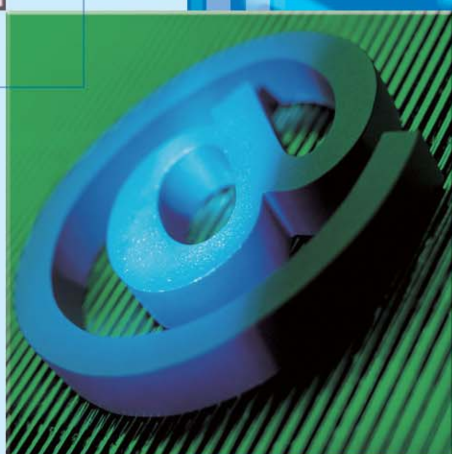
NANDASOFT
南大苏富特

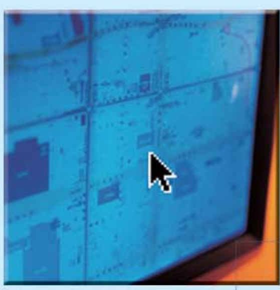
JIANGSU NANDASOFT COMPANY LIMITED

江蘇南大蘇富特軟件股份有限公司

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

(Stock Code: 8045)





Annual Report 2006

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (The "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Jiangsu NandaSoft Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jiangsu NandaSoft Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Directors of the company

Executive Directors
Professor Xie Li *(Chairman)*
Mr. Chen Zheng Rong

Non-executive Directors
Professor Chen Dao Xu
Ms. Zhang Yun Xia
Mr. Yuan Ren Wei

Independent Non-executive Directors
Mr. Xu Huan Liang
Professor Wang Zhi Jian
Mr. Yim Hing Wah

Supervisors

Mr. Wang Dao Wu
Professor Shi Jian Jun
Mr. Xu Ke Jian
Mr. Zhou Wen Da
Mr. Zhou Ming Hai
Mr Zuo Songlin
Ms. Wu Zhao Yang
Mr. Zhou De Fan
Mr. Shaw Yong Lei

Qualified Accountant

Ms. Tong Sze Wan, *CPA, ACCA*

Company Secretary

Ms. Tong Sze Wan, *CPA, ACCA*

Audit Committee

Professor Wang Zhi Jian
Mr. Xu Huan Liang
Mr. Yim Hing Wah

Nomination Committee

Mr. Xie Li
Mr. Yuan Ren Wei
Mr. Xu Huan Liang
Professor Wang Zhi Jian
Mr. Yim Hing Wah

Remuneration Committee

Mr. Xie Li
Mr. Chen Zheng Rong
Mr. Xu Huan Liang
Professor Wang Zhi Jian
Mr. Yim Hing Wah

Compliance Officer

Professor Xie Li

Authorised Representatives

Professor Xie Li
Ms. Tong Sze Wan, *CPA, ACCA*

Auditors

Cachet Certified Public
Accountants Limited

Legal Advisers

Arculli Fong & Ng in association with King & Wood, PRC Lawyers

Principal Bankers

China Merchants Bank, Nanjing Branch
China Industrial and Commercial Bank, Nanjing Branch, South Town sub-branch
Bank of China, Hong Kong Branch
HSBC, Hong Kong Branch

Hong Kong Share Registrar and Transfer Office

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

Registered Office

Room 512, Software Center,
Nanjing New & High Technology Industry Development Zone

Principal Place of Business in China

NandaSoft Tower, 8, Jingyin Street
Shanghai Road, Nanjing, The PRC
Postal code: 210008

Principal Place of Business in Hong Kong

Room 1006-07, 10/F
New Victory House
93-103 Wing Lok Street
Sheung Wan, Hong Kong

Stock Code

8045

Xie,Li, *Chairman*

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report for the year ended 31 December 2006 of Jiangsu NandaSoft Company Limited ("Jiangsu NandaSoft" or the "Company", and together with its subsidiaries, the "Group") to the shareholders for their review.

Year 2006 marks an important time in which the Company completed its operation management reform, fortified its business and improved the mode of development. The Company relied on independent network security products and their total solutions to develop electronic government business total solutions with safety characteristics. The Company focused on the three core businesses including the sales of independent software products, security integration and undertaking of software outsourcing projects. Through intensifying its efforts on research and development to launch differentiated products, accelerating the exploration on marketing channels in the whole country and reinforcing the force of brand promotion, the Company was able to enhance its core competitiveness and sustainable development.

In this year, the revenue of the Company amounted to approximately RMB402 million, and was selected in "China Software Innovation Rankings and China 100 Software Innovative Enterprises."

Double its Effort in R&D to Expand its Security Product Lines

The Company continued to reinforce the construction on technological management and to optimize its product structure in order to enhance the core competitiveness of its products. Targeting on the stronger demand for intranet surveillance products in the market, the Company has focused on the research and development of the Soft Intranet Information Surveillance System 3.0; distributed security domain logic territory protection technology; research on desktop security operation system; research on embedded operation system; research on IPV6 network security protection technology and research on wireless network security protection technology.

Improvement on Software Service to Increase Profitability Continuously

The software and services industry in which the Company operates experiences an overall trend of growth in market scale on an annual basis, especially business systems which focus on system integration show a trend of increase in scale, accounts receivables and inventories with a decrease in profitability; whereas business systems which focus on software and services keep a higher gross profit margin and better profitability. In recent years, the Company insists on the business transformation from system integration to security integration and further to security services so as to enrich the Company's advantages on security products.

Strengthening Brand Image and Opening up National Market

In order to strengthen the brand image as Soft security expert, the "Spotlight Launch of Soft: a Nationwide Circuit Exhibition of Security Products" campaign was held this year. The campaign included theme activities such as summit on network information security technology, forum on network information security product sales, forum on network information security technology, the launch of Soft network security new products and large-scale agents meeting. For example, "NandaSoft Network Information Security Product Sales Exhibition and Technical Forum 2006" was held in Zhengzhou of Henan Province, "The Launch of NandaSoft Network Security New Products 2006" was held in Hangzhou of Zhejiang Province" and "NandaSoft Network Information Security Nationwide Summit" was held in Fuzhou of Fujian Province.

Strengthen Group Integration and Construction of NandaSoft Software City

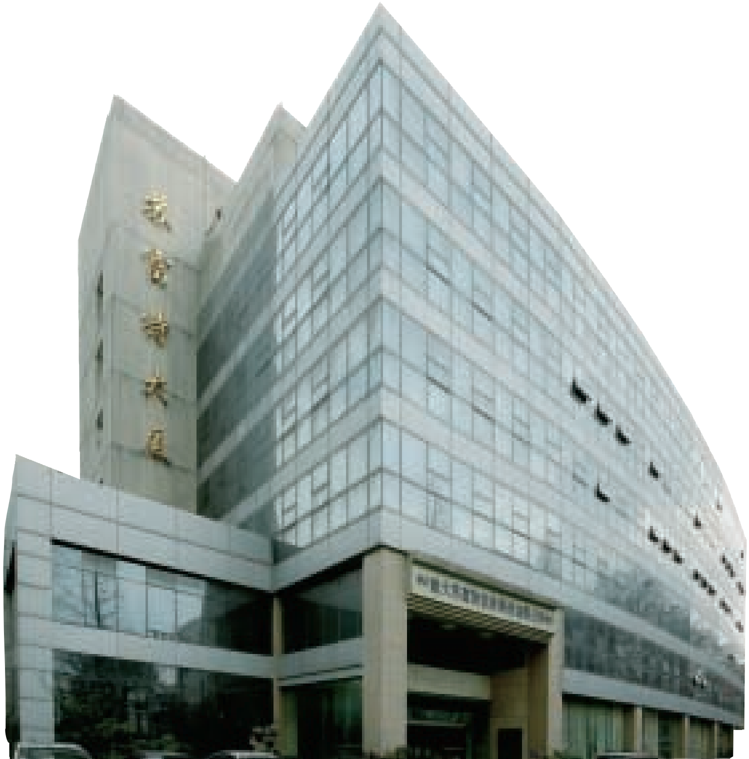
During the year, the Company has carried out a series of adjustment and reform. Firstly, management of the Company was adjusted so as to strengthen the core power of the Company. Secondly, the Group's subsidiaries were integrated according to development target and scale control principles in order to distribute and use the resources of the Group.

During the year, the Company purchased a piece of land in Gulou High Technology Industry Park in Nanjing University, which will be used for the construction of NandaSoft Software City. After the completion of the construction, NandaSoft Software City will become the demonstrative base of high technology training and research and development.

The software business development status in the PRC brings a golden growth opportunity to the Company. It is expected that the Company will continue to transform its business and to strengthen its core competitiveness and sustainable profitability so that the Company can become a leading manufacturer in nationwide network security products and to bring prosperous return to our shareholders.

Xie Li
Chairman

Nanjing, PRC
23 March 2007



Financial Review

The audited consolidated turnover of the Group for the year ended 31 December 2006 was approximately RMB402,463,000, representing a decrease of approximately 8.7% over 2005. With the rapid development in technology market, the Group face with unprecedented competition which directly affect the market share in which sales was reduced during the year

The audited loss attributable to shareholders and loss per share of the Group for the year ended 31 December 2006 were approximately RMB39,479,000 and RMB0.0423 respectively. During the year, the Group encountered a substantial increase in the losses of the Company due to decreasing of revenue and increasing in amount of provision of bad debt.

In last year, the Group has made investment in various industry for the purpose of expanding sales channel and ensure the stabilizing of the result of the Group, the status of the two major investments which are investment in 南通明德重工有限公司 ("Nantung Mingde") and investment in 南京水木年華餐飲有限公司 ("Shuimu Nianhua") was summarize as follows:—

(1) Nantung Mingde

On 5 November 2004, the Group invested in a project operated by Nantung Mingde and from which it is entitled to share 25% of the operating result. During the year, the Group entered into a supplementary agreement with Nantung Mingde to terminate the Group's rights and obligations in the project since the Group was unable to exercise any significant influence over the project and was unable to gain access to the books and records of the project. Consequently, the investment cost of RMB10,000,000 together with investment income were fully refunded to the Group.

(2) Shuimu Nianhua

On 20 October 2004, the Group entered into an agreement with Shuimu Nianhua regarding a project of operating a club in Nanjing. Total investment for the Shuimu Nianhua was RMB4,000,000 which would be repaid at RMB500,000 in the 2005, RMB1,000,000 in each of the following three years and the remaining RMB500,000 in the fifth year from the profit of the project.

For the year ended 31 December 2005, the Group received the RMB500,000 return of capital for 2005 in accordance with the above repayment terms. However, as Shuimu Nianhua is continued to be loss making, it was being disposed of in February 2007 for a consideration of RMB2,000,000.

Financial resources and liquidity

As at 31 December 2006, shareholders' funds of the Group amounted to approximately RMB154,984,000. Current assets amounted to approximately RMB237,877,000, of which approximately RMB66,372,000 were cash and bank deposits. The Group had non-current liabilities of long-term loan amounting to RMB10,000,000 and its current liabilities amounted to approximately RMB144,859,000, comprising mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.166. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31 December 2006, the Group had a gearing ratio of 22.26% and the Group has short-term and long-term loans of an aggregate RMB73,000,000.

