the investment properties to the Group's consolidated financial statements and the significant judgement and estimation associated with determining the fair value.

### Impairment assessment of trade and other receivables

*Refer to note 24 to the consolidated financial statements.*

As at 31 December 2022, the Group had trade and other receivables of approximately RMB419,779,000, net of allowance for credit losses.

We identified allowance for credit losses of trade receivables as a key audit matter because significant judgements and estimates had to be made by management.

Management has determined that impairment losses of approximately RMB20,096,000 on financial assets was recognised during the year ended 31 December 2022.

## How our audit addressed the key audit matter

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

- Assessed the competence, capability, experience, independence and objectivity of the Valuer;
- Evaluated the appropriateness of valuation methodology, key estimates, assumptions adopted and key inputs used, in particular the income capitalisation rate; and
- Discussed with the Group's management and the Valuer on the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques by comparing to relevant market information.

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

- Obtained an understanding of the management's assessment process of the recoverability of trade and other receivables;
- Tested, on a sample basis, the ageing 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 and other 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.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company 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 of the Company 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

# INDEPENDENT AUDITOR'S REPORT

- 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 director on the audit resulting in this independent auditor's report is Mr. Lock Kwong Hang, Simon with Practising Certificate number P06735.

## **Elite Partners CPA Limited**

*Certified Public Accountants*

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

15 May 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

|   | Notes | 2022            | 2021            |
|---|-------|-----------------|-----------------|
|   |       | RMB'000         | RMB'000         |
| Revenue   | 6     | 310,830         | 534,658         |
| Cost of sales   |       | (261,291)       | (468,478)       |
| Gross profit  |       | 49,539          | 66,180          |
| Other income  | 8     | 402             | 3,249           |
| Selling and distribution expenses   |       | (6,020)         | (8,853)         |
| Administrative expenses   |       | (24,263)        | (29,228)        |
| Impairment losses on financial assets   | 9     | (20,096)        | (36,293)        |
| Research and development expenses   |       | (18,666)        | (22,989)        |
| Finance costs   | 10    | (7,007)         | (7,548)         |
| Loss on fair value changes of investment properties   |       | (3,695)         | (5,354)         |
| Loss on disposal of subsidiaries  | 38    | –               | (372)           |
| Share of results of associates  | 21    | 1,897           | 2,046           |
| Loss before tax   |       | (27,909)        | (39,162)        |
| Income tax credit/(expense)   | 11    | 275             | (290)           |
| <b>Loss for the year</b>  | 12    | <b>(27,634)</b> | <b>(39,452)</b> |
| <b>Other comprehensive income/(expense):</b>  |       |                 |                 |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                              |       |                 |                 |
| Exchange differences arising on translation of foreign operations                                 |       | 3,709           | (410)           |
| <i>Item that will not be reclassified to profit or loss:</i>                                      |       |                 |                 |
| Fair value loss on equity instruments at fair value through other comprehensive income (“FVTOCI”) |       | (36)            | (465)           |
| Other comprehensive expense for the year, net of income tax                                       |       | 3,673           | (875)           |
| <b>Total comprehensive expense for the year</b>   |       | <b>(23,961)</b> | <b>(40,327)</b> |
| <b>Loss for the year attributable to:</b>   |       |                 |                 |
| – Owners of the Company   |       | (22,634)        | (39,992)        |
| – Non-controlling interests   |       | (5,000)         | 540             |
|   |       | <b>(27,634)</b> | <b>(39,452)</b> |
| <b>Total comprehensive expense for the year attributable to:</b>                                  |       |                 |                 |
| – Owners of the Company   |       | (18,961)        | (40,867)        |
| – Non-controlling interests   |       | (5,000)         | 540             |
|   |       | <b>(23,961)</b> | <b>(40,327)</b> |
| <b>Loss per share (RMB cents)</b>   | 15    |                 | (restated)      |
| – Basic and diluted   |       | <b>(5.51)</b>   | <b>(9.73)</b>   |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|  | Notes | 2022             | 2021      |
|--|-------|------------------|-----------|
|  |       | RMB'000          | RMB'000   |
| <b>Non-current assets</b>                    |       |                  |           |
| Property, plant and equipment                | 16    | 37,293           | 44,027    |
| Right-of-use assets                          | 17    | 5,770            | 6,789     |
| Investment properties                        | 18    | 272,714          | 276,409   |
| Goodwill                                     | 19    | 23,408           | 23,408    |
| Intangible assets                            | 20    | 402              | 453       |
| Interests in associates                      | 21    | 71,863           | 69,966    |
| Equity instruments at FVTOCI                 | 22    | 705              | 741       |
|  |       | <b>412,155</b>   | 421,793   |
| <b>Current assets</b>                        |       |                  |           |
| Trade and other receivables                  | 24    | 419,779          | 443,568   |
| Cash and cash equivalents                    | 25    | 44,050           | 143,915   |
|  |       | <b>463,829</b>   | 587,483   |
| Assets classified as held for sale           | 26    | 203,716          | 203,716   |
|  |       | <b>667,545</b>   | 791,199   |
| <b>Total assets</b>                          |       | <b>1,079,700</b> | 1,212,992 |
| <b>Current liabilities</b>                   |       |                  |           |
| Trade and other payables                     | 27    | 611,194          | 641,816   |
| Lease liabilities                            | 28    | 1,145            | 1,023     |
| Tax payables                                 |       | 16,182           | 16,170    |
|  |       | <b>628,521</b>   | 659,009   |
| <b>Net current assets</b>                    |       | <b>39,024</b>    | 132,190   |
| <b>Total assets less current liabilities</b> |       | <b>451,179</b>   | 553,983   |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|  | Notes | 2022           | 2021      |
|--|-------|----------------|-----------|
|  |       | RMB'000        | RMB'000   |
| <b>Non-current liabilities</b>               |       |                |           |
| Deferred tax liabilities                     | 23    | 41,381         | 42,305    |
| Other borrowings                             | 29    | 221,005        | 297,779   |
| Lease liabilities                            | 28    | 615            | 1,760     |
|  |       | <b>263,001</b> | 341,844   |
| <b>Total liabilities</b>                     |       | <b>891,522</b> | 1,000,853 |
| <b>Net assets</b>                            |       | <b>188,178</b> | 212,139   |
| <b>Capital and reserves</b>                  |       |                |           |
| Share capital                                | 30    | 41,100         | 328,800   |
| Reserves                                     | 31    | 79,105         | (189,634) |
| Equity attributable to owners of the Company |       | <b>120,205</b> | 139,166   |
| Non-controlling interests                    |       | <b>67,973</b>  | 72,973    |
| <b>Total equity</b>                          |       | <b>188,178</b> | 212,139   |

The consolidated financial statements on pages 36 to 105 were approved and authorised for issue by the board of directors on 15 May 2023 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 2022

## Equity attributable to owners of the Company

|  | Share capital | Capital reserve<br>(note 31(a)) | Revaluation reserve<br>(note 31(b)) | Surplus reserve<br>(note 31(c)) | Translation reserve<br>(note 31(d)) | Fair value through other comprehensive income ("FVTOCI") reserve<br>(note 31(e)) | 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 2021   | 328,800       | 214,069                         | 81,862                              | 20,422                          | (673)                               | (7,076)  | (457,458)          | 179,946   | 71,987                    | 251,933      |
| Loss for the year  | -             | -                               | -                                   | -                               | -                                   | -  | (39,992)           | (39,992)  | 540                       | (39,452)     |
| Other comprehensive expense                                      |               |                                 |                                     |                                 |                                     |  |                    |           |                           |              |
| Exchange difference arising on translation of foreign operations | -             | -                               | -                                   | -                               | (410)                               | -  | -                  | (410)     | -                         | (410)        |
| Fair value loss on equity instruments at FVTOCI                  | -             | -                               | -                                   | -                               | -                                   | (465)  | -                  | (465)     | -                         | (465)        |
| Total comprehensive (expense)/income for the year                | -             | -                               | -                                   | -                               | (410)                               | (465)  | (39,992)           | (40,867)  | 540                       | (40,327)     |
| Disposal of subsidiaries (note 38)                               | -             | -                               | -                                   | -                               | 87                                  | -  | -                  | 87        | 446                       | 533          |
| Transfer to surplus reserve                                      | -             | -                               | -                                   | 138                             | -                                   | -  | (138)              | -         | -                         | -            |
| As at 31 December 2021 and 1 January 2022                        | 328,800       | 214,069                         | 81,862                              | 20,560                          | (996)                               | (7,541)  | (497,588)          | 139,166   | 72,973                    | 212,139      |
| Loss for the year  | -             | -                               | -                                   | -                               | -                                   | -  | (22,634)           | (22,634)  | (5,000)                   | (27,634)     |
| Other comprehensive income                                       |               |                                 |                                     |                                 |                                     |  |                    |           |                           |              |
| Exchange difference arising on translation of foreign operations | -             | -                               | -                                   | -                               | 3,709                               | -  | -                  | 3,709     | -                         | 3,709        |
| Fair value loss on equity instruments at FVTOCI                  | -             | -                               | -                                   | -                               | -                                   | (36)   | -                  | (36)      | -                         | (36)         |
| Total comprehensive income/(expense) for the year                | -             | -                               | -                                   | -                               | 3,709                               | (36)   | (22,634)           | (18,961)  | (5,000)                   | (23,961)     |
| Capital reorganisation   | (287,700)     | 287,700                         | -                                   | -                               | -                                   | -  | -                  | -         | -                         | -            |
| Transfer to surplus reserve                                      | -             | -                               | -                                   | 855                             | -                                   | -  | (855)              | -         | -                         | -            |
| As at 31 December 2022   | 41,100        | 501,769                         | 81,862                              | 21,415                          | 2,713                               | (7,577)  | (521,077)          | 120,205   | 67,973                    | 188,178      |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| Note  | 2022            | 2021            |
|---|-----------------|-----------------|
|   | RMB'000         | RMB'000         |
| <b>Cash flows from operating activities</b>                     |                 |                 |
| <b>Loss before tax</b>  | <b>(27,909)</b> | <b>(39,162)</b> |
| Adjustments for:  |                 |                 |
| Amortisation of intangible assets                               | 51              | 51              |
| Depreciation of property, plant and equipment                   | 6,998           | 7,390           |
| Depreciation of right-of-use assets                             | 1,019           | 1,019           |
| Interest income   | (278)           | (547)           |
| Interest expenses   | 7,007           | 7,548           |
| Impairment losses on financial assets                           | 20,096          | 36,293          |
| Share of results of associates                                  | (1,897)         | (2,046)         |
| Loss on fair value changes of investment properties             | 3,695           | 5,354           |
| Loss on disposal of subsidiaries                                | –               | 372             |
| <b>Operating cash flows before movements in working capital</b> | <b>8,782</b>    | <b>16,272</b>   |
| Decrease in inventories   | –               | 19,384          |
| (Decrease)/increase in trade and other receivables              | 3,693           | (135,621)       |
| (Decrease)/increase in trade and other payables                 | <b>(30,622)</b> | <b>67,595</b>   |
| <b>Cash used in operations</b>                                  | <b>(18,147)</b> | <b>(32,370)</b> |
| Income tax paid   | <b>(637)</b>    | <b>(1,905)</b>  |
| <b>Net cash used in operating activities</b>                    | <b>(18,784)</b> | <b>(34,275)</b> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| Note  | 2022            | 2021     |
|---|-----------------|----------|
|   | RMB'000         | RMB'000  |
| <b>Cash flows from investing activities</b>             |                 |          |
| Capital injection in investment in an associate         | –               | (1,000)  |
| Purchase of property, plant and equipment               | <b>(267)</b>    | –        |
| Interest received                                       | <b>278</b>      | 547      |
| Proceeds from disposal of property, plant and equipment | <b>2</b>        | –        |
| Cash outflow from disposal of subsidiaries              | –               | (1,041)  |
|   | <b>13</b>       | (1,494)  |
| <b>Cash flows from financing activities</b>             |                 |          |
| Repayments of other borrowings                          | <b>(83,619)</b> | (53,730) |
| Other borrowings raised                                 | –               | 53,730   |
| Repayments of lease liabilities                         | <b>(1,185)</b>  | (1,139)  |
|   | <b>(84,804)</b> | (1,139)  |
| <b>Net decrease in cash and cash equivalents</b>        |                 |          |
| Cash and cash equivalents at beginning of the year      | <b>143,915</b>  | 181,231  |
| Effect of foreign exchange rate changes                 | <b>3,710</b>    | (408)    |
|   | <b>44,050</b>   | 143,915  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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, Hungghom, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are the trading of computer hardware and software products, provision of system integration services, and property investments.

The Company’s ultimate controlling shareholder is Mr. Zhu Yong Ning.

The consolidated financial statements are presented in Renminbi (“RMB”), 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 Institute 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 of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

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*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

|                       |  |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework                        |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions                            |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract            |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2018–2020                      |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and amendments to HKFRSs in issue but not yet effective

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

|  |  |
|--|--|
| HKFRS 17 (including the October 2020 and February 2020 Amendments to HKFRS 17) | Insurance Contracts <sup>1</sup>   |
| Amendments to HKFRS 10 and HKAS 28   | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>                               |
| Amendments to HKFRS 16   | Lease Liability in a Sale and Leaseback <sup>2</sup>   |
| Amendments to HKAS 1   | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1   | Non-current Liabilities with Convenants <sup>2</sup>   |
| Amendments to HKAS 1 and HKFRS Practice Statement 2                            | Disclosure of Accounting Policies <sup>2</sup>   |
| Amendments to HKAS 8   | Definition of Accounting Estimates <sup>1</sup>  |
| Amendments to HKAS 12  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>                                    |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

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

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 of 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group’s efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group’s performance in transferring control of goods or services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 of HKFRS 16 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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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.

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.8 Investment properties

Investment properties are properties 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Financial instruments (Continued)

#### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, contract assets, 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 reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets 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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Financial instruments (Continued)

#### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Financial instruments (Continued)

#### *Financial assets (Continued)*

Impairment of financial assets subject to impairment assessment under HKFRS 9 (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.11 Financial instruments (Continued)

#### ***Financial assets (Continued)***

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

#### *(v) Measurement and recognition of ECL (Continued)*

Lifetime ECL for certain trade receivables and contract assets 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 and contract assets 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

### 4.13 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.13 Foreign currencies (Continued)

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.

### 4.14 Borrowing costs

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

### 4.15 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 and other gain".

### 4.16 Employee benefits

#### ***Short term and other long-term employee benefits***

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.16 Employee benefits (Continued)

#### *Retirement benefit costs*

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 and 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. The Group’s employer contributions vest fully with the employees when contributed in central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2022, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

### 4.17 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.17 Taxation (Continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 4.17 Taxation (Continued)

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.

### 4.18 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).

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, 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.

### Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgements in applying accounting policies (Continued)

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

#### **Key sources of estimation uncertainty**

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

#### *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 due to uncertainty on how the Covid-19 pandemic may progress, evolve and volatility in financial markets, including potential disruptions of the Group's operations.

At as 31 December 2022, the carrying amount of goodwill is RMB 23,408,000 (2021: RMB 23,408,000). Details are set out in note 19 to the consolidated financial statements.

#### *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 undue costs or effort. At the end of each reporting period, 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 34(b) to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### *Fair value of investment properties*

Investment properties are stated at fair value based on the valuation performed by the independent professional valuer (the “Valuer”). The Valuer has 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 judgement 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 valuation. 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.

As at 31 December 2022, the carrying amount of the Group’s investment properties is RMB272,714,000 (2021: RMB276,409,000).

#### *Fair value measurement of financial instruments*

As at 31 December 2022, the Group’s unquoted equity instruments classified at FVTOCI amounting to approximately RMB705,000 (2021: RMB741,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement 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 and prior year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 22 for further disclosures.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6. REVENUE

### Disaggregation of revenue from contracts with customers:

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2022                   | 2021    |
|  | RMB'000                | RMB'000 |
| Trading of computer hardware and software products | 2,130                  | 1,902   |
| Provision of system integration services           | 292,049                | 515,475 |
| Property management service income                 | 2,668                  | 2,509   |
| <b>Revenue from contracts with customers</b>       | <b>296,847</b>         | 519,886 |
| <b>Revenue from other source:</b>                  |                        |         |
| Rental income                                      | 13,983                 | 14,772  |
| Total revenue                                      | 310,830                | 534,658 |
| <b>Timing of revenue recognition:</b>              |                        |         |
| A point in time                                    | 2,130                  | 1,902   |
| Over-time  | 294,717                | 517,984 |
|  | 296,847                | 519,886 |

### Performance obligations for contracts with customers

#### *Trading of computer hardware and software products*

Revenue from trading of computer hardware and software products is recognised at a point in time when control of computer hardware and software products is transferred to the customers, being at the point that the customers obtain the control of the computer hardware and software products and the Group has present right to payment and the collection of the consideration is probable.

#### *Provision of system integration services*

The Group provides system integration service to customers. Such services are recognised as performance obligation satisfied over time as the Group creates or enhances an assets that the customer controls the asset is created or enhanced. Revenue for these services is recognised based on the stage of completion of the contracts using input method. The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of the performance obligations in these contracts under HKFRS 15.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6. REVENUE (Continued)

### Performance obligations for contracts with customers (Continued)

#### Property management service income

The provision of property management services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligations, as the customers simultaneously receive and consume the benefits from the Group's performance. 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.

#### Transaction price allocated to the remaining performance obligation for contracts with customers

Except for the revenue from provision of system integration services, 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.

Transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for provision of system integration services as at the end of reporting period and the expected timing of recognising revenue are as follows:

|  | 2022    | 2021      |
|--|---------|-----------|
|  | RMB'000 | RMB'000   |
| Within one year                                | 378,156 | 566,761   |
| More than one year but not more than two years | 154,677 | 333,144   |
| More than two years                            | 25,552  | 116,924   |
|  | 558,385 | 1,016,829 |

## 7. OPERATING SEGMENTS

According to the internal organisational structure, requirements from management 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. The directors of the Company, being the chief operating decision makers ("CODM"), will evaluate the operating results of these reportable segments to determine the distribution of resources and evaluation on those 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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          |
| <b>For the year ended 31 December 2022</b>                                |   |                            |                      |                  |                  |
| Revenue from external customers   | 2,130                                   | 292,049                    | 16,651               | -                | 310,830          |
| Reportable segment (loss)/profit  | (105)                                   | (12,697)                   | 8,616                | (49)             | (4,235)          |
| Loss on fair value changes of investment properties                       |   |                            |                      |                  | (3,695)          |
| Share of results of associates  |   |                            |                      |                  | 1,897            |
| Finance costs   |   |                            |                      |                  | (7,007)          |
| Unallocated corporate expenses  |   |                            |                      |                  | (14,869)         |
| Loss before tax   |   |                            |                      |                  | (27,909)         |
| <b>As at 31 December 2022</b>   |   |                            |                      |                  |                  |
| <b>Segment assets</b>   | <b>19,121</b>                           | <b>457,087</b>             | <b>530,832</b>       | <b>427</b>       | <b>1,007,467</b> |
| Interests in associates   |   |                            |                      |                  | 71,863           |
| Unallocated corporate assets  |   |                            |                      |                  | 370              |
| Total assets  |   |                            |                      |                  | 1,079,700        |
| <b>Segment liabilities</b>  | <b>19,044</b>                           | <b>490,039</b>             | <b>362,913</b>       | <b>1,172</b>     | <b>873,168</b>   |
| Unallocated corporate liabilities   |   |                            |                      |                  | 18,354           |
| Total liabilities   |   |                            |                      |                  | 891,522          |
| <b>Other segment information</b>  |   |                            |                      |                  |                  |
| Amounts included in the measure segment profit or loss or segment assets: |   |                            |                      |                  |                  |
| Depreciation of property, plant and equipment                             | 6                                       | 6,992                      | -                    | -                | 6,998            |
| Depreciation of right-of-use assets                                       | -                                       | -                          | 1,019                | -                | 1,019            |
| Amortisation of intangible assets   | 4                                       | -                          | -                    | 47               | 51               |
| Impairment losses recognised in respect of:                               |   |                            |                      |                  |                  |
| - Trade receivables and contract assets                                   | -                                       | 10,510                     | -                    | -                | 10,510           |
| - Deposits and other receivables  | -                                       | 9,586                      | -                    | -                | 9,586            |
| Additions to non-current assets   | -                                       | 267                        | -                    | -                | 267              |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 7. OPERATING SEGMENTS (Continued)

### (a) Segment revenues and results (Continued)

|  | Computer<br>hardware<br>and software<br>products | System<br>integration<br>service | Property<br>investments | Online<br>education | Total     |
|--|--|----------------------------------|-------------------------|---------------------|-----------|
|  | RMB'000  | RMB'000                          | RMB'000                 | RMB'000             | RMB'000   |
| <b>For the year ended 31 December 2021</b>                                   |  |                                  |                         |                     |           |
| Revenue from external customers  | 1,902  | 515,475                          | 17,281                  | –                   | 534,658   |
| Reportable segment (loss)/profit   | (316)  | 1,078                            | 9,166                   | (42)                | 9,886     |
| Loss on fair value changes of investment properties                          |  |                                  |                         |                     | (5,354)   |
| Share of results of associates   |  |                                  |                         |                     | 2,046     |
| Finance costs  |  |                                  |                         |                     | (7,548)   |
| Unallocated corporate expenses   |  |                                  |                         |                     | (38,192)  |
| Loss before tax  |  |                                  |                         |                     | (39,162)  |
| <b>As at 31 December 2021</b>  |  |                                  |                         |                     |           |
| <b>Segment assets</b>  | 3,001  | 560,853                          | 575,743                 | 475                 | 1,140,072 |
| Interests in associates  |  |                                  |                         |                     | 69,966    |
| Unallocated corporate assets   |  |                                  |                         |                     | 2,954     |
| Total assets   |  |                                  |                         |                     | 1,212,992 |
| <b>Segment liabilities</b>   | 34,441   | 470,460                          | 444,248                 | 1,172               | 950,321   |
| Unallocated corporate liabilities  |  |                                  |                         |                     | 50,532    |
| Total liabilities  |  |                                  |                         |                     | 1,000,853 |
| <b>Other segment information</b>   |  |                                  |                         |                     |           |
| Amounts included in the measure of segment profit or loss or segment assets: |  |                                  |                         |                     |           |
| Depreciation of property, plant and equipment                                | 489  | 6,837                            | –                       | 64                  | 7,390     |
| Depreciation of right-of-use assets  | –  | –                                | 1,019                   | –                   | 1,019     |
| Amortisation of intangible assets  | 4  | –                                | –                       | 47                  | 51        |
| Impairment losses recognised in respect of:                                  |  |                                  |                         |                     |           |
| – Trade receivables and contract assets                                      | (503)  | 14,663                           | 352                     | –                   | 14,512    |
| – Deposits and other receivables   | 19,968   | 1,536                            | 277                     | –                   | 21,781    |

Segment results represent the profit earned/(loss from) each segment without allocation of central administrative costs under the heading of “unallocated corporate expenses”, finance costs, share of results of associates and loss arising on fair value changes on investment properties. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 7. OPERATING SEGMENTS (Continued)

### (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 2022, there was no customer accounted for over 10% of the total revenue of the Group (2021: nil).

## 8. OTHER INCOME

|                          | Year ended 31 December |              |
|--------------------------|------------------------|--------------|
|                          | 2022                   | 2021         |
|                          | RMB'000                | RMB'000      |
| Bank interest income     | 278                    | 547          |
| Government grants (note) | –                      | 1,723        |
| Sundry income            | 124                    | 979          |
|                          | <b>402</b>             | <b>3,249</b> |

Note: Amount represents the Group's entitlement of government subsidies for research and development projects of high technology companies.

## 9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

|   | Year ended 31 December |               |
|---|------------------------|---------------|
|   | 2022                   | 2021          |
|   | RMB'000                | RMB'000       |
| Impairment losses recognised on:        |                        |               |
| – Trade receivables and contract assets | 10,510                 | 14,512        |
| – Deposits and other receivables        | 9,586                  | 21,781        |
|   | <b>20,096</b>          | <b>36,293</b> |

Details of impairment assessment are set out in note 34(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10. FINANCE COSTS

|                               | Year ended 31 December |         |
|-------------------------------|------------------------|---------|
|                               | 2022                   | 2021    |
|                               | RMB'000                | RMB'000 |
| Interest on other borrowings  | 6,845                  | 7,319   |
| Interest on lease liabilities | 162                    | 229     |
|                               | <b>7,007</b>           | 7,548   |

## 11. INCOME TAX (CREDIT)/EXPENSE

|                               | Year ended 31 December |         |
|-------------------------------|------------------------|---------|
|                               | 2022                   | 2021    |
|                               | RMB'000                | RMB'000 |
| Current tax                   |                        |         |
| – PRC Enterprise Income Tax   | 649                    | 1,021   |
| Deferred tax credit (note 23) | (924)                  | (731)   |
| Income tax (credit)/expense   | <b>(275)</b>           | 290     |

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 High-Tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year obtaining the High-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% (2021: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year ended 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Income tax (credit)/expense for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

|   | Year ended 31 December |          |
|---|------------------------|----------|
|   | 2022                   | 2021     |
|   | RMB'000                | RMB'000  |
| Loss before tax                                       | (27,909)               | (39,162) |
| Tax at applicable tax rates                           | (4,247)                | (6,462)  |
| Tax effect of expenses not deductible for tax purpose | 4,104                  | 7,637    |
| Tax effect of income not taxable for tax purpose      | (37)                   | (868)    |
| Tax effect of share of results of associates          | (474)                  | (512)    |
| Tax effect of tax losses not recognised               | 1,787                  | 495      |
| Utilisation of tax losses previously not recognised   | (1,408)                | –        |
| Income tax (credit)/expense for the year              | (275)                  | 290      |