Charge on group assets

As at 31 December 2006, none of the Group's assets was pledged as security for liabilities (2005: Nil).

Foreign currency risk

As the Group's operations are situated in PRC and substantially all the Group's sales & purchases were denominated in RMB consequently, there is no foreign currency risk would affect the Group's results of operations.

Material acquisitions/disposals and significant investments

Throughout the year in 2006, the Group entered into a framework agreement with Nanjing Gulou District Government and an implementation agreement with Gulou Limited, an independent party, (the "Acquitision Agreements") in relation to the acquisition of the right to use a piece of land in Nanjing at a consideration of RMB22,752,000, which were paid during the year.

Other than the disposal of Nantung Mingde and Shuimu Nianhua and the acquisition of the land, the Group did not make any other material acquisitions or disposals and no proceeds was invested in any significant financial instruments.

Capital commitments

As at 31 December 2006, the Group had no material commitments.

Contingent liabilities

As at 31 December 2006, the Group had no material contingent liabilities.

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB27,396,000, including the directors' emoluments of approximately RMB420,000 during the year ended 31st December, 2006 (2005: approximately RMB28,187,000, including the directors' emoluments of approximately RMB451,000).

The decrease in employee remuneration resulted from the decrease in bonus to individual staff during the year. The number of employees for the year had decreased from 659 to 592.

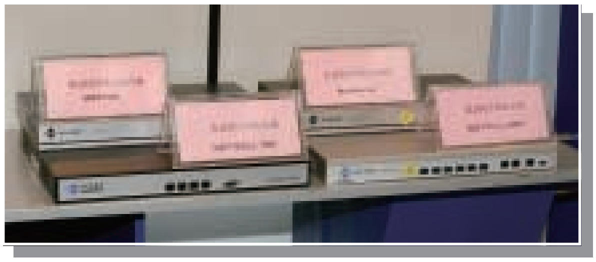
Business Review

2006 is the year for the Company to adjust and integrate its business and team. The Company carried out reforms at different steps and stages according to the targets formulated at the beginning of the year. In terms of business system and business integration, the Company has basically met the targets set out at the beginning of the year; its backbone team is stable; there was growth in customer group and electronic governance business achieved growth by leaps and bounds, which becomes a strong base for 2007.

Business Development

Network Security

Sales of network security products experience the greatest changes in 2006. In the first half of the year, the Company focused on the theme of "expansion in the Soft's brand, enhancement of the reputation of Soft, increase in scale and meet the sale target". Principal works carried out include: expand the sales team (up to 45 members), increase the number of marketing campaigns (large-scale agent conferences and the launch of new products were carried out in Nanjing, Fuzhou, Zhengzhou, Hangzhou, Anyang, Haian, etc.), establish sales outlets (apart from the existing bases, new offices were set up in Jiangxi and Anhui, with the target of 10 provinces). During the period, Soft has created an impact in the industries. Many old customers have a new recognition toward Soft whilst new customers understand that the Company is an original manufacturer specialized in network security.



With the conclusion and analysis on the first half of the year, we adjusted the sales direction according to the market demand in the second half of the year. Several target districts with years of sales history such as Jiangsu, Fujian, Zhejiang and Henan were selected, together with Jiangxi and Anhui to carry out business activities focusing on security projects and to carry out strict performance evaluation on staff. At the same time, the cost of security products was reduced which raised the competitiveness of the product. In order to enhance the integrated competitiveness of the Company's security products, an all-round assessment system was introduced, the quality of the Company's products and services are improved by raising the efficiency of technicians.

Electronic government business

Electronic Government Business has entered into contracts which amounted to approximately 50M, which was the best results in the Company history. This further strengthened the Company's leading position in the industry. Apart from business development, default in account receivables has been improved substantially due to the implementation of the Company's management system and the efforts of our staff, not only payments of all projects in 2006 were received on time, accounts receivables before 2006 are also received in succession, ensuring the Company's future development. The Company has developed many new customer groups which provide rooms for later development.

Products and research and development

Network security products

A number of substantial network security events took place in the PRC during 2006. As a leading provider of network security total solutions in the PRC, NandaSoft always pay attention to the trend on network security research area both within and outside the PRC, and enhance the innovative power on network security software products and technology continuously so as to lead the healthy development on network security market in Jiangsu Province and further to lead the network security research in Jiangsu and even the whole nation towards expertise.

During the year, the Company has launched the following new products as planned:

- SoftWall v2.6, a Soft upgraded software version for firewall product series
- SoftNIDS v2.6, a Soft upgraded software version for intrusion detection system product series
- WatchOnline v2.2, a Soft upgraded software version for intranet information surveillance product
- NSS-10, a Soft Gigabit product series
- Network Security Integrated Protection System ZAP1.0

Meanwhile, in order to maintain its leading position both domestically and internationally in terms of technology, Nandasoft has conducted in-depth researches on the core technologies of security products. Besides the "Network Integration Security Protection Platform System" was listed as a state information security key project by National Development and Reform Commission, the Company also conducted R&D in the following areas:

- Distributed security domain logic territory protection technology
- Desktop security operation system research
- Research on embedded security operation system
- Research on IPV6 network security protection technology
- Research on wireless network security protection technology

Moreover, the Company's work on security service and security integration also achieved satisfactory results in government, army and other aspects in 2006.

Application software development

In 2006, the Company's application software development business further strengthens the function, stability and usability of data exchange platform. Government's synchronized system has been formed initially, government's purchase management system has been put to operation.

Business Prospects

There will be new opportunities in 2007 for the Company's business. The adjustment and integration in 2006 laid a solid foundation for the development in 2007. The business strategies of the Company in 2007 are: strengthen the Company's core competitiveness, increase the Company's market share, and increase the Company's service income. The Company will develop its strengths on services and products. In 2007, the Company will focus on the facilitation of intranet audit WatchOnLine3.0 and high-end firewall. The two products will enter the market through the Group's sales channels and partners; in addition, LINUX system and application software products will also diversify the Company's products. The Company will put more concern on internal cooperation, and will establish a specialized institute to facilitate inter-company cooperation within the Group so as to integrate product resources, customer resources and technical resources. On the basis of maintaining existing government customers, the Company will also expand the operators market. The Company will focus on China Mobile and China Telecom so that the Company's customer structure becomes more balanced. This year, the Company will enhance its capacity of channel sales and its ability to secure new industry customers so that they become two of the Company's main sources of profit and, together with the improvement in the Company's product line, to secure the Company's sources of income in 2007 and in the future.

Research & development

In 2007, apart from the software version upgrade on existing traditional security products such as firewall and intrusion detection for the purpose of the support of new application and network environment, the Company will also continue to focus on the research of products such as Network Security Integrated Protection Platform System NSS-2, Intranet Information Surveillance System WatchOnLine3.0, IPV6 network security, integrated security system ZAP2.0, and mobile phone security.

WatchOnLine3.0 and Security LINUX Desktop System and firewall specialized for educational systems will be launched in the first quarter. Meanwhile, research and development will be conducted on server security Linux system and embedded Linux and its applications.

The Company will co-operate with INTEL to launch the whole-series network security products based on intel Double Core CPU. It is expected that high performance firewall series will be launched in August, which will lead the network security firewall market.

Electronic government business

The following work will commence based on 2006 business direction:

1. Consolidate the co-operation with Huawei after the successful co-operation in 2006. Besides consolidating the co-operation in existing area, expansion is also needed. Besides continuing to consolidate the co-operation on major network products, we will also consolidate the co-operation on other products of Huawei, especially on storage and audio-visual products.

2. Develop client base in army, medical, large and medium enterprises and higher educational institutes while maintaining governmental clients.

3. Further leverage on the Company's advantages on services. Currently, many of the Company's engineers have obtained accreditation from Huawei, and they will serve as a backbone support for services and maintenance and can further increase the proportion of service income.

Sales of security products

To continue from the good working method and experience in the past years, the Company will strive for innovation and enhance the profitability of different departments; to identify new ways for growth on profits; implement our systems; strengthen the process management and executive power.

It is the Company's objective to enhance the reputation of NandaSoft products; increase customer's satisfaction; establish regional sales network platform and to achieve the Company's profit target.

Marketing

To deepen the penetration in Jiangsu region, to strengthen and to develop market share in this market; to establish a sales platform in Eastern China centering around Zhejiang; to establish a sales platform in Southern China centering around Fujian; to establish a sales platform in Central China centering around Henan; to establish a sales platform in Northern China centering around Beijing; to establish a sales platform in Northeast China centering around Jilin so as to make full use of subsidiaries in Beijing, Shenzhen and Shanghai.

To strengthen the co-operation with manufacturers both domestically and abroad by launching new products and security solution forums; to hold regional agent forum and to strengthen the training of agents in order to enhance their loyalty and sales ability.

Products

Intranet Surveillance System V3.0 will be launched in March together with application firewall such as educational version, expand the product types of high-end firewalls and to enrich intrusion surveillance system products.

The Company will co-operate with INTEL to launch the whole-series network security products based on intel Double Core CPU. It is expected that high performance firewall series will be launched in August, which will lead the network security firewall market.

Business

In order to enhance the profitability of different departments, besides selling our own products nationwide, the Company will also engage in network security integration, services and security control business in Jiangsu Province which will become steady sources of income.

In this year, it is the Company's sales direction to increase working efficiency, to identify new sources of profit growth and to strengthen the management on sales process.

Application Software

In 2007, application software will be transformed from a single project profit making pattern to a combination of product and project profit making pattern as this can increase the reusability of technology and generate higher profit. The Company has planned the following product for application software: document exchange management system, upgrade on mailing system, upgrade on information exchange and sharing platform, government purchasing centre management system and website information dissemination system.

The Board of Directors present their annual report and the audited financial statements for the year ended 31 December 2006.

Principal Activities

The principal activity of the Company is development, manufacturing and marketing of network security software, internet application software, educational software and business application software. The Company also provides systems integration services including information technology consulting and sales of computer hardware products and equipment. The activities of the subsidiaries, jointly-controlled entity and associates are set out in notes 16, 17 and 18 to the financial statements, respectively.

Results and Dividends

The Group's loss for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 91.

The directors do not recommend the payment of a final dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 92. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 29 to the financial statements.