## 12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2022                   | 2021    |
|  | RMB'000                | RMB'000 |
| Amortisation of intangible assets                                | 51                     | 51      |
| Auditor's remuneration   |                        |         |
| – Audit services   | 548                    | 481     |
| – Non-audit services   | –                      | –       |
| Depreciation of property, plant and equipment                    | 6,998                  | 7,390   |
| Depreciation of right-of-use assets                              | 1,019                  | 1,019   |
| Loss on disposal of property, plant and equipment                | 2                      | –       |
| Staff costs (including directors' and supervisors' remuneration) |                        |         |
| – Wages, salaries and bonus                                      | 26,862                 | 36,981  |
| – Contribution to defined contribution plans                     | 1,331                  | 2,399   |
|  | 28,193                 | 39,380  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

|   | 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 2022                 |                |   |   |              |
| <i>Executive directors</i>                  |                |   |   |              |
| Zhu Yong Ning                               | 500            | -   | -   | 500          |
| Wu Qing An                                  | 300            | -   | -   | 300          |
| <i>Non-executive directors:</i>             |                |   |   |              |
| Xu Zhi Bin                                  | -              | -   | -   | -            |
| Sha Min                                     | 80             | -   | -   | 80           |
| Xu Hao                                      | 80             | -   | -   | 80           |
| Yin Jian Kang                               | -              | -   | -   | -            |
| <i>Independent non-executive directors:</i> |                |   |   |              |
| Xu Xiao Qin                                 | 80             | -   | -   | 80           |
| Zhou Mei Lin                                | 80             | -   | -   | 80           |
| Zhang Zheng Tang                            | 80             | -   | -   | 80           |
|   | <b>1,200</b>   | <b>-</b>                                  | <b>-</b>  | <b>1,200</b> |
| <i>Supervisors:</i>                         |                |   |   |              |
| Yao Gen Yuan                                | -              | -   | -   | -            |
| Zhang Yan Ping                              | -              | 176                                       | -   | 176          |
| Xu Bin                                      | -              | 50  | -   | 50           |
| Xu Chun Bin                                 | -              | 50  | -   | 50           |
| Zeng Xuan                                   | -              | 104                                       | -   | 104          |
|   | <b>-</b>       | <b>380</b>                                | <b>-</b>  | <b>380</b>   |
|   | <b>1,200</b>   | <b>380</b>                                | <b>-</b>  | <b>1,580</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 2021                 |                |   |   |              |
| <i>Executive directors</i>                  |                |   |   |              |
| Wu Qing An                                  | 300            | -   | -   | 300          |
| Zhu Yong Ning                               | 500            | -   | -   | 500          |
| <i>Non-executive directors:</i>             |                |   |   |              |
| Sha Min                                     | 80             | -   | -   | 80           |
| Xu Hao                                      | 80             | -   | -   | 80           |
| Xu Zhi Bin                                  | -              | -   | -   | -            |
| Yin Jian Kang                               | -              | -   | -   | -            |
| <i>Independent non-executive directors:</i> |                |   |   |              |
| Xu Xiao Qin                                 | 80             | -   | -   | 80           |
| Zhou Mei Lin                                | 80             | -   | -   | 80           |
| Zhang Zheng Tang                            | 80             | -   | -   | 80           |
|   | <u>1,200</u>   | <u>-</u>                                  | <u>-</u>  | <u>1,200</u> |
| <i>Supervisors:</i>                         |                |   |   |              |
| Yao Gen Yuan                                | -              | -   | -   | -            |
| Zhang Yan Ping                              | -              | 130                                       | -   | 130          |
| Xu Bin                                      | -              | 50  | -   | 50           |
| Xu Chun Bin                                 | -              | 50  | -   | 50           |
| Zeng Xuan                                   | -              | 86  | -   | 86           |
|   | <u>-</u>       | <u>316</u>                                | <u>-</u>  | <u>316</u>   |
|   | <u>1,200</u>   | <u>316</u>                                | <u>-</u>  | <u>1,516</u> |

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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 2022 and 2021.

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

During the years ended 31 December 2022 and 2021, 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 36(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 employees

The five highest-paid employees of the Group during the year included 2 (2021: 3) directors, whose remunerations are reflected in the analysis presented above. The remunerations of remaining 3 (2021: 2) highest paid employees who are neither a director nor chief executive of the Company for the year are set out below:

|   | Year ended 31 December |            |
|---|------------------------|------------|
|   | 2022                   | 2021       |
|   | RMB'000                | RMB'000    |
| Salaries, allowances and benefits in kind           | 956                    | 216        |
| Contributions to defined contribution pension plans | -                      | -          |
|   | <b>956</b>             | <b>216</b> |

The emoluments of the individuals fell within the following bands:

|                      | 2022                | 2021                |
|----------------------|---------------------|---------------------|
|                      | Number of employees | Number of employees |
| Nil to HK\$1,000,000 | <b>3</b>            | <b>2</b>            |

No emolument was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2021: nil). None of the directors or five highest paid individuals waived or agreed to waive any emoluments for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

## 15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

|   | Year ended 31 December |          |
|---|------------------------|----------|
|   | 2022                   | 2021     |
|   | RMB'000                | RMB'000  |
| Loss for the year attributable to the owners of the Company | (22,634)               | (39,992) |

### Number of shares

|   | Year ended 31 December |                    |
|---|------------------------|--------------------|
|   | 2022                   | 2021               |
|   | '000                   | '000<br>(restated) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 411,000                | 411,000            |

Diluted loss per share were same as the basic loss per shares for the years ended 31 December 2022 and 2021 as the Company has no potential shares for both years.

A share consolidation of 8 shares into 1 shares of the Company had been completed on 13 July 2022. The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the years ended 31 December 2022 and 2021.

The denominators used are the same as those detailed above for basic and diluted loss per share.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT

|   | Buildings     | Office<br>equipment | Motor<br>vehicles | Total         |
|---|---------------|---------------------|-------------------|---------------|
|   | RMB'000       | RMB'000             | RMB'000           | RMB'000       |
| <b>Cost</b>                               |               |                     |                   |               |
| As at 1 January 2021                      | 67,433        | 17,658              | 6,351             | 91,442        |
| Disposal of subsidiaries (note 38)        | -             | (242)               | -                 | (242)         |
| Exchange realignment                      | -             | (2)                 | -                 | (2)           |
| As at 31 December 2021 and 1 January 2022 | 67,433        | 17,414              | 6,351             | 91,198        |
| Additions                                 | -             | 79                  | 188               | 267           |
| Eliminated on disposals                   | -             | -                   | (95)              | (95)          |
| Exchange realignment                      | -             | 7                   | -                 | 7             |
| <b>As at 31 December 2022</b>             | <b>67,433</b> | <b>17,500</b>       | <b>6,444</b>      | <b>91,377</b> |
| <b>Accumulated depreciation</b>           |               |                     |                   |               |
| As at 1 January 2021                      | 18,151        | 16,771              | 5,073             | 39,995        |
| Charged for the year                      | 6,329         | 676                 | 385               | 7,390         |
| Disposal of subsidiaries                  | -             | (212)               | -                 | (212)         |
| Exchange realignment                      | -             | (2)                 | -                 | (2)           |
| As at 31 December 2021 and 1 January 2022 | 24,480        | 17,233              | 5,458             | 47,171        |
| Charged for the year                      | 6,329         | 184                 | 485               | 6,998         |
| Eliminated on disposals                   | -             | -                   | (91)              | (91)          |
| Exchange realignment                      | -             | 6                   | -                 | 6             |
| <b>As at 31 December 2022</b>             | <b>30,809</b> | <b>17,423</b>       | <b>5,852</b>      | <b>54,084</b> |
| <b>Carrying amounts</b>                   |               |                     |                   |               |
| <b>As at 31 December 2022</b>             | <b>36,624</b> | <b>77</b>           | <b>592</b>        | <b>37,293</b> |
| As at 31 December 2021                    | 42,953        | 181                 | 893               | 44,027        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. RIGHT-OF-USE ASSETS

|  | Leasehold<br>land | Leased<br>property | Total   |
|--|-------------------|--------------------|---------|
|  | RMB'000           | RMB'000            | RMB'000 |
| <b>As at 31 December 2022</b>              |                   |                    |         |
| Carrying amounts                           | 4,309             | 1,461              | 5,770   |
| <b>As at 31 December 2021</b>              |                   |                    |         |
| Carrying amounts                           | 4,353             | 2,436              | 6,789   |
| <b>For the year ended 31 December 2022</b> |                   |                    |         |
| Depreciation charge                        | 44                | 975                | 1,019   |
| <b>For the year ended 31 December 2021</b> |                   |                    |         |
| Depreciation charge                        | 44                | 975                | 1,019   |

  

|                                       | Year ended 31 December |         |
|---------------------------------------|------------------------|---------|
|                                       | 2022                   | 2021    |
|                                       | RMB'000                | RMB'000 |
| Expense relating to short-term leases | –                      | –       |
| Total cash outflow for leases         | 1,185                  | 1,139   |

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

Lease contract is entered into for fixed term of 5 years (2021: 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 in the PRC is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. INVESTMENT PROPERTIES

|   | RMB'000        |
|---|----------------|
| <b>FAIR VALUE</b>                         |                |
| As at 1 January 2021                      | 281,763        |
| Loss on change in fair value              | (5,354)        |
|   | <hr/>          |
| As at 31 December 2021 and 1 January 2022 | 276,409        |
| Loss on change in fair value              | (3,695)        |
|   | <hr/>          |
| <b>As at 31 December 2022</b>             | <b>272,714</b> |

Notes:

- (a) The Group's investment properties are held in the 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 (2021: 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) The fair values of investment properties for the years ended 31 December 2022 and 2021 have been determined based on the valuation carried out by Jiangsu Hetai Land and Real Estate Appraisal Company Limited ("JHL"), an independent professional valuer not connected with the Group. JHL has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The valuation of properties amounting to RMB4,273,000 (2021: RMB4,840,000) was arrived at by reference to market evidence of transaction prices of similar properties. The valuations of other properties amounting to RMB268,441,000 (2021: RMB271,569,000) were arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

In estimating the fair value of investment properties, the management work closely with the valuer to establish 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.