Pre-emptive Eights

There are no provisions for pre-emptive rights under the Company's bye-laws/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.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2006, the Company had no reserves available for distribution.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 53.7% of the total sales for the year and sales to the largest customer included therein amounted to 39.6%. Purchases from the Group's five largest suppliers accounted for 16.2% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

Directors and Supervisors

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

Executive directors:
Professor Xie Li *(Chairman)*
Mr. Chen Zheng Rong

Non-Executive directors:
Professor Chen Dao Xu
Ms. Zhang Yun Xia
Mr. Yuan Ren Wei (appointed on 9 January 2006)

Independent non-executive directors:
Mr. Xu Huan Liang
Professor Wang Zhi Jian
Mr. Yim Hing Wah

Supervisors:
Professor Shi Jian Jun
Mr. Zhou Wen Da
Mr. Zhou Ming Hai
Mr. Zhou De Fan
Mr. Shaw Yong Lei
Mr. Xu Ke Jian (appointed on 9 January 2006)
Mr. Wang Dao Wu (resigned on 9 January 2006)
Ms. Wu Zhao Yang (appointed on 26 May 2006)
Mr. Zuo Song Lin (resigned on 26 May 2006)

The Company has received annual confirmations of independence from Mr. Xu Huan Liang, Professor Wang Zhi Jian and Mr. Yim Hing Wah, and still considers them to be independent as at the date of this report.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 23 to 27 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 which will expire on 29 December 2008. The service contracts will be renewed for a service period of three years subject to the approval at the forthcoming annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Remuneration

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

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' and Supervisors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2006, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register 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 in ordinary shares of the Company:

Name	Type of interests	Number of domestic shares held directly or indirectly		Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's total share capital
		Direct	*Indirect*			
Directors						
Xie Li	Personal *(Note 1)*	11,900,000	—	—	1.70%	1.27%
Zhang Yun Xia	Family *(Note 2)*	—	17,000,000	—	2.43%	1.82%
Chen Dao Xu	Personal *(Note 1)*	500,000	—	—	0.07%	0.05%
Supervisors						
Zhou Ming Hai	Personal *(Note 1)*	5,000,000	—	—	0.71%	0.54%
Wang Dao Wu	Personal *(Note 1)*	1,000,000	—	—	0.14%	0.11%
Zhou Wen Da	Personal *(Note 1)*	780,000	—	—	0.11%	0.08%
Shi Jian Jun	Personal *(Note 1)*	500,000	—	—	0.07%	0.05%

Notes:

(1) These shares are directly held by the individual directors and supervisors.

(2) These shares are directly held by an ex-director of the Company, who is also the spouse of Zhang Yun Xia.

The interests of the directors in the share options of the Company are separately disclosed in note 30 to the financial statements.

Save as disclosed above, as at 31 December 2006, none of the directors, chief executive or supervisors 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 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director 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.

Share Option Scheme

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the prospectus issued by the Company dated 19 April 2001. Up to 31 December 2006, no option has been granted pursuant to such share option scheme.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2006, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited *(Note 1)*	Beneficial Owner	236,340,000	33.76%	—	—	236,340,000	25.30%
Jiangsu Furen Group Company Limited *(Note 2)*	Beneficial Owner	200,000,000	28.57%	—	—	200,000,000	21.41%

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Jiangsu Provincial Management Centre for Education	Beneficial Owner	60,000,000	8.57%	—	—	60,000,000	6.42%
Equipment and Self-supporting School ("Jiangsu Management Centre") *(Note 3)*	Interest of a controlled corporation	104,750,000	14.96% Sub-total: 23.53%	—	—	104,750,000	11.22% Sub-total: 17.64%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	45,850,000	6.55%	—	—	45,850,000	4.91%
Jiangsu Co-Creation	Beneficial Owner	104,750,000	14.96%	—	—	104,750,000	11.22%
Golden 21 Investment Holdings Limited *(Note 4)*	Beneficial Owner	—	—	25,362,000	10.84%	25,362,000	2.72%

Notes:

(1) Nanjing University Asset Administration Company Limited is a wholly owned subsidiary of Nanjing University, a domestic shareholder and promoter of the Company. Nanjing University transferred all equity interests in the domestic shares of the Company, being 200,000,000 domestic shares, to Asset Administration Company Limited at nil consideration on 1 July 2004.

(2) Jiangsu Furen Group Company Limited entered into separate agreements with Jiangsu Zongyi Company Limited and Jiangsu Provincial Hi-Tech Industry Investment Company Limited for the transfer of 160,000,000 and 40,000,000 domestic shares in the Company on 30 June 2005, thereby creating a long position of 21.41% in the entire share capital of the Company.

(3) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1 July 2001 pursuant to the PRC law. The interest of Jiangsu Management Centre comprises:

(a) 60,000,000 domestic shares (representing approximately 6.42% of the Company's total issued share capital) held by Jiangsu Management Centre; and

(b) 104,750,000 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 11.22% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 85% owned by Jiangsu Management Centre.

(4) The interest of Golden 21 Investment Holdings Limited represents approximately 10.84% of total H shares and representing approximately 2.72% of the total domestic and H shares.

Save as disclosed above, as at 31 December 2006, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section "Directors', chief executive's and supervisors' interests and short positions in shares and underlying shares" 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.

Connected Transactions and Continuing Connected Transactions

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

Connected transactions

In accordance with the conditions agreed with the Stock Exchange with respect to certain connected transactions as specified in the GEM Listing Rules undertaken by the Group, the Independent Non-executive Directors have reviewed the connected transactions with Nanjing University set out in note 35 to the financial statements. In their opinion, these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties;

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) within the relevant cap amounts as agreed with the Stock Exchange.

Other than those transactions described in note 35 to the financial statements, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Continuing connected transactions

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 35 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Directors' Interests in a Competing Business

None of the Directors or the management 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 purchased, sold or redeemed any of the Company's listed securities during the year.

Auditors

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Cachet Certified Public Accountants Limited were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Cachet Certified Public Accountants Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Xie Li
Chairman

Nanjing, the PRC
23 March 2007

Corporate Governance and Audit Committee

Jiangsu Nandasoft Company Limited is committed to upholding good corporate governance. This year, considerable efforts were made to identify and formalize the best practices according to international standards. The Board has adopted the Corporate Governance 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 maximize returns to shareholders and stakeholders. Management's commitment to building long-term interest for shareholders and to conducting business in a socially responsible and honest manner has earned the Company widespread market recognition.

Board of Directors

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

The Company has adopted a code of conduct regarding directors' 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 of the company has complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the twelve months ended 31 December 2006.

The Board comprises eight Directors, including the Chairman of The Board, two of them being Executive Directors, and the remaining six Non-Executive Directors, of whom three are independent. The Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promotion the best interests of the Group and its shareholders. Independent Non-Executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company confirmed that annual confirmation of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all the independent non-executive directors are considered to be independent.

The Board conducts four regular Board meetings in current year. Details of attendance of the Board are as follows:

Directors	**Attendance**
Mr. Xie Li	4/4
Mr. Chen Zheng Rong	4/4
Professor Chen Dao Xu	3/4
Ms. Zhang Yun Xia	0/4
Mr. Yuan Ren Wei	4/4
Mr. Xu Huan Laing	4/4
Professor Wang Zhi Jian	3/4
Mr. Yim Hing Wah	4/4

They oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities.

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

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 which will expire on 29 December 2008. The service contracts will be renewed for a service period of three years subject to the approval at the forthcoming annual general meeting of the Company. They oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities.

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 should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive office should be clearly established and set out in writing.

Mr. Xie Li ("Mr Xie") is the Chairman of the Group and he leads the Board and is responsible for the proceedings and workings of the Board. He 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.

Mr. Pu Liang ("Mr. Pu") is the chief executive officer of the Group and he is responsible for:

— developing business plans, strategies and policies;
— ensuring the Groups' operations are functioned effectively and efficiency; and
— motivating team members to contribute to the growth and profitability of the Group.

Mr. Xie and Mr. Pu has considerable industry experience and they are motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is the best interests of the Group to have a Chairman and chief executive officer so that the Board can have the benefit in knowledge about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Remuneration Committee

The Remuneration committee is established in 2005 and comprises two Executive and three Independent Non-Executive Directors, namely Mr. Xie Li, Mr. Chen Zheng Rong, Mr. Xu Huan Laing, Professor Wang Zhi Jian and Mr. Yim Hing Wah.

The role and function of the remuneration committee include:

(1) To stipulate the remuneration policies applicable to all directors and senior management, and formulate the procedure of stipulating such policies;

(2) To prepare the remuneration plan or proposal according to the work scope, responsibilities, importance of the positions of director and senior management with reference the remuneration level for similar positions offered by other employers, including but not limited to: performance assessment criteria and processes, main assessment system, amount and payment method of remuneration, principal rewarding and penalty system, etc.;

(3) To organize the performance assessment to the directors and senior management; to review the duty fulfillment and annual performance of such directors and senior management against the operational target fulfillment of the Company; and

(4) To review the remunerations of the directors and senior management and supervise the implementation of the Company's remuneration system.

The Remuneration committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, a meeting of the Remuneration committee was duly convened and held.

Nomination Committee

The Nomination Committee was established to enhance transparency and highlight fairness in the selection and appointment of Board members. The Nomination Committee consists of one Executive Director, one Non-Executive Director and three Independent Non-Executive Directors, namely Mr. Xie Li, Mr. Yuan Ren Wei, Mr. Xu Huan Liang, Professor Wang Zhi Jian and Mr. Yim Hing Wah.

The role and function of the Nomination Committee include recommending the candidates, selection criteria and procedures for the appointment of Directors and General Manager of the Company, and recommending and reviewing the candidates for Chief Financial Officer and other senior management nominated by the General Manager, and the candidates for the Secretary to the Board of Directors nominated by the Chairman of the Board.

Audit Committee

The Company established an Audit Committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Mr. Xu Huan Liang, Professor Wang Zhi Jian and Mr. Yim Hing Wah.

The Audit Committee was established to assist the Board in safeguarding the Company's assets by providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company. The committee also oversees the audit process and performs other duties as assigned by the Board. Terms of reference of the Audit Committee which have been adopted by the Board and posted on the Company's website. The committee met four times for the year 2006.

During the financial year, the Audit Committee reviewed the accounting principles and practices adopted by the Group, reviewed the nature, scope and findings of internal and external audits in addition to reviewing the Company's treasury activities, liquidity and risks management. Our Group financial controller and senior management attended the meetings to answer any questions raised by the Audit Committee. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

Auditors' Remuneration

Cachet Certified Public Accountants Limited ("Cachet") were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Extraordinary General Meeting held on 26 May 2006. Auditing fees in respect of annual audit service amounted to HK$380,000. Cachet did not provide other non-audit services to the Company except for the agreed-upon-procedure review on the Group's continuing connected transactions as required by Rules 20 of GEM Listing Rules.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"). The Company has made specific enquiries of all the Directors and each of the Directors had confirmed that, for the year ended 31 December 2006, they have complied with the required standard set out in the Model Code.

Accountability and Audit

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the state 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 2006, the directors have selected suitable accounting policies and applied them consistently and made judgements 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 in the Report of the Auditors.

To: All Shareholders

Jiangsu Nandasoft Company Limited has compiled with the Company Law of the PRC during the year ended 31 December 2006, 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 carefully provided reasonable suggestions and advice or 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 investigation, we consider that the financial statement of the Company, audited by Cachet Certified Public Accountants Limited, truely and sufficiently reflects the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the profit distribution proposal. We consider that the above report and proposal meets the requirements of the relevant regulations and associations of the Company. We have attended the meeting of the Board of Directors. We consider that the members of the Board of Directors, the general manager and other officers have strictly compiled with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Company and infringed upon the interests of the company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

We are satisfied with the various tasks achieved as well as the cost-effectiveness gained and are confident about the prospects of future development of the Company.

On behalf of the Supervisory Committee
SHI JIAN JUN
Chairman of the Supervisory Committee

Nanjing, the PRC
23 March 2007

Directors

Executive Directors

Professor Xie Li, (謝立), 65, Chairman of the Company, and the Professor and PhD student mentor of Nanjing University. Professor Xie was graduated from the Department of Mathematics in Nanjing University majored in mathematical logic. He had been the visiting scholar of the Department of Computer Science in New York State University, Albany. He taught in the Department of Mathematics and Department of Computer Science in Nanjing University and had served consecutively as the Deputy Director of the Computer Software Research Institute, Assistant to the University President, Deputy Academic Dean, Dean of the Department of Computer Science, Director of the Computer Application Research Institute and Vice President of Nanjing University. Professor Xie is also serving as the Director of Jiangsu Province Software Project Research Center, standing member of China Computer Society, Deputy Director of the Open System Professional Committee. Professor Xie has engaged in the research of computer software over a long period of time, and had received 12 awards, including 4 national class awards, for his research achievements in fields of operating system, distribution computing, parallel processing and advanced operating system. He has published 4 monographs and more than 190 academic papers. Professor Xie joined the Company in September 1998.

Mr. Chen Zheng Rong, (陳崢嶸) aged 51, is the executive director of the Company. He graduated from the school of physics of Soochow University, and had been the vice curator of Jiangsu Computer Education Center (江蘇省電教館), vice president of Jiangsu Education Television Station 江蘇教育電視台), Secretary of general branch and vice director of Jiangsu Provincial Management Centre for Education Equipment and Self-Supporting School (江蘇省教育裝備與勤工儉學管理中心).

Non-Executive Directors

Professor Chen Dao Xu, (陳道蓄), 60, non-executive Director of the Company and a Professor. Professor Chen graduated from the Department of Computer Science in Nanjing University majored in Computer Software. He is now a Professor, PhD student mentor and Dean of the Department of Computer Science and Technology in Nanjing University and Chairman of the Jiangsu Province Computer Society. Professor Chen has engaged in the research and development of computer software over a long period of time and his recent research work concentrated in distributive processing, parallel calculation, computer network and computer support co-processing. He has undertaken more than 10 major national science and technology projects. Professor Chen obtained 4 ministry or provincial class science and technology advancement awards and 1 National Education Committee award. He has published two co-authored books and more than 30 academic papers. Professor Chen joined the Company in July 1999.

Ms. Zhang Yun Xia, (張雲霞), 43, is a university graduate and a senior designer of Zongyi. Ms. Zhang was fashion designer working in Tungzhou Embroidery Factory (通州市刺繡廠) in 1989. She worked in the technology department of Nantong Golden (Group) Co. Ltd. (南通黃金(集團)股份公司) during the period from 1990 to 1996. From 1997 to 1999, Ms. Zhang took courses in New York University, U.S.A.. Ms. Zhang currently serves in Zongyi's Shenzhen branch office. Ms. Zhang joined the Company in January 2001.

Mr. Yuan Ren Wei,（袁仁偉）, 37, is the vice president of Chengjiang Chamber of Commerce for Jiangyin City of Jiangsu Proviince（江蘇省江陰市澄江商會）and the member of the People's Political Consultative Conference of Jiangyin City. Mr Yuan worked in Yaosai Air Conditioning Equipment Factory（要塞空調設備廠）in Jiangyin city during the period from 1987 to 1993. From 1989 to 1991, he was the general manager Furen Air Conditioning Equipment Company Limited（富仁空調設備有限公司）. He has been the chairman and the general manager of Jiangsu Furen Group Company Limited（江蘇富仁集團有限公司）which is one of the substantial shareholders of the Company since 2003. Mr Yuan was awarded the best factory manager in Jiangyin City and the top ten youth entrepreneur.

Independent non-executive Directors

Mr. Xu Huan Liang,（徐煥亮）, 65, post-graduate of the Department of Mathematics in Nanjing University majored in mathematical logic in 1967. Mr. Xu has served successively as Technical Officer, Engineer, Deputy Director of the Design Institute and Deputy Chief Engineer for Nanjing Cable Wire Factory since 1968. He was appointed to be the Deputy Plant Director in 1984 and he also served as the Chief Engineer for Nanjing High and New Technologies Development Zone from 1988 to 1991. He has been engaged in the development of editing and translating procedures, management programs, operating systems and various military and civil computer systems since 1964. Mr. Xu has served as a committee member of the Computer Technology Committee of the Ministry of Electronic Industry, appraiser of Electronic Industry Technology Achievements, member of the Military Computer Professional Group of State Commission of Science, Technology and National Defence Industry.

Professor Wang Zhi Jian,（王志堅）, 49, Deputy Dean of the Department of Information Technology in Hehai University and a member of the Standing Committee of Nanjing Political Consultative Conference. He graduated from the Department of Computer Science in Nanjing University in 1982 and has served as an Assistant Engineer of Jiangsu Province Computer Technology Research Institute. From 1983 to 1986, Professor Wang obtained a master degree and a doctoral degree from the Department of Computer Science in Nanjing University and remained with as a faculty member of the University thereafter. After being transferred to Hehai University in 1995, he has served as a standing director of Jiangsu Province Computer Association. Professor Wang has been engaged in the education and research in computer science and technology over a long period and his research focuses include software engineering, logic program design, inductive reasoning, software automation and facing object technology.

Mr. Yim Hing Wah,（嚴慶華）, 42, has over twelve years of experience in auditing, accounting and financial management. Mr. Yim worked as the qualified accountant and company secretary of the Company for the period from 19 April 2001 to 2 July 2002. He was the audit manager with an international accounting firm and he had worked with a number of large size listed companies in various industries and various public offerings on the Stock Exchange, as well as stock exchanges in the PRC and the United States. Mr. Yim holds a bachelor degree in accounting from Hong Kong Polytechnic University, and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Securities Institute.

Members of Supervisory Committee

Mr. Wang Dao Wu, (王道五), 64, Senior Engineer, Chairman of Jiangsu IT Industrial and Deputy Director of the Department of Information Property of Jiangsu Province. Mr. Wang was the Deputy Director of Jiangsu Province Electronics Department and chairman of the Board of Directors and Managing Director of Jiangsu Hong Tu Electronic Information Group Company. Mr. Wang joined the Company in September 1998. Mr. Wang resigned the position of Chairman of Supervisory Committee of the Company in May 2006.

Professor Shi Jian Jun, (施建軍), 52, member of Supervisory Committee of the Company, Master of Economics, and the Vice President, Professor and PhD student mentor in Nanjing University. Professor Shi is currently the Vice Chairman of China Statistics Society and Vice Chairman of China Education Accounting Society. He lectured undergraduate and postgraduate courses of Principles of Statistics, International Economic statistics and National Economic Equilibrium Analysis. Professor Shi has presided over about 20 national or provincial science research projects. He was awarded the 4th National Huo Ying Dong Outstanding Teaching Achievement Award, second prize in the National Outstanding Teaching Achievement Award and second prize of the National Science and Technology Committee Sci-Tech Advancement Award. He has authored a total of 18 books and teaching materials, and published over 100 academic papers. Professor Shi joined the Company in September 1998. Mr. Shi was appointed Chairman of Supervisory Committee of the Company in May 2006.

Mr. Zhou Wen Da, (周文達), 44, post-graduate, Supervisor and the General Manager of the Development Division of the Company. He graduated from the Computer Science and Technology Department of Nanjing University. He had served as the general manager of Nanjing Turing Software Company Limited. He frequently participated in major state projects and the development and research of the State 863 project. He has been awarded the second prize in Technology Advancement of ministerial and provincial level. Mr. Zhou joined the Company in December 1998.

Mr. Zhou Ming Hai, (周明海), 57, a Supervisor of the Company and Chinese Communist Party member, he has a university degree in Economic Administration. He is the Deputy Party Secretary and Chairman of the Union of Jiangsu Educational. He also serves as the Chairman of the Association of Jiangsu Educational Instrument and Equipment Industry. Mr. Zhou joined the Company in December 1999.

Mr. Zuo Songlin, (左松林), 44, Mr. Zuo obtains a Bachelor degree in Engineering at Xidian University Xian China in 1984 and a Master degree in Economics at International Business School of University of Nanjing, China in 1990. Mr. Zuo has over 10 years' senior management experience in the industry of pharmaceutical and high-technology business in China.

Mr. Xu Ke Jian,（徐克儉）, 52, graduated from the Faculty of Humanities of Nanjing University of Science and Technology specialized in ideological and political education. Mr Xu was the deputy officer of the international cooperation department, the vice division chief of foreign economic cooperation division of Zhongshan Group, the vice chairman of the union of Zhongshan Group during the period from 1989 to 1991. From 1991 to 1993, he was the chairman of the unior of Nanjing Radio Company and the member of 12th session of Shi zhang Gong Hui. He was the secretary and manager of Panda Electronics System Engineering Company（熊貓電子系統工程公司）during the period of 1994 to 1999. From 1999 to 2000, he was the duputy general manager of Jiangsu Nandasoft Company Limited. He was the assistant to the general manager, deputy general manager of Jiangsu Information Construction Investment Limited and deputy secretary of the general Party branch during the period of 2000 to August in 2005. Mr. Xu has been the vice party secretary and the director of Jiangsu High-Ti Investment Group（江蘇高科技投資集團）, which is one of the shareholders of the Company since August in 2005.

Ms. Wu Zhao Yang,（吳朝陽）, 38 , is a member of the Chinese Community Party and a vice professor. She had obtained a master degree in Economics from University of Nanjing. She taught in Jiangyang City Vocation Technological Institute 江陽市職業技術學院 during the period from 1989 to August 2001 and acted as a department head of the management faculty. She is the general manager of Jiangyang City Furen Machinery Factory 江陽市富仁機件廠, Jiangyang City Wan He Automatic Device Company limited 江陽市萬和自動設備有限公司, a subsidiary of Jiangsu Furen Group Company Limited 江蘇富仁集團有限公司, from September 2001.

Members of the Independent Supervisory Committee

Mr. Zhou De Fan,（周德藩）, 66, a State Education Inspector, is the research executive of the State Education Development Centre and President of Jiangsu Province Education Society. As a part-time Professor at Nanjing Normal University（南京師範大學）and Eastern Normal University（華東師範大學）, Professor Zhou has published dozens of books such as "Curriculum of Quality Education"《素質教育論教程》. He has also published nearly 100 academic papers in national and provincial magazines, including "High School Education Structure Study"《高中階段教育結構研究》which was awarded the second prize of the State Education Treatise. At present, Professor Zhou presides over the keynote research of science education for the Ministry of Education that concentrates on the effect of science education on personal potential development. Professor Zhou joined the Company in October 2000.

Mr. Shaw Yong Lei,（邵永雷） aged 64, graduated from the Physics Department of Nanjing Normal University. He is the member of Abacus Association of Jiangsu Province（江蘇省珠算協會）and currently the executive director of（江蘇省新世紀人才開發有限公司）. He had been the director of Shanxi Office of the People's Government of Jiangsu Province and the secretary of Party Leadership Group.