### Summary of fair value hierarchy and Level 3 fair value measurements

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. All investment properties of the Group are valued by reference to a Level 3 fair value measurement.

There were no transfers between different levels within the fair value hierarchy during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. INVESTMENT PROPERTIES (Continued)

### Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

|                                       | Fair value                               | Significant unobservable inputs (note (b))  |  | Relationship of significant unobservable inputs to fair value   |
|---------------------------------------|--|---|--|---|
| <b>Direct comparison method</b>       |  |   |  |   |
| Investment properties in the PRC      | RMB4,273,000<br>(2021: RMB4,840,000)     | Adjusted market price per square metre (note (a))<br>RMB16,281 (2021: RMB18,443)    |  | The higher the adjusted market price, the higher the fair value and vice versa  |
| <b>Income capitalisation approach</b> |  |   |  |   |
| Investment properties in the PRC      | RMB268,441,000<br>(2021: RMB271,569,000) | Rental value (note (c))<br>RMB73 per square metre<br>(2021: RMB73 per square metre) | Income capitalisation rate (note (c))<br>9.8% (2021: 8.5%) | The lower the income capitalisation rate, the higher the fair value, and vice versa<br><br>The higher the rental value, the higher the fair value, and vice versa |

Notes:

- Adjusted market price per square metre has taken into account of property-specific adjustment including location, land quality and timing of reference transaction.
- Fair value measurement of investment properties is positively correlated to the monthly market rent per square metre and adjusted market price per square metre and negatively correlated to the capitalisation rate.
- A significant change in these inputs would result in a significantly higher or lower fair value measurement.

As at 31 December 2022, approximately RMB4,273,000 (2021: RMB4,840,000) of the Group's investment properties was secured for the banking facilities of amount RMB4,200,000 (2021: RMB4,200,000) for system integration construction projects.

## 19. GOODWILL

### Carrying amount

As at 1 January and as at 31 December

| 2022    | 2021    |
|---------|---------|
| RMB'000 | RMB'000 |
| 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 14.8% (2021: 13.7%). Cash flows beyond the five-year period are extrapolated using growth rates of 2% (2021: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20. INTANGIBLE ASSETS

|  | <b>Computer software</b> |
|--|--------------------------|
|  | RMB'000                  |
| <b>Cost</b>  |                          |
| <b>As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022</b> | <b>1,640</b>             |
|  |                          |
|  | <b>Computer software</b> |
|  | RMB'000                  |
| <b>Accumulated amortisation</b>  |                          |
| As at 1 January 2021   | 1,136                    |
| Charged for the year   | 51                       |
|  | 1,187                    |
| As at 31 December 2021 and 1 January 2022  | 51                       |
| Charged for the year   |                          |
|  | 1,238                    |
| As at 31 December 2022   |                          |
| <b>Carrying amount</b>   |                          |
| <b>As at 31 December 2022</b>  | <b>402</b>               |
|  |                          |
| As at 31 December 2021   | 453                      |

The above intangible assets have finite useful lives. Such computer software is amortised on a straight-line basis over 20 years.

## 21. INTERESTS IN ASSOCIATES

|  | 2022    | 2021    |
|--|---------|---------|
|  | RMB'000 | RMB'000 |
| At the beginning of the reporting period | 69,966  | 66,920  |
| Capital injection to an associate        | –       | 1,000   |
| Share of post-acquisition profits        | 1,897   | 2,046   |
|  | 71,863  | 69,966  |
| At the end of the reporting period       |         |         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21. INTERESTS IN ASSOCIATES (Continued)

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

| Name of entity   | Country of incorporation and principal place of business | Proportion of ownership interest and proportion of voting rights held by the Group |      | Principal activities                   |
|--|--|--|------|--|
|  |  | 2022   | 2021 |  |
| Shenzhen Nanda Research Institute Company Limited* ("SNRCL")     | The PRC  | 30%  | 30%  | Property investment                    |
| NandaSoft Intelligence Technology (Shanghai) Company Limited*    | The PRC  | 25%  | 25%  | Trading of computer equipment          |
| Jiangsu Fu Man Investment Limited*                               | The PRC  | 40%  | 40%  | Project investment and management      |
| Jiangsu Sheng Feng Medical Technology Company Limited*           | The PRC  | 30%  | 30%  | Trading of health-care product         |
| Nanjing Zhonggao Intellectual Property Company Limited*          | The PRC  | 20%  | 20%  | Provision of consultancy service       |
| Beijing Zhong Zhi Cultural Creative Development Company Limited* | The PRC  | 41%  | 41%  | Provision of education culture service |

\* English translation for identification only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21. INTERESTS IN ASSOCIATES (Continued)

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

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts before intergroup elimination.

### SNRCL

|                         | 2022     | 2021     |
|-------------------------|----------|----------|
|                         | RMB'000  | RMB'000  |
| Current assets          | 46,927   | 45,929   |
| Non-current assets      | 37,998   | 34,299   |
| Current liabilities     | (23,795) | (23,770) |
| Non-current liabilities | (28,091) | (29,419) |

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2022                   | 2021    |
|  | RMB'000                | RMB'000 |
| Revenue  | 11,994                 | 12,676  |
| Profit and total comprehensive income for the year | 6,000                  | 7,369   |

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

|   | 2022    | 2021    |
|---|---------|---------|
|   | RMB'000 | RMB'000 |
| Net assets of SNRCL                                   | 33,039  | 27,039  |
| Proportion of the Group's ownership interest in SNRCL | 30%     | 30%     |
| The Group's share of net assets of SNRCL              | 9,912   | 8,112   |
| Goodwill  | 45,543  | 45,543  |
| Carrying amount of the Group's interest in SNRCL      | 55,455  | 53,655  |

### Aggregate information of associates that are not individually material

|   | 2022    | 2021    |
|---|---------|---------|
|   | RMB'000 | RMB'000 |
| The Group's share of profit/(loss) and total comprehensive income/(expense) | 97      | (164)   |
| Aggregate carrying amount of the Group's interests in these associates      | 16,408  | 16,311  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 22. EQUITY INSTRUMENTS AT FVTOCI

|                                   | 2022    | 2021    |
|-----------------------------------|---------|---------|
|                                   | RMB'000 | RMB'000 |
| Unlisted:<br>– Equity investments | 705     | 741     |

The above unlisted equity instruments represent the Group's equity interest in private entities established in the PRC. The directors of the Company 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

The Group's financial instruments are measured at fair value at the end of each reporting period for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments within significant unobservable inputs under Level 3, 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.

|                               | <b>Level 3</b> |
|-------------------------------|----------------|
|                               | RMB'000        |
| <b>As at 31 December 2022</b> |                |
| Equity instruments at FVTOCI  | 705            |
| As at 31 December 2021        |                |
| Equity instruments at FVTOCI  | 741            |

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 during both years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 22. EQUITY INSTRUMENTS AT FVTOCI (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 JHL, an independent professional valuer not connected with the Group, to establish appropriate valuation techniques and inputs to the model. The management reports the findings to the directors of the Company at the end of each reporting period to explain the cause of fluctuations in fair value of these assets.

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

|  | Fair value as at<br>31 December<br>2022 | Fair value as at<br>31 December<br>2021 | Valuation<br>technique | Significant<br>unobservable<br>input(s) | Relationship of<br>significant unobservable<br>input(s) to fair value   |
|--|---|---|------------------------|---|---|
|  | RMB'000                                 | RMB'000                                 |                        |   |   |
| Equity instruments in private companies established in the PRC | 705                                     | 741                                     | Asset-based approach   | Account value                           | The higher the account value, the higher the fair value, and vice versa |

#### (ii) Reconciliation of Level 3 fair value measurements

|  | Financial assets<br>at FVTOCI |
|--|-------------------------------|
|  | RMB'000                       |
| As at 1 January 2021                             | 1,206                         |
| Fair value changes in other comprehensive income | (465)                         |
| As at 31 December 2021 and 1 January 2022        | 741                           |
| Fair value changes in other comprehensive income | (36)                          |
| <b>As at 31 December 2022</b>                    | <b>705</b>                    |

Included in other comprehensive income is an amount of approximately RMB36,000 loss (2021: approximately RMB465,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the reporting period and is reported as changes in FVTOCI reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 23. DEFERRED TAX ASSETS/(LIABILITIES)

|   | <b>Provision for<br/>impairment of<br/>assets</b>   |
|---|---|
|   | RMB'000   |
| <b>Deferred tax assets</b>  |   |
| As at 1 January 2021  | 607   |
| Charged to profit or loss for the year                                | (607)   |
|   | <hr/>   |
| <b>As at 31 December 2021 and 1 January 2022 and 31 December 2022</b> | <hr/> <b>–</b> <hr/>                                |
|   |   |
|   | <b>Revaluation<br/>of investment<br/>properties</b> |
|   | RMB'000   |
| <b>Deferred tax liabilities</b>                                       |   |
| As at 1 January 2021  | (43,643)  |
| Credited to profit or loss for the year                               | 1,338   |
|   | <hr/>   |
| As at 31 December 2021 and 1 January 2022                             | (42,305)  |
| Credited to profit or loss for the year                               | 924   |
|   | <hr/>   |
| <b>As at 31 December 2022</b>   | <hr/> <b>(41,381)</b> <hr/>                         |

## 24. TRADE AND OTHER RECEIVABLES

|   | 2022             | 2021      |
|---|------------------|-----------|
|   | RMB'000          | RMB'000   |
| Trade receivables from contracts with customers | <b>273,353</b>   | 296,625   |
| Contract assets                                 | <b>24,223</b>    | 15,009    |
| Less: Allowance for credit losses               | <b>(145,444)</b> | (134,934) |
|   | <hr/>            | <hr/>     |
| Prepayments                                     | <b>152,132</b>   | 176,700   |
| Deposits  | <b>135,574</b>   | 138,929   |
| Other receivables                               | <b>58,654</b>    | 67,218    |
|   | <hr/>            | <hr/>     |
|   | <b>73,419</b>    | 60,721    |
|   | <hr/>            | <hr/>     |
|   | <b>419,779</b>   | 443,568   |
|   | <hr/>            | <hr/>     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24. TRADE AND OTHER RECEIVABLES (Continued)

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB120,273,000.