Senior Management

Mr. Pu Liang,（浦良）, 44, graduate of the Department of Computer Science of Nanjing University with a Master's degree. Before joining the Company, he worked in Jiangsu Province Electronic Information Industry Group（江蘇省電子信息產業集團）, Jiangsu Province Computer Technologies Services Company Limited（江蘇省計算機技術服務公司）and Jiangsu Province YiDi Computer Software Co., Ltd.（江蘇省依迪計算機軟件公司）as the Director of General Affairs Office, Deputy General Manager, etc. founded the Nanjing New Integrated Technology Company Limited and Nanjing New Renjia Computer Network System Company Limited. He joint NandaSoft System Integration Co., Ltd. In 1999. Mr. Pu was appointed President of the Company in November 2006.

Mr. Yuan Feng,（**袁峰**）, 39, graduate of the Department of Computer Science of Nanjing University. Before joining the Company, he founded the Nanjing New Integrated Technology Company Limited and Nanjing New Renjia Computer Network System Company Limited. Mr. Yuan had about ten years of market experience in network application technology and software development. He joined the Company in April 2002 to oversee market operation and product promotion. Mr. Yuan resigned the position of President of the Company in November 2006.

Professor Xie Jun Yuan,（**謝俊元**）, 46, Vice President of the Company, Master of Science. He is also a professor and graduated from the Computer Science and Technology Department of Nanjing University. He also serves as the director of China Artificial Intelligence Society, Deputy Director of Computer Software Engineering Centre and a Director of the Artificial Intelligence Research Laboratory of the Computer Science and Technology Department of Nanjing University. He was responsible for the completion of the State 863 project and 15 provincial development projects. He has published more than 20 academic papers and has awarded the second prize of Provincial Technology Advancement for four times. Professor Xie joined the Company in September 1998. Mr. Xie resigned in November 2006.

Ms. Yang Xu,（**楊旭**）, 43, Vice President of the Company, Master in Management, Senior Engineer and the Deputy Supervisor of the Computer Software Engineering Centre of Nanjing University. As a graduate of the management major of Nanjing University, she has served as an assistant to the Head of the Computer Science and of Computer Technology Department in Nanjing University. Ms. Yang has been working in the management field and has published 8 academic papers in the PRC and overseas, which has awarded the second prize in Provincial Technology Advancement. She joined the Company in September 1998.

Mr. Wang Jinqing,（**王金慶**）, 42, Vice President of the Company, Doctor of Engineering. Mr. Wang graduated from the Nanjing University of Aeronautics and Astronautics. He had served as the Chief of the Information Centre, Chief of the Management Department of and various positions in Xuzhou Engineering Machinery Technology Company Limited. He joined the Company in 2001 and had served as the Manager of Engineering Department and Manager of e-Government. He had held and participated in various scientific research and development projects organised by the State, provinces and bureaus and was awarded the State "863" CIMS Application Excellence Award.

Mr. Qin Junjun,（**秦均均**）, 35, graduate of the EMBA program of Nanjing University. He had served as the General Manager of Nanjing Ze Tong Technology Company Limited.（南京澤通科技有限公司）. He was appointed General Manager of Nanjing Nandasoft Computer Engineering Company Limited（南京南大蘇富特計算機工程有限公司）in 2003. He was appointed Vice President of the Company in November 2006.

Mr. Chen Xiaozhong,（**陸小忠**）, 36, Marketing Director of the Company. He had served as the General Manager of 南京新潤佳計算機網絡技術有限公司 and had held positions of Manager of Marketing Department, Assistant to the President, Marketing Director, etc. He joint the Company in May 2000 and was appointed Vice President of the Company in November 2006.

Ms. Tong Sze Wan,（**唐詩韻**）, aged 34, is the qualified accountant and company secretary of the Company. Prior to joining the Group in November 2002, she had over 7 years' experience in auditing and accounting and had worked for an international accounting firm as well as a listed company in Hong Kong. She obtained a Bachelor degree in Accountancy and Law in Hong Kong Baptist University. She is also an associate member of the Hong Kong Institute of Certified Public Accountants and the fellow member of Association of Chartered Certified Accountants.

NOTICE IS HEREBY BY GIVEN that an Annual General Meeting of Jiangsu NandaSoft Company Limited (the "Company") will be held at Room 502, NandaSoft Tower, No.8, Jingyin Street, Nanjing, the PRC on 20 Jun 2007 (Wednesday) at 9:00 a.m. for the following purposes:

I. To pass the following matters as ordinary resolutions:

(1) To consider and pass the reports of the Directors for the year 2006;

(2) To consider and pass the reports of the Supervisory Committee for the year 2006;

(3) To consider and pass the audited consolidated financial statements of the Company and its subsidiaries for the year 2006;

(4) To consider and pass the resolution of final dividend distribution for the year 2006;

(5) To consider and pass the resolution for making allotments of legal pension fund and legal social benefits for the year 2006;

(6) To consider and pass plans to re-appoint Cachet Certified Public Accountants Limited as auditors of the Company for the year 2007 and to authorise the Board of Directors to fix their remunerations;

(7) To consider and, if thought fit, pass the resolution for Ongoing Connected Transactions with Nanjing University for the 3 years ending 31st December, 2009

(8) To consider and, if though fit, pass the resolution for connected transactions with Nanjing University

(9) To appoint directors and supervisors; and

(10) To handle any other matters.

II. To consider and if right fit, pass with or without modifications, the following resolution as a special resolution:

"**THAT**:

1. (a) subject to paragraph (c), (d) and (e) below, the exercise of the Board of Directors of the Company (the "Board") during the Relevant Period (as defined in paragraph (f) of all the powers of the Company separately or concurrently to allot, issue and deal with domestic shares of nominal value of RMB0.10 each in the share capital of the Company (the "Domestic Shares") and/or overseas-listed foreign shares of nominal value of RMB0.10 each in the share capital of the Company (the "H Shares") be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorize the Board to make an offer or agreement or grant an option during the Relevant Period which would or might require Domestic Shares and/or H Shares to be allotted and issued either during or after the end of the Relevant Period;

(c) the aggregate nominal value of Domestic Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraphs (a) and (b) above shall not exceed 20% of the aggregate nominal value of the Domestic Shares then in issue at the date of the passing of this resolution;

(d) the aggregate nominal value of H Shares to be allotted and issued or agreed to be allotted and issued (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraph (a) and (b) above shall not exceed 20% of the aggregate nominal value of the H Shares then in issue at the date of the passing of this resolution;

(e) the approval in paragraph (a) above will be exercised in accordance with the PRC Company Law and be conditional upon the approval of China Securities Regulatory Commission and/or other relevant authorities in the People's Republic of China and/or the Growth Enterprise Market of the Stock Exchange of Hong Kong being obtained by the Company;

(f) for the purpose of this special resolution:

"Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company following the passing of this special resolution;

(ii) the expiration of a period of 12 months following the passing of this special resolution; or

(iii) the date on which the authority set out in this special resolution in revoked or varied by a special resolution of the members of the Company in general meeting.

(g) the Board be and is hereby authorized to make such amendments to the articles of association of the Company as it thinks fit so as to increase the registered share capital and to reflect the new capital structure of the Company as a result of the allotment and issue of shares of the Company pursuant to the approval granted under paragraph (a).

(2) The Board be and is hereby authorized to make such amendments to the articles of association of the Company as it thinks fit so as to reflect the changes of Company Law of the People's Republic of China ("Company Law"):

Original Article 118

The Supervisory Committee consists of four shareholder representatives, one staff representative and two independent supervisors. The shareholder representative supervisors shall be elected and removed by the general meeting, the staff representative supervisor shall be elected and removed by the staff of the Company on democratic basis. The independent supervisors shall be elected and removed by the general meeting. The number of external supervisors (i.e., supervisors who do not hold any position in the Company) shall consist of at least half of the total members of the Supervisory Committee. The external supervisors shall include the two independent supervisors (i.e., supervisors who are independent of the shareholders and do not hold any position in the Company). The external supervisors shall have to right to independently report to the general meeting the good faith and due diligent performance of the management of the Company.

Amended as:

The Supervisory Committee consists of two shareholder representatives, two staff representative and two independent supervisors. The shareholder representative supervisors shall be elected and removed by the general meeting, the staff representative supervisor shall be elected and removed by the staff of the Company on democratic basis. The independent supervisors shall be elected and removed by the general meeting. The number of external supervisors (i.e., supervisors who do not hold any position in the Company) shall consist of at least half of the total members of the Supervisory Committee. The external supervisors shall include the two independent supervisors (i.e., supervisors who are independent of the shareholders and do not hold any position in the Company). The external supervisors shall have to right to independently report to the general meeting the good faith and due diligent performance of the management of the Company.

(3) **Original Article 3**

The registered office is:

Room 512, Software Center, Nanjng New & High Technology
Industry Development Zone
Telephone : 86-25-8359 5000
Fax: 86-25-8359 5833
Postal Code: 210008

Amended as:

The registered office is:

8, Jinyin Street, Gulou District, Nanjing
Telephone : 86-25-8359 5000
Fax: 86-25-8359 5833
Postal Code: 210008

On behalf of the Board
Jiangsu NandaSoft Company Limited
Xie Li
Chairman

Nanjing, the PRC
4th May 2007

Notes:

1. A member entitled to attend and note at the above meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a form of H shares proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's H Share Registrar, Hong Kong Registrars Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time for holding the meeting or appointed time of voting.

3. Shareholders or their proxies shall present proofs of identities upon attending the AGM.

4. The Registrar of members will be closed from 21st May 2007 to 20th June 2007, both days inclusive. All transfers accompanies by relevant share certificates must be lodged with Company's Share Registrar not less than 4:00 p.m. on 21st May 2007.

5. Shareholders entitled to attend the AGM are requested to deliver the reply slip for attendance to the Company Registrar before 6th Jun 2007.

To the members of
Jiangsu NandaSoft Company Limited
(Established in the People's Republic of China with limited liability)

We have audited the financial statements of Jiangsu NandaSoft Company Limited set out on pages 33 to 91, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Scope limitation - Prior year's audit scope limitation affecting opening balances

Included in the available-for-sale investments balance at 31 December 2005 and 2006 was the Group's investment in a project operated by 南京水木年華餐飲有限公司 ("Shuimu Nianhua") with a cost of RMB3,500,000. The previous auditors were unable to obtain reliable financial information on Shuimu Nianhua so as to assess whether any impairment would be required to be recognised in respect of the Group's investment in Shuimu Nianhua of RMB3,500,000 as at 31 December 2005 and had qualified their audit report accordingly. As fully disclosed in note 19(b) to the financial statements, the Group's investment in Shuimu Nianhua was disposed of in February 2007 for a consideration of RMB2,000,000 and accordingly an impairment provision of RMB1,500,000 was made against the investment during the current year. However, we have been unable to obtain the necessary information to enable us to determine how much, if any, of this impairment should have been made in the previous year. Any adjustments to this available-for-sale investment balance found to be necessary as at 31 December 2005 would affect the net assets and results for that year and have a consequential effect on the results of the Group for the year ended 31 December 2006.

Qualified Opinion arising from limitation of audit scope

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's cash flows for the year then ended, and except for any adjustments that might have been necessary had we been able to obtain information to satisfy ourselves as to the impairment of an available-for-sale investment as at 31 December 2005 as mentioned above, give a true and fair view of the Group's loss for the year ended 31 December 2006 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cachet Certified Public Accountants Limited
Certified Public Accountants

CHAN Yuk Tong
Practising Certificate Number P03723

Hong Kong
23 March 2007

Consolidated Income Statement

Year ended 31 December 2006

	Notes	2006 RMB	2005 RMB
REVENUE	5	**402,463,042**	440,742,213
Cost of sales		**(365,302,210)**	(383,385,350)
Gross profit		**37,160,832**	57,356,863
Other income and gains	5	**3,622,089**	4,627,115
Selling and distribution costs		**(26,652,269)**	(23,944,896)
Research and development costs		**(2,605,290)**	(5,001,220)
Administrative expenses		**(48,513,919)**	(28,543,866)
Finance costs	7	**(3,119,066)**	(1,748,149)
Share of profits/(losses) of:			
A jointly-controlled entity		**—**	(319,810)
Associates		**(215,477)**	57,212
(LOSS)/PROFIT BEFORE TAX	6	**(40,323,100)**	2,483,249
Tax	10	**(481,193)**	(1,355,154)
(LOSS)/PROFIT FOR THE YEAR		**(40,804,293)**	1,128,095
Attributable to:			
Equity holders of the Company	11	**(39,479,448)**	(246,721)
Minority interests		**(1,324,845)**	1,374,816
		(40,804,293)	1,128,095
DIVIDENDS		**—**	—
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	**(4.23 cents)**	(0.03 cents)

Consolidated Balance Sheet

31 December 2006

	Notes	2006 RMB	2005 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	13	**22,751,771**	25,667,853
Prepaid land lease payments	14	**9,808,105**	10,045,105
Intangible assets	15	**19,683,585**	20,590,559
Interest in a jointly-controlled entity	17	**—**	933,677
Interests in associates	18	**9,541,011**	11,573,836
Available-for-sale investments	19	**5,570,541**	16,366,113
Deposit paid	20	**22,752,000**	—
Deferred tax assets	28	**—**	787,509
Total non-current assets		**90,107,013**	85,964,652
CURRENT ASSETS			
Inventories	21	**35,024,985**	36,185,451
Loans receivable	22	**—**	10,000,000
Trade and other receivables	23	**131,612,649**	201,153,815
Prepaid land lease payments	14	**237,000**	237,000
Equity investments at fair value through profit or loss	24	**305,060**	962,410
Due from shareholders	35	**3,180,119**	4,279,128
Due from minority shareholders	35	**1,145,347**	210,000
Pledged deposits	25	**—**	6,195,785
Cash and cash equivalents	25	**66,371,906**	28,525,251
Total current assets		**237,877,066**	287,748,840
CURRENT LIABILITIES			
Trade and other payables	26	**37,564,096**	71,891,042
Receipts in advance, other creditors and accrued expenses		**44,062,091**	52,784,137
Due to shareholders	35	**115,297**	115,297
Due to an associate	35	**—**	359,500
Interest-bearing bank and other borrowings	27	**63,000,000**	35,000,000
Tax payable		**117,489**	1,859,398
Total current liabilities		**144,858,973**	162,009,374
NET CURRENT ASSETS		**93,018,093**	125,739,466

Consolidated Balance Sheet

31 December 2006

	Notes	2006 RMB	2005 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**183,125,106**	211,704,118
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**(10,000,000)**	—
Net assets		**173,125,106**	211,704,118
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*29*	**93,400,000**	93,400,000
Reserves	*31(a)*	**61,584,334**	101,092,444
		154,984,334	194,492,444
Minority interests		**18,140,772**	17,211,674
Total equity		**173,125,106**	211,704,118

Xie Li
Director

Chen Zheng Rong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Issued capital RMB	Share premium RMB	Statutory surplus reserve RMB	Statutory public welfare fund RMB	Translation reserve RMB	Retained earnings RMB	Total RMB	Minority interests RMB	Total RMB
	Attributable to equity holders of the parent								
At 1 January 2005	93,400,000	48,868,818	4,073,962	2,036,980	—	46,375,938	194,755,698	15,874,767	210,630,465
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	(16,533)	—	(16,533)	—	(16,533)
(Loss)/profit for the year	—	—	—	—	—	(246,721)	(246,721)	1,374,816	1,128,095
Total recognised income and expense for the year	—	—	—	—	(16,533)	(246,721)	(263,254)	1,374,816	1,111,562
Appropriations	—	—	617,724	308,862	—	(926,586)	—	—	—
Capital contribution by minority shareholders of subsidiaries	—	—	—	—	—	—	—	1,950,000	1,950,000
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(97,985)	(97,985)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(220,405)	(220,405)
Liquidation of a subsidiary	—	—	—	—	—	—	—	(1,669,519)	(1,669,519)
At 31 December 2005 and 1 January 2006	93,400,000	48,868,818	4,691,686	2,345,842	(16,533)	45,202,631	194,492,444	17,211,674	211,704,118
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	(28,662)	—	(28,662)	—	(28,662)
Loss for the year	—	—	—	—	—	(39,479,448)	(39,479,448)	(1,324,845)	(40,804,293)
Total recognised income and expenses for the year	—	—	—	—	(28,662)	(39,479,448)	(39,508,110)	(1,324,845)	(40,832,955)
Appropriations	—	—	154,721	77,361	—	(232,082)	—	—	—
Capital contribution by minority shareholders of subsidiaries	—	—	—	—	—	—	—	4,240,838	4,240,838
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(1,117,971)	(1,117,971)
Disposal of subsidiaries	—	—	—	—	—	—	—	(868,924)	(868,924)
At 31 December 2006	93,400,000	48,868,818	4,846,407	2,423,203	(45,195)	5,491,101	154,984,334	18,140,772	173,125,106

	Notes	2006 RMB	2005 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(40,323,100)**	2,483,249
Adjustments for:			
Finance costs	7	**2,987,427**	1,586,846
Share of profits and losses of:			
A jointly-controlled entity		**—**	319,810
Associates		**215,477**	(57,212)
Interest income	5	**(520,235)**	(298,647)
(Gain)/loss on disposal of items of property, plant and equipment	6	**(7,393)**	77,587
Gain on disposal of available-for-sale investments	5	**(509,000)**	(384,968)
Loss on disposal of subsidiaries		**178,922**	—
Loss on disposal of an associate		**368,319**	—
Loss on disposal of jointly-controlled equity		**218,811**	—
Fair value gain on equity investments at fair value through profit or loss		**—**	(11,482)
Depreciation of property, plant and equipment	6	**3,213,608**	3,502,634
Recognition of prepaid land lease payments	6	**237,000**	237,000
Amortisation of intangible assets	6	**4,332,772**	4,752,990
Impairment loss on available-for-sale investments		**1,500,000**	740,953
Operating (loss)/profit before movements in working capital		**(28,107,392)**	12,948,760
Increase in inventories		**(1,392,486)**	(10,835,117)
Decrease/(increase) in trade and other receivables		**62,188,241**	(57,910,853)
Decrease/(increase) in equity investments at fair value through or loss		**657,350**	(1,468,350)
(Decrease)/increase in trade and other payables		**(29,444,658)**	13,040,468
(Decrease)/increase in receipt in advance, other creditors and accrued expenses		**(8,722,046)**	39,095,708
Cash used in operations		**(4,820,991)**	(5,129,384)
Interest received		**520,235**	298,647
Interest paid		**(2,987,427)**	(1,586,846)
PRC income tax paid		**(1,505,826)**	(3,764,510)
Net cash outflow from operating activities		**(8,794,009)**	(10,182,093)

	Notes	2006 RMB	2005 RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,225,473)**	(2,730,260)
Proceeds from disposal of items of property, plant and equipment		**133,824**	—
Proceeds from disposal of available-for-sale investment		**750,572**	770,000
Additions to intangible assets		**(3,425,798)**	(3,403,773)
Acquisition of minority interests		**—**	(220,405)
Acquisition of a jointly-controlled equity		**—**	(1,253,487)
Contribution to a jointly-controlled equity		**(1,246,513)**	—
Proceeds from disposal of jointly-controlled equity		**1,961,379**	—
Acquisition of associates		**—**	(8,400,000)
Proceeds from disposal of an associate		**1,939,029**	—
Net cash inflow/(outflow) arising from disposal/ liquidation of subsidiaries/a subsidiary	*32(a)*	**3,411,492**	(60,826)
Decrease/(increase) in pledged time deposits		**6,195,785**	(1,625,142)
Refund for an investment		**—**	10,000,000
Refund for available-for-sale investment		**10,000,000**	—
Decrease in loan receivables		**10,000,000**	13,000,000
Repayment from shareholders		**1,099,009**	407,826
(Advance to)/repayment from minority shareholders		**(935,347)**	2,318
Repayment from an associate		**—**	501,950
Deposit paid for acquisition of land		**(22,752,000)**	—
Net cash inflow from investing activities		**5,905,959**	6,988,201
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders of subsidiaries		**4,240,838**	1,950,000
Decrease in amounts due to shareholders		**—**	(2,636,219)
(Repayment to)/advance from an associate		**(359,500)**	303,500
New bank loans		**73,000,000**	61,329,439
Repayment of bank loans		**(35,000,000)**	(84,205,210)
Dividend paid to minority shareholders		**(1,117,971)**	(97,985)
Net cash inflow/(outflow) from financing activities		**40,763,367**	(23,356,475)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**37,875,317**	(26,550,367)
Cash and cash equivalents at beginning of year		**28,525,251**	55,092,151
Effect of foreign exchange rate changes, net		**(28,662)**	(16,533)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**66,371,906**	28,525,251
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**66,371,906**	28,525,251

Balance Sheet

31 December 2006

	Notes	2006 RMB	2005 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	13	**18,066,810**	19,339,606
Prepaid land lease payments	14	**9,808,105**	10,045,105
Intangible assets	15	**19,141,918**	19,831,726
Investments in subsidiaries	16	**51,174,041**	46,984,041
Investments in associates	18	**8,358,378**	8,390,480
Available-for-sale investments	19	**3,169,962**	2,397,763
Deposit paid	20	**22,752,000**	—
Deferred tax assets	28	**—**	47,890
Total non-current assets		**132,471,214**	107,036,611
CURRENT ASSETS			
Inventories	21	**6,972,683**	3,713,787
Trade and other receivables	23	**72,796,971**	123,897,406
Prepaid land lease payments	14	**237,000**	237,000
Equity investments at fair value through profit or loss	24	**—**	958,000
Due from shareholders	35	**3,180,119**	4,279,128
Dividend receivable		**10,432,265**	6,460,378
Pledged deposits	25	**—**	5,430,561
Cash and cash equivalents	25	**37,179,458**	12,121,467
Total current assets		**130,798,496**	157,097,727
CURRENT LIABILITIES			
Trade and other payables	26	**11,288,926**	36,931,453
Receipts in advance, other creditors and accrued expenses		**27,049,154**	13,297,190
Due to shareholders	35	**115,297**	115,297
Interest-bearing bank and other borrowings	27	**63,000,000**	35,000,000
Total current liabilities		**101,453,377**	85,343,940
NET CURRENT ASSETS		**29,345,119**	71,753,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**161,816,333**	178,790,398

Balance Sheet

31 December 2006

	Notes	2006 RMB	2005 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**161,816,333**	178,790,398
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**(10,000,000)**	—
Net assets		**151,816,333**	178,790,398
EQUITY			
Issued capital	29	**93,400,000**	93,400,000
Reserves	31(b)	**58,416,333**	85,390,398
Total equity		**151,816,333**	178,790,398

Xie Li
Director

Chen Zheng Rong
Director

1. Corporate Information

The Company was established in the People's Republic of China (the "PRC") under the Company Law of the PRC as a joint stock limited company on 30 December 1999. The Company's predecessor, Jiangsu NandaSoft Limited Liability Company (the "Predecessor") was established on 18 September 1998. By way of transformation of the Predecessor (the "Transformation"), the Company was established on 30 December 1999. Upon its establishment, the Company assumed the subsidiary of the Predecessor, Nanjing NandaSoft System Integration Company Limited which is engaged in the sales of computer hardware and equipment, and continues to develop, manufacture and market network security software, internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting.