The Group does not hold any collateral over trade receivables. The credit period granted to recurring customers is 90 days from invoice date.

The ageing analysis of the trade receivables, net of allowance for credit losses as at the respective balance sheet date is as follows:

|                 | 2022           | 2021    |
|-----------------|----------------|---------|
|                 | RMB'000        | RMB'000 |
| Within 3 months | 38,411         | 54,486  |
| 3-6 months      | 803            | 1,057   |
| 7-12 months     | 61,355         | 42,238  |
| Over 1 year     | 27,340         | 63,910  |
|                 | <b>127,909</b> | 161,691 |

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate gross carrying amounts of approximately RMB234,942,000 (2021: RMB242,139,000) which are past due at the end of the reporting period. Out of the past due balances, approximately RMB89,498,000 (2021: RMB107,205,000) (net of allowance for credit losses) is not considered as default because no recent history of default and the directors are in the opinion of these balances are still considered as collectible.

As at 1 January 2021, contract assets amounted to RMB28,166,000.

As at 31 December 2022 and 2021, the Group's contract assets were arising from the provision for system integration services. The Group has rights to considerations from customers for provision of system integration services. Contract assets arise when the Group has right to consideration for completion of the provision of system integration services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable when such right becomes unconditional.

The Group also typically agrees to a retention period ranging from 1 to 3 years for certain percentage of the total contract value. Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within retention period from the date of completion of the provision of system integration services, in accordance with the terms specified in the relevant contracts. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional. As at 31 December 2022, included in carrying amount of contract assets comprises retention money of RMB24,223,000 (2021: RMB15,009,000).

The increase in contract assets as at 31 December 2022 is the result of increase in retention money receivables not yet fulfill the retention requirements and unexpiry of retention period as stated in relevant contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24. TRADE AND OTHER RECEIVABLES (Continued)

The retention money is to be settled at the end of the reporting period as follows:

|                            | 2022          | 2021    |
|----------------------------|---------------|---------|
|                            | RMB'000       | RMB'000 |
| On demand or within 1 year | 17,907        | 6,066   |
| After 1 year               | 6,316         | 8,943   |
|                            | <b>24,223</b> | 15,009  |

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of impairment assessment of trade receivables, contract assets, other receivables and deposits are set out in note 34(b) to the consolidated financial statements.

## 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 2022, the Group has cash and cash equivalents of approximately RMB44,050,000 denominated in RMB (2021: RMB143,915,000 denominated in RMB).

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.

Details of impairment assessment are set out in note 34(b) to the consolidated financial statements.

## 26. ASSETS CLASSIFIED AS HELD FOR SALE

|  | 2022           | 2021    |
|--|----------------|---------|
|  | RMB'000        | RMB'000 |
| Total assets classified as held for sale |                |         |
| – Buildings                              | 14,135         | 14,135  |
| – Investment properties (note)           | 189,581        | 189,581 |
|  | <b>203,716</b> | 203,716 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Note:

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 research and development 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.

The Company entered into sales and purchase agreements (the “SPAs”) with various buyers in January 2019 in relation to the disposal of certain units of the investment properties and buildings classified as property, plant and equipment (the “Disposal Units”). Pursuant to the ordinary resolutions passed in the annual general meeting of the Company dated 28 June 2019, the SPAs relating to the disposal of 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 from local government authorities. Since the SPAs were yet to complete, the fair value of the investment properties and the carrying amount of buildings of approximately RMB189,581,000 and RMB14,135,000 respectively were transferred to non-current asset classified as held for sale. In the opinion of the directors of the Company, 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.

As at 31 December 2022, the disposal is still not yet completed due to the outbreak of the COVID-19 pandemic since the year 2020. In the opinion of the directors of the Company, the Disposal Units is remained classified as assets held for sale due to delay in fulfilling the condition precedents caused by events and circumstance beyond the Group’s control and both the Company and the purchasers remained committed to sell or purchase the assets. It is expected that all of the required conditions, consents and approvals for the disposal will be fulfilled and obtained within the next twelve months.

## 27. TRADE AND OTHER PAYABLES

|                      | 2022           | 2021    |
|----------------------|----------------|---------|
|                      | RMB’000        | RMB’000 |
| Trade payables       | 225,430        | 251,564 |
| Accruals             | 2,544          | 2,748   |
| Deposit received     | 114,969        | 95,824  |
| Other payables       | 145,797        | 122,149 |
| Contract liabilities | 122,454        | 169,531 |
|                      | <b>611,194</b> | 641,816 |

The credit period on trade payables is ranged from 90 to 120 days.

The following is an aged analysis of trade payables presented based on the invoice date:

|                 | 2022           | 2021    |
|-----------------|----------------|---------|
|                 | RMB’000        | RMB’000 |
| Within 3 months | 45,538         | 117,605 |
| 4-6 months      | –              | 8,233   |
| 7-12 months     | –              | 11,299  |
| Over 1 year     | 179,892        | 114,427 |
|                 | <b>225,430</b> | 251,564 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27. TRADE AND OTHER PAYABLES (Continued)

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

Including in other payables were payables for utility expenses for system integration services of approximately RMB106,322,000 (2021: RMB87,646,000)

As at 1 January 2021, contract liabilities amounted to RMB181,526,000.

Contract liabilities represented advance deposits received from customers for the system integration services. The Group typically receives certain percentage of deposit on acceptance of the services before the service commences.

Contract liabilities are classified as current as they are expected to be settled within the Group's normal operating cycle. The decrease of contract liabilities as at 31 December 2022 is the result of the recognition of revenue in profit or loss during the year ended 31 December 2022.

The changes in contract liabilities are explained as follows:

|  | 2022      | 2021     |
|--|-----------|----------|
|  | RMB'000   | RMB'000  |
| Balance at 1 January   | 169,531   | 181,526  |
| 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 | (139,952) | (98,200) |
| Increase in contract liabilities as a result of receiving sales deposits and instalments during the year   | 92,875    | 86,205   |
| Balance at 31 December   | 122,454   | 169,531  |

## 28. LEASE LIABILITIES

|  | 2022    | 2021    |
|--|---------|---------|
|  | RMB'000 | RMB'000 |
| Lease liabilities payable:   |         |         |
| Within one year  | 1,145   | 1,023   |
| Within a period of more than one year but not more than two years                | 615     | 1,760   |
|  | 1,760   | 2,783   |
| Less: Amount due for settlement within 12 months shown under current liabilities | (1,145) | (1,023) |
| Amount due for settlement after 12 months shown under non-current liabilities    | 615     | 1,760   |

The incremental borrowing rates applied to lease liabilities is 7.2% (2021: 7.2%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 29. OTHER BORROWINGS

As at 31 December 2022, the Group's other borrowings from private companies of common shareholders are unsecured, interest bearing at 6% per annum (2021: 6% per annum) and have no fixed repayment term.

## 30. SHARE CAPITAL

|   | Number of<br>domestic share | Number of<br>H shares | Total       | Amount    |
|---|-----------------------------|-----------------------|-------------|-----------|
|   | '000                        | '000                  | '000        | RMB'000   |
| <b>Authorised:</b>  |                             |                       |             |           |
| Ordinary shares of RMB0.1 each as at 1 January 2021,<br>31 December 2021 and 1 January 2022 | 2,782,800                   | 505,200               | 3,288,000   | 328,800   |
| Capital reorganisation (note)   | (2,434,950)                 | (442,050)             | (2,877,000) | (287,700) |
| Ordinary shares of RMB0.1 each as at<br>31 December 2022                                    | 347,850                     | 63,150                | 411,000     | 41,100    |
| <b>Issued and fully paid:</b>   |                             |                       |             |           |
| As at 1 January 2021, 31 December 2021 and<br>1 January 2022                                | 2,782,800                   | 505,200               | 3,288,000   | 328,800   |
| Capital reorganisation (note)   | (2,434,950)                 | (442,050)             | (2,877,000) | (287,700) |
| As at 31 December 2022  | 347,850                     | 63,150                | 411,000     | 41,100    |

Note:

Pursuant to the extraordinary general meeting held on 13 May 2022, the shareholders approved the capital reorganisation, which involving (i) share consolidation by every 8 existing H shares consolidated into 1 consolidated H share with par value of RMB0.8 per consolidated H share ("Consolidated H Share"); and (ii) capital reduction of the registered capital of the Company being reduced by a reduction of the nominal value of each Consolidated H Share from RMB0.80 to RMB0.10. After the share consolidated became effective, the authorised share capital of the Company became RMB100,000,000 divided into 1,000,000,000 consolidated shares of RMB0.1 each, of which 100,000,000 consolidated shares was in issue, which were fully paid or credited as fully paid.