The registered office and the places of business in China and Hong Kong of the Company are disclosed in Corporate Information of page 3 of the annual report.

The H shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited ("The Stock Exchange") since 24 April 2001. Details of the Transformation are set out in the prospectus issued by the Company dated 19 April 2001.

The consolidated financial statements are presented in Renminbi, which is the same as the function currency of the Company.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the acquisition to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 Basis of Preparation *(Continued)*

Basis of consolidation *(Continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Impact of new and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

2.3 Impact of Issued but not yet Effective Hong Kong Financial Reporting Standards *(Continued)*

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006 and 1 November 2006, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 Summary of Significant Accounting Policies *(Continued)*

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.4 Summary of Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets other than goodwill *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%, or over the term of the lease, whichever is shorter
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	16%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing model.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.4 Summary of Significant Accounting Policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 Summary of significant accounting policies *(Continued)*

Cash and cash equivalents

Cash and cash equivalents For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 Summary of Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are included in the translation reserve, a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment on trade and other receivables

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counter-party. If the financial conditions of the counter-party were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

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

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives and related depreciation/amortization charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation/amortization charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of intangible asset

The management determines whether intangible asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible asset is allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant Accounting Judgments and Estimates *(Continued)*

Estimated fair value of financial assets

The estimation of fair value of financial assets required the management to estimate the future market value expected to be received from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

Research and development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

4. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. For management purposes, the Group is currently organised into three operating activities comprising (i) sales of computer software products and (ii) systems integration services including sales of computer hardware products and equipment and provision of IT consulting services and (iii) import and export of IT related products and equipment, which are the basis on which the Group reports its primary segment information.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Segment Information *(Continued)*

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Sales of computer software products		System integration service		Import and export IT related products and equipment		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
REVENUE	**38,741,430**	13,722,708	**273,542,719**	335,501,282	**90,178,893**	91,518,223	**402,463,042**	440,742,213
RESULTS	**(21,451,560)**	91,707	**(7,606,851)**	6,848,738	**(8,468,563)**	909,991	**(37,526,974)**	7,850,436
Other income							**2,892,992**	1,892,436
Unallocated corporate expenses							**(2,354,575)**	(5,248,876)
Share of results of associates							**(215,477)**	57,212
Share of results of a jointly controlled entity							**—**	(319,810)
Finance costs							**(3,119,066)**	(1,748,149)
(Loss)/profit before tax							**(40,323,100)**	2,483,249
Income tax expenses							**(481,193)**	(1,355,154)
(Loss)/profit for the year							**(40,804,293)**	1,128,095
BALANCE SHEET								
ASSETS								
Segment assets	**47,563,159**	45,268,710	**97,540,725**	193,711,119	**44,808,959**	29,946,095	**189,912,843**	268,925,924
Interests in associates							**9,541,011**	11,573,836
Interest in a jointly controlled entity							**—**	933,677
Unallocated assets							**128,530,225**	92,280,055
Consolidated total assets							**327,984,079**	373,713,492
LIABILITIES								
Segment liabilities	**14,411,807**	96,280	**59,702,974**	44,470,893	**17,511,406**	42,616,209	**91,626,187**	87,183,382
Unallocated liabilities							**63,232,786**	74,825,992
Consolidated total liabilities							**154,858,973**	162,009,374
OTHER INFORMATION								
Additions of property, plant and equipment	**374,059**	81,185	**753,238**	2,016,975	**98,176**	632,100	**1,225,473**	2,730,260
Additions of intangible assets	**3,425,798**	3,403,773	**—**	—	**—**	—	**3,425,798**	3,403,773
Impairment of trade receivables	**—**	—	**19,798,004**	6,414,594	**—**	—	**19,798,004**	6,414,594
Write-down of inventories to net realisable value	**—**	—	**1,771,619**	3,010,861	**—**	—	**1,771,619**	3,010,861
Amortisation of intangible assets	**4,332,772**	4,752,990	**—**	—	**—**	—	**4,332,772**	4,752,990
Depreciation of property, plant, and equipment	**1,052,792**	866,281	**1,752,773**	2,610,286	**408,043**	26,067	**3,213,608**	3,502,634
Impairment losses of available-for-sale investment — unallocated	**—**	—	**—**	—	**—**	—	**1,500,000**	740,953

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	RMB	*RMB*
Revenue		
Sale of goods:		
Computer software products	**38,741,430**	13,722,708
Import and export of IT related products and equipment	**90,178,893**	91,518,223
Rendering of system integration services	**273,542,719**	335,501,282
	402,463,042	440,742,213
Other income and gains		
Bank interest income	**520,235**	298,647
PRC value added tax refunded	**729,097**	2,734,679
Investment income from available-for-sale investments	**678,800**	558,000
Gain on disposal of items of property, plant and equipment	**7,393**	—
Gain on disposal of available-for-sale investments	**509,000**	384,968
Gain on disposal of investment held for trading	**—**	28,100
Gain on disposal of equity investments at fair value through profit or loss	**816,988**	—
Fair value gains, equity investments at fair value through profit or loss	**—**	11,482
Others	**360,576**	611,239
	3,622,089	4,627,115

6. (Loss)/Profit Before Tax

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	2006 RMB	2005 RMB
Cost of inventories sold		**120,672,184**	86,712,086
Cost of services provided		**244,630,026**	296,673,264
Depreciation of property, plant and equipment	*13*	**3,213,608**	3,502,634
Amortisation of intangible assets	*15*	**4,332,772**	4,752,990
Research and development costs:			
Deferred expenditure amortised	*15*	**3,106,010**	3,438,391
Current year expenditure		**2,609,281**	2,897,829
Less: Government grants released		**(3,110,000)**	(1,335,000)
		2,605,291	5,001,220
Minimum lease payments under operating leases on office premises		**903,778**	1,658,670
Auditors' remuneration		**380,000**	578,000
Loss on disposal of subsidiaries		**178,922**	—
Loss on disposal of an associate		**368,319**	—
Loss on disposal of jointly controlled entity		**218,811**	—
Loss on disposal of items of property, plant and equipment		—	77,587
Employee benefits expense (excluding directors' remuneration):			
Wages and salaries and pension scheme contributions		**26,975,895**	27,735,632
Foreign exchange differences, net		**(449,997)**	—
Impairment of trade receivables		**19,798,004**	6,414,594
Write-down of inventories to net realisable value		**1,771,619**	3,010,861
Impairment of available-for-sale investment		**1,500,000**	740,953
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss		**—**	(11,482)
Bank interest income		**(520,235)**	(298,647)
Gain on disposal of items of property, plant and equipment		**(7,393)**	—

7. Finance Costs

	2006 RMB	2005 RMB
Interest on borrowings wholly repayable within five years	**2,987,427**	1,586,846
Bank charges	**131,639**	161,303
	3,119,066	1,748,149

8. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006 RMB	2005 RMB
Directors' fees:		
Independent non-executive directors	**24,000**	24,000
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**367,890**	407,138
Non-executive directors	**28,000**	20,000
	395,890	427,138
	419,890	451,138
Supervisors' emoluments:		
Salaries, allowances and other benefits	**90,732**	178,276

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006 RMB	2005 RMB
Mr. Xu Huan Liang	**8,000**	8,000
Professor Wang Zhi Jian	**8,000**	8,000
Mr. Yim Hing Wah	**8,000**	8,000
	24,000	24,000

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. Directors' and Supervisors' Remuneration *(Continued)*

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
2006						
Executive directors:						
Professor Xie Li	**—**	**255,890**	**—**	**—**	**—**	**255,890**
Mr. Chen Zheng Rong	**—**	**112,000**	**—**	**—**	**—**	**112,000**
	—	**367,890**	**—**	**—**	**—**	**367,890**
Non-executive director:						
Professor Chen Dao Xu	**—**	**8,000**	**—**	**—**	**—**	**8,000**
Ms. Zhang Yun Xia	**—**	**8,000**	**—**	**—**	**—**	**8,000**
Mr. Yuan Ren Wei	**—**	**12,000**	**—**	**—**	**—**	**12,000**
	—	**28,000**	**—**	**—**	**—**	**28,000**
	—	**395,890**	**—**	**—**	**—**	**395,890**
2005						
Executive directors:						
Professor Xie Li	—	295,138	—	—	—	295,138
Mr. Chen Zheng Rong	—	112,000	—	—	—	112,000
	—	407,138	—	—	—	407,138
Non-executive director:						
Professor Chen Dao Xu	—	8,000	—	—	—	8,000
Ms. Zhang Yun Xia	—	12,000	—	—	—	12,000
Mr. Yuan Ren Wei	—	—	—	—	—	—
	—	20,000	—	—	—	20,000
	—	427,138	—	—	—	427,138

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2005: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included two (2005: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2005: four) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	RMB	*RMB*
Salaries, allowances and other benefits	**761,875**	751,800
Pension scheme contributions	**—**	9,284
	761,875	761,084

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**3**	4

10. Tax

Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality, the Company has been designated as a new and high technology entity and is subject to the concessionary tax rate of 15%.

Under the relevant PRC Income Tax Law and the respective regulations, the corporate income tax for subsidiaries is calculated at rates ranging from 15% to 33%, on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. As certain of the Company's subsidiaries are foreign investment enterprises, after obtaining authorisation from respective tax authorities, these subsidiaries are subject to a full corporate income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year.

	2006	2005
	RMB	*RMB*
Current — the PRC:		
Charge for the year	**—**	2,424,217
Overprovision in prior years	**(306,316)**	(348,500)
	(306,316)	2,075,717
Deferred	**787,509**	(720,563)
Total tax charge for the year	**481,193**	1,355,154

10. Tax *(Continued)*

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rate of 33% for the PRC to the tax expense at the effective tax rate is as follows:

	2006		2005	
	RMB	**%**	*RMB*	%
(Loss)/Profit before tax	**(40,323,100)**		2,483,249	
Tax at the income tax rate at 33% (2005: 33%)	**(13,306,622)**	**33.0**	819,472	33.0
Tax effect of share of results of associates	**71,108**	**(0.2)**	(19,662)	(0.8)
Tax effect of expenses not deductible	**3,471,117**	**(8.6)**	4,001,509	161.1
Tax effect of income not taxable	**(2,369,062)**	**5.9**	(1,337,268)	(53.9)
Overprovision in the prior year	**(306,316)**	**0.8**	(348,500)	(14.0)
Tax effect of tax losses not recognised	**6,639,861**	**(16.5)**	104,609	4.2
Effect of concessionary tax rate	**5,391,511**	**(13.4)**	(2,066,443)	(83.2)
Others	**889,596**	**(2.2)**	201,437	8.1
	481,193	**(1.2)**	1,335,154	54.5

The share of tax attributable to associates and a jointly-controlled entity amounting to RMB250 (2005: RMB2,370) and Nil (2005: RMB Nil), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

11. Loss Attributable to Equity Holders of the Company

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2006 includes a loss of RMB26,974,065 (2005: RMB708,943) which has been dealt with in the financial statements of the Company.