## 31. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 31. RESERVES (Continued)

### (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.

### (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.

## 32. 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:

|                 | 2022          | 2021    |
|-----------------|---------------|---------|
|                 | RMB'000       | RMB'000 |
| Within one year | 9,870         | 14,143  |
| Over one year   | 23,837        | 14,143  |
|                 | <b>33,707</b> | 28,286  |

## 33. 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS

### (a) CATEGORIES OF FINANCIAL INSTRUMENTS

|  | 2022           | 2021    |
|--|----------------|---------|
|  | RMB'000        | RMB'000 |
| <b>Financial assets</b>  |                |         |
| Financial assets at fair value through other comprehensive income: |                |         |
| Equity instruments at FVTOCI                                       | 705            | 741     |
| Financial assets at amortised cost:                                |                |         |
| Trade and other receivables  | 259,982        | 289,630 |
| Cash and cash equivalents  | 44,050         | 143,915 |
|  | <b>304,737</b> | 434,286 |
| <b>Financial liabilities</b>                                       |                |         |
| Financial liabilities at amortised cost:                           |                |         |
| Trade and other payables   | 488,740        | 472,285 |
| Other borrowings   | 221,005        | 297,779 |
|  | <b>709,745</b> | 770,064 |

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

The Group's major financial instruments include equity instruments at FVTOCI, trade receivables, contract assets, 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, contract assets, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (Continued)

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

#### *Credit risk and impairment assessment (Continued)*

Trade receivables and contract assets arising from contracts with customers

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 and contract assets which are assessed individually within lifetime ECL.

The Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk as 20% (2021: 18%) and 51% (2021: 52%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the system integration service business segment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

The Group's contract assets represented retention money receivables withheld by customers of contract works within retention period. The directors of the Company take into consideration of the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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

|  | <b>Lifetime ECL<br/>(not credit –<br/>impaired)</b> | <b>Lifetime ECL<br/>(credit-impaired)</b> | <b>Total</b>   |
|--|---|---|----------------|
|  | RMB'000   | RMB'000                                   | RMB'000        |
| As at 1 January 2021                         | 1,754   | 118,668                                   | 120,422        |
| Impairment loss recognised                   | 15,834  | –   | 15,834         |
| Impairment loss reversed                     | (1,322)   | –   | (1,322)        |
| As at 31 December 2021 and<br>1 January 2022 | 16,266  | 118,668                                   | 134,934        |
| Transfer to credit-impaired                  | (16,266)  | 16,266                                    | –              |
| Impairment loss recognised                   | 4,942   | 5,568                                     | 10,510         |
| <b>As at 31 December 2022</b>                | <b>4,942</b>  | <b>140,502</b>                            | <b>145,444</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. FINANCIAL INSTRUMENTS (Continued)

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

#### *Credit risk and impairment assessment (Continued)*

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 RMB9,586,000 (2021: RMB21,781,000) for the year ended 31 December 2022.

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

|   | <b>Lifetime ECL<br/>(credit-impaired)</b> |
|---|---|
|   | RMB'000                                   |
| As at 1 January 2021                      | 144,138                                   |
| Impairment loss recognised                | 21,781                                    |
| As at 31 December 2021 and 1 January 2022 | 165,919                                   |
| Impairment loss recognised                | 9,586                                     |
| <b>As at 31 December 2022</b>             | <b>177,505</b>                            |

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 2022 and 2021 were insignificant and thus no impairment loss was recognised.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. 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 based on agreed repayment terms. 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. The table includes both interest and principal cash flows.

|                               | 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          |
| <b>As at 31 December 2022</b> |                                |                               |                |                               |                  |
| Trade payables                | -                              | 225,430                       | -              | 225,430                       | 225,430          |
| Accruals and other payables   | -                              | 263,310                       | -              | 263,310                       | 263,310          |
| Other borrowings              | 6%                             | -                             | 234,265        | 234,265                       | 221,005          |
| Lease liabilities             | 7.2%                           | 1,232                         | 628            | 1,860                         | 1,760            |
|                               |                                | <b>489,972</b>                | <b>234,893</b> | <b>724,865</b>                | <b>711,505</b>   |

|                               | 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          |
| <b>As at 31 December 2021</b> |                                |                               |                |                               |                  |
| Trade payables                | -                              | 251,564                       | -              | 251,564                       | 251,564          |
| Accruals and other payables   | -                              | 220,721                       | -              | 220,721                       | 220,721          |
| Other borrowings              | 6%                             | -                             | 315,646        | 315,646                       | 297,779          |
| Lease liabilities             | 7.2%                           | 1,184                         | 1,859          | 3,043                         | 2,783            |
|                               |                                | <b>473,469</b>                | <b>317,505</b> | <b>790,974</b>                | <b>772,847</b>   |

#### **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 during the year.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. 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.

## 35. 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.

|   | <b>Other<br/>borrowings</b> | <b>Lease<br/>liabilities</b> | <b>Total</b>   |
|---|-----------------------------|------------------------------|----------------|
|   | RMB'000                     | RMB'000                      | RMB'000        |
| As at 1 January 2021                      | 290,460                     | 3,693                        | 294,153        |
| Interest expenses                         | 7,319                       | 229                          | 7,548          |
| Financing cash flows                      | -                           | (1,139)                      | (1,139)        |
| As at 31 December 2021 and 1 January 2022 | 297,779                     | 2,783                        | 300,562        |
| Interest expenses                         | 6,845                       | 162                          | 7,007          |
| Financing cash flows                      | (83,619)                    | (1,185)                      | (84,804)       |
| <b>As at 31 December 2022</b>             | <b>221,005</b>              | <b>1,760</b>                 | <b>222,765</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. 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:

|   | 2022         | 2021    |
|---|--------------|---------|
|   | RMB'000      | RMB'000 |
| Directors' fees                           | 1,200        | 1,200   |
| Salaries, allowances and benefits in kind | 380          | 316     |
|   | <b>1,580</b> | 1,516   |

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       | 2022    | 2021    |
|--------------------------------|---------------------|---------|---------|
|                                |                     | RMB'000 | RMB'000 |
| Other borrowings               | Common shareholders | 221,005 | 297,779 |
| Finance costs                  | Common shareholders | 6,845   | 7,319   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

| Name of subsidiary   | Country/place of incorporation/<br>registration | Paid up issued/<br>registered capital | Proportion of ownership interest and voting power held by the Company |      |            |      | Principal activities                                   |
|--|---|---------------------------------------|---|------|------------|------|--|
|  |   |                                       | Directly  |      | Indirectly |      |  |
|  |   |                                       | 2022  | 2021 | 2022       | 2021 |  |
| 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* ("JiangSu Changtian Zhiyuan") | PRC   | RMB30,280,000                         | 51%   | 51%  | –          | –    | Rendering of Communication intelligence control system |
| Jiangsu Changtian Zhiyuan Information Technology Company Limited*                                  | PRC   | RMB500,000                            | –   | –    | 51%        | 51%  | Inactive   |
| Jiangxi NandaSoft Technology Company Limited*  | PRC   | RMB2,000,000                          | 70%   | 70%  | –          | –    | Inactive   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (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 |      |  |
|   |  |                                    | 2022  | 2021 | 2022       | 2021 |  |
| 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 |
| Jiangsu Sheng Feng Investment Company Limited*        | PRC  | RMB10,000,000                      | 100%  | 100% | -          | -    | Investment holding                       |
| Jiangsu Nandasoft (Hong Kong) Limited                 | Hong Kong                                    | HK\$2,000,000                      | 100%  | 100% | -          | -    | Inactive                                 |

\* 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.

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

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary        | Place of incorporation and principal place of business | Proportion of ownership interest and voting rights held by non-controlling interests |            | Profit Allocated to non-controlling interest |            | Accumulated non-controlling interests |            |
|---------------------------|--|--|------------|--|------------|---------------------------------------|------------|
|                           |  | 31/12/2022   | 31/12/2021 | 31/12/2022                                   | 31/12/2021 | 31/12/2022                            | 31/12/2021 |
|                           |  |  |            | RMB'000                                      | RMB'000    | RMB'000                               | RMB'000    |
| Jiangsu Changtian Zhiyuan | PRC  | 49%  | 49%        | 113  | 819        | 68,219                                | 68,106     |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

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

|  | Jiangsu Changtian Zhiyuan |                 |
|--|---------------------------|-----------------|
|  | 2022                      | 2021            |
|  | RMB'000                   | RMB'000         |
| <b>As at 31 December</b>   |                           |                 |
| Non-current assets   | 7,068                     | 7,477           |
| Current assets   | 521,934                   | 572,173         |
| Non-current liabilities  | (705)                     | (705)           |
| Current liabilities  | (400,597)                 | (439,953)       |
| <b>Net assets</b>  | <b>127,700</b>            | <b>138,992</b>  |
| <b>Carrying amount of NCI</b>  | <b>62,573</b>             | <b>68,106</b>   |
|  |                           |                 |
|  | Year ended 31 December    |                 |
|  | 2022                      | 2021            |
|  | RMB'000                   | RMB'000         |
| Revenue  | 289,265                   | 517,740         |
| Expenses   | (299,546)                 | (516,069)       |
| Loss/profit and total comprehensive (expense)/income for the year        | (10,281)                  | 1,671           |
| Loss/profit and total comprehensive (expense)/income attributable to NCI | (5,038)                   | 819             |
| Dividend paid to NCI   | –                         | –               |
| Net cash outflow from operating activities                               | (98,650)                  | (38,086)        |
| Net cash (outflow)/inflow from investing activities                      | (18)                      | 716             |
| <b>Net cash outflow</b>  | <b>(98,668)</b>           | <b>(37,370)</b> |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group entered into a sale and purchase agreement relating to the disposal of the entire issued share capital of Smartful Venture Holdings Limited and its subsidiaries, to an independent third party, at a cash consideration of RMB126,000. The disposal was completed on 31 July 2021. Details of the assets and liabilities as of 31 July 2021 are set out as follows:

|   | <b>RMB'000</b> |
|---|----------------|
| Bank balances                                     | 1,167          |
| Property, plant and equipment                     | 30             |
| Other receivables                                 | 33             |
| Accruals and other payables                       | (1,265)        |
| Net liabilities disposed of                       | (35)           |
| Release of non-controlling interest upon disposal | 446            |
| Release of exchange reserve upon disposal         | 87             |
| Cash consideration received                       | 498            |
| Loss on disposal of a subsidiary:                 | (126)          |
| <b>Net cash outflow arising from disposal:</b>    | <b>372</b>     |
| Cash consideration received                       | 126            |
| Less: cash and cash equivalents disposed of       | (1,167)        |
|   | (1,041)        |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES

|                                    | 2022           | 2021    |
|------------------------------------|----------------|---------|
|                                    | RMB'000        | RMB'000 |
| <b>Non-current assets</b>          |                |         |
| Property, plant and equipment      | 35,914         | 42,229  |
| Right-of-use assets                | 4,309          | 4,353   |
| Intangible assets                  | 143            | 143     |
| Investment properties              | 273,728        | 271,569 |
| Investments in subsidiaries        | 51,593         | 51,593  |
| Interests in associates            | 10,603         | 8,706   |
| Equity instruments at FVTOCI       | 705            | 741     |
|                                    | <b>376,995</b> | 379,334 |
| <b>Current assets</b>              |                |         |
| Trade and other receivables        | 30,708         | 33,593  |
| Dividend receivables               | 6,151          | 6,151   |
| Cash and cash equivalents          | 7,255          | 6,807   |
|                                    | <b>44,114</b>  | 46,551  |
| Assets classified as held for sale | <b>203,716</b> | 203,716 |
| <b>Total assets</b>                | <b>624,825</b> | 629,601 |
| <b>Current liabilities</b>         |                |         |
| Trade and other payables           | 166,979        | 160,321 |
| Amounts due to subsidiaries        | 185,818        | 148,113 |
| Tax payables                       | 2,774          | 2,654   |
|                                    | <b>355,571</b> | 311,088 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

|                                | 2022            | 2021      |
|--------------------------------|-----------------|-----------|
|                                | RMB'000         | RMB'000   |
| <b>Non-current liabilities</b> |                 |           |
| Other borrowings               | 265,339         | 297,779   |
| Deferred tax liabilities       | 40,676          | 41,617    |
|                                | <b>306,015</b>  | 339,396   |
| <b>Total liabilities</b>       | <b>661,586</b>  | 650,484   |
| <b>Net liabilities</b>         | <b>(36,761)</b> | (20,883)  |
| <b>Capital and reserves</b>    |                 |           |
| Share capital                  | 41,100          | 328,800   |
| Reserves (note)                | (77,861)        | (349,683) |
| <b>Total equity</b>            | <b>(36,761)</b> | (20,883)  |

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 15 May 2023 and is signed on its behalf by:

**Zhu Yong Ning**  
Director

**Wu Qing An**  
Director

Note:

Movements in reserves of the Company:

|   | Capital<br>reserve | Revaluation<br>reserve | Surplus<br>reserve | FVTOCI<br>reserve | Accumulated<br>losses | Total           |
|---|--------------------|------------------------|--------------------|-------------------|-----------------------|-----------------|
|   | RMB'000            | RMB'000                | RMB'000            | RMB'000           | RMB'000               | RMB'000         |
| As at 1 January 2021                            | 214,069            | 81,862                 | 20,470             | (7,027)           | (614,683)             | (305,309)       |
| Loss for the year                               | -                  | -                      | -                  | -                 | (43,908)              | (43,908)        |
| Fair value loss on equity instruments at FVTOCI | -                  | -                      | -                  | (466)             | -                     | (466)           |
| As at 31 December 2021 and 1 January 2022       | 214,069            | 81,862                 | 20,470             | (7,493)           | (658,591)             | (349,683)       |
| Loss for the year                               | -                  | -                      | -                  | -                 | (15,842)              | (15,842)        |
| Fair value loss on equity instruments at FVTOCI | -                  | -                      | -                  | (36)              | -                     | (36)            |
| Capital reorganisation                          | 287,700            | -                      | -                  | -                 | -                     | 287,700         |
| <b>As at 31 December 2022</b>                   | <b>501,769</b>     | <b>81,862</b>          | <b>20,470</b>      | <b>(7,529)</b>    | <b>(674,433)</b>      | <b>(77,861)</b> |

# FIVE YEAR FINANCIAL SUMMARY

31 December 2022

|   | 2022             | 2021        | 2020      | 2019      | 2018      |
|---|------------------|-------------|-----------|-----------|-----------|
|   | RMB'000          | RMB'000     | RMB'000   | RMB'000   | RMB'000   |
| <b>RESULTS</b>  |                  |             |           |           |           |
| Revenue   | <b>310,830</b>   | 534,658     | 536,185   | 387,376   | 479,837   |
| Cost of sales   | <b>(261,291)</b> | (468,478)   | (500,828) | (334,071) | (429,726) |
| Gross profit  | <b>49,539</b>    | 66,180      | 35,357    | 53,305    | 50,111    |
| Other income and net gain   | <b>402</b>       | 3,249       | 3,406     | 5,988     | 5,019     |
| Selling and distribution expenses                                   | <b>(6,020)</b>   | (8,853)     | (7,453)   | (9,440)   | (10,195)  |
| Administrative expenses   | <b>(24,263)</b>  | (29,228)    | (27,254)  | (45,293)  | (41,930)  |
| (Impairment losses)/reversal of impairment loss on financial assets | <b>(20,096)</b>  | (36,293)    | 11,792    | (24,599)  | (40,203)  |
| Research and development costs                                      | <b>(18,666)</b>  | (22,989)    | (18,287)  | -         | -         |
| Finance costs   | <b>(7,007)</b>   | (7,548)     | (10,448)  | (14,691)  | (17,110)  |
| (Loss)/gain arising on fair value changes of investment properties  | <b>(3,695)</b>   | (5,354)     | 1,463     | (85,359)  | 1,400     |
| Loss on disposal of subsidiaries                                    | <b>-</b>         | (372)       | -         | -         | -         |
| Share of results of associates                                      | <b>1,897</b>     | 2,046       | 1,853     | 97        | 5,373     |
| Loss before tax   | <b>(27,909)</b>  | (39,162)    | (9,571)   | (119,992) | (47,535)  |
| Income tax credit/(expense)   | <b>275</b>       | (290)       | (4,172)   | 18,644    | (1,799)   |
| Loss for the year   | <b>(27,634)</b>  | (39,452)    | (13,743)  | (101,348) | (49,334)  |
| Attributable to:  |                  |             |           |           |           |
| Owners of the Company   | <b>(22,634)</b>  | (39,992)    | (30,681)  | (103,080) | (53,698)  |
| Non-controlling interests   | <b>(5,000)</b>   | 540         | 16,938    | 1,732     | 4,364     |
|   | <b>(27,634)</b>  | (39,452)    | (13,743)  | (101,348) | (49,334)  |
| Total assets  | <b>1,079,700</b> | 1,212,992   | 1,182,266 | 1,132,873 | 1,197,045 |
| Total liabilities   | <b>(891,522)</b> | (1,000,853) | (930,333) | (862,495) | (825,393) |
| Non-controlling interests   | <b>(67,973)</b>  | (72,973)    | (71,987)  | (55,049)  | (53,317)  |
| Equity attributable to owners of the Company                        | <b>120,205</b>   | 139,166     | 179,946   | 215,329   | 318,335   |