12. Loss per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of RMB39,479,448 (2005: RMB246,721) and on 934,000,000 (2005: 934,000,000) shares in issue during the year.

Diluted loss per share is not presented for the two years ended 31 December 2006 and 2005 as there were no potential ordinary shares outstanding for both years.

13. Property, Plant and Equipment

Group

	Buildings *RMB*	Leasehold improvements *RMB*	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
31 December 2006					
At 1 January 2006:					
Cost	20,912,783	461,517	11,801,526	4,954,851	38,130,677
Accumulated depreciation	(3,609,430)	(346,110)	(6,263,940)	(2,243,344)	(12,462,824)
Net carrying amount	17,303,353	115,407	5,537,586	2,711,507	25,667,853
At 1 January 2006, net of accumulated depreciation	17,303,353	115,407	5,537,586	2,711,507	25,667,853
Additions	—	—	985,278	240,195	1,225,473
Disposals	—	—	(126,431)	—	(126,431)
Disposal of a subsidiary	—	—	(630,947)	(170,569)	(801,516)
Depreciation provided during the year	(677,574)	(115,407)	(1,760,148)	(660,479)	(3,213,608)
At 31 December 2006, net of accumulated depreciation	16,625,779	—	4,005,338	2,120,654	22,751,771
At 31 December 2006:					
Cost	20,912,783	461,517	10,302,046	4,911,335	36,587,681
Accumulated depreciation	(4,287,004)	(461,517)	(6,296,708)	(2,790,681)	(13,835,910)
Net carrying amount	16,625,779	—	4,005,338	2,120,654	22,751,771

13. Property, Plant and Equipment *(Continued)*

Group *(Continued)*

	Buildings *RMB*	Leasehold improvements *RMB*	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
31 December 2005					
At 1 January 2005:					
Cost	20,912,783	422,157	11,100,047	4,159,526	36,594,513
Accumulated depreciation	(2,931,856)	(248,198)	(5,304,807)	(1,577,607)	(10,062,468)
Net carrying amount	17,980,927	173,959	5,795,240	2,581,919	26,532,045
At 1 January 2005, net of accumulated depreciation	17,980,927	173,959	5,795,240	2,581,919	26,532,045
Additions	—	39,360	1,895,575	795,325	2,730,260
Disposals	—	—	(77,587)	—	(77,587)
Liquidation of a subsidiary	—	—	(14,231)	—	(14,231)
Depreciation provided during the year	(677,574)	(97,912)	(2,061,411)	(665,737)	(3,502,634)
At 31 December 2005, net of accumulated depreciation	17,303,353	115,407	5,537,586	2,711,507	25,667,853
At 31 December 2005:					
Cost	20,912,783	461,517	11,801,526	4,954,851	38,130,677
Accumulated depreciation	(3,609,430)	(346,110)	(6,263,940)	(2,243,344)	(12,462,824)
Net carrying amount	17,303,353	115,407	5,537,586	2,711,507	25,667,853

13. Property, Plant and Equipment *(Continued)*

Company

	Buildings *RMB*	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
31 December 2006				
At 1 January 2006:				
Cost	**20,912,783**	**5,495,271**	**1,485,453**	**27,893,507**
Accumulated depreciation	**(3,609,430)**	**(3,841,426)**	**(1,103,045)**	**(8,553,901)**
Net carrying amount	**17,303,353**	**1,653,845**	**382,408**	**19,339,606**
At 1 January 2006, net of accumulated depreciation	**17,303,353**	**1,653,845**	**382,408**	**19,339,606**
Additions	**—**	**317,556**	**—**	**317,556**
Disposals	**—**	**(126,431)**	**—**	**(126,431)**
Depreciation provided during the year	**(677,574)**	**(627,184)**	**(159,163)**	**(1,463,921)**
At 31 December 2006, net of accumulated depreciation	**16,625,779**	**1,217,786**	**223,245**	**18,066,810**
At 31 December 2006:				
Cost	**20,912,783**	**4,198,200**	**1,485,453**	**26,596,436**
Accumulated depreciation	**(4,287,004)**	**(2,980,414)**	**(1,262,208)**	**(8,529,626)**
Net carrying amount	**16,625,779**	**1,217,786**	**223,245**	**18,066,810**

13. Property, plant and equipment *(Continued)*

Company *(Continued)*

	Buildings RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2005				
At 1 January 2005:				
Cost	20,912,783	6,333,863	1,485,453	28,732,099
Accumulated depreciation	(2,931,856)	(3,943,683)	(862,401)	(7,737,940)
Net carrying amount	17,980,927	2,390,180	623,052	20,994,159
At 1 January 2005, net of accumulated depreciation	17,980,927	2,390,180	623,052	20,994,159
Additions	—	321,580	—	321,580
Disposals	—	(77,039)	—	(77,039)
Depreciation provided during the year	(677,574)	(980,876)	(240,644)	(1,899,094)
At 31 December 2005, net of accumulated depreciation	17,303,353	1,653,845	382,408	19,339,606
At 31 December 2005:				
Cost	20,912,783	5,495,271	1,485,453	27,893,507
Accumulated depreciation	(3,609,430)	(3,841,426)	(1,103,045)	(8,553,901)
Net carrying amount	17,303,353	1,653,845	382,408	19,339,606

The buildings are situated in the PRC.

14. Prepaid Land Lease Payments

	Group		Company	
	2006 RMB	2005 RMB	**2006 RMB**	2005 RMB
Carrying amount at 1 January	**10,282,105**	11,940,775	**10,282,105**	11,940,775
Recognised during the year	**(237,000)**	(1,658,670)	**(237,000)**	(1,658,670)
Carrying amount at 31 December	**10,045,105**	10,282,105	**10,045,105**	10,282,105
Current portion	**(237,000)**	(237,000)	**(237,000)**	(237,000)
Non-current portion	**9,808,105**	10,045,105	**9,808,105**	10,045,105

The leasehold land is held under a medium term lease and is situated in the PRC.

15. Intangible Assets

Group	Research and development costs RMB	Copy right RMB	Intellectual property RMB	Total RMB
31 December 2006				
At 1 January 2006:				
Cost	**25,487,892**	**6,039,022**	**1,000,000**	**32,526,914**
Accumulated amortisation	**(7,759,757)**	**(3,818,264)**	**(358,334)**	**(11,936,355)**
Net carrying value	**17,728,135**	**2,220,758**	**641,666**	**20,590,559**
Cost at 1 January 2006, net of accumulated amortisation	**17,728,135**	**2,220,758**	**641,666**	**20,590,559**
Additions	**3,425,798**	**—**	**—**	**3,425,798**
Amortisation during the year	**(3,106,010)**	**(1,126,763)**	**(99,999)**	**(4,332,772)**
At 31 December 2006	**18,047,923**	**1,093,995**	**541,667**	**19,683,585**
At 31 December 2006:				
Cost	**28,913,690**	**6,039,022**	**1,000,000**	**35,952,712**
Accumulated amortisation	**(10,865,767)**	**(4,945,027)**	**(458,333)**	**(16,269,127)**
Net carrying value	**18,047,923**	**1,093,995**	**541,667**	**19,683,585**
31 December 2005				
At 1 January 2005:				
Cost	22,085,619	6,817,522	1,000,000	29,903,141
Accumulated amortisation	(4,321,366)	(2,603,665)	(258,334)	(7,183,365)
Net carrying value	17,764,253	4,213,857	741,666	22,719,776
Cost at 1 January 2005, net of accumulated amortisation	17,764,253	4,213,857	741,666	22,719,776
Additions	3,402,273	1,500	—	3,403,773
Amortisation during the year	(3,438,391)	(1,214,599)	(100,000)	(4,752,990)
Liquidation of a subsidiary	—	(780,000)	—	(780,000)
At 31 December 2005	17,728,135	2,220,758	641,666	20,590,559
At 31 December 2005:				
Cost	25,487,892	6,039,022	1,000,000	32,526,914
Accumulated amortisation	(7,759,757)	(3,818,264)	(358,334)	(11,936,355)
Net carrying value	17,728,135	2,220,758	641,666	20,590,559

15. Intangible Assets *(Continued)*

Company	Research and development costs *RMB*	Copy right *RMB*	Total *RMB*
31 December 2006			
At 1 January 2006:			
Cost	**25,487,892**	**5,055,994**	**30,543,886**
Accumulated amortisation	**(7,759,757)**	**(2,952,403)**	**(10,712,160)**
Net carrying value	**17,728,135**	**2,103,591**	**19,831,726**
Cost at 1 January 2006, net of accumulated amortisation	**17,728,135**	**2,103,591**	**19,831,726**
Additions	**3,425,798**	**—**	**3,425,798**
Amortisation during the year	**(3,106,010)**	**(1,009,596)**	**(4,115,606)**
At 31 December 2006	**18,047,923**	**1,093,995**	**19,141,918**
At 31 December 2006:			
Cost	**28,913,690**	**5,055,994**	**33,969,684**
Accumulated amortisation	**(10,865,767)**	**(3,961,999)**	**(14,827,766)**
Net carrying value	**18,047,923**	**1,093,995**	**19,141,918**
31 December 2005			
At 1 January 2005:			
Cost	22,085,619	5,055,994	27,141,613
Accumulated amortisation	(4,321,366)	(1,941,204)	(6,262,570)
Net carrying value	17,764,253	3,114,790	20,879,043
Cost at 1 January 2005, net of accumulated amortisation	17,764,253	3,114,790	20,879,043
Additions	3,402,273	—	3,402,273
Amortisation during the year	(3,438,391)	(1,011,199)	(4,449,590)
At 31 December 2005	17,728,135	2,103,591	19,831,726
At 31 December 2005:			
Cost	25,487,892	5,055,994	30,543,886
Accumulated amortisation	(7,759,757)	(2,952,403)	(10,712,160)
Net carrying value	17,728,135	2,103,591	19,831,726

16. Investments in Subsidiaries

	Company	
	2006	2005
	RMB	*RMB*
Unlisted shares, at cost	**51,174,041**	46,984,041

Particulars of the subsidiaries at 31 December 2006 were as follows:

Name of subsidiary (form of legal entity)	Place of registration and operation	Registered capital	Percentage of registered capital held by the Company		Principal activities
			Directly	*Indirectly*	
Beijing NandaSoft Digital Technology Company Limited* (limited liability company)	PRC	RMB2,000,000	80%	19.9%	Sale of computer hardware products and equipment
Changzhou NandaSoft Technology and Software Co., Ltd.* (limited liability company)	PRC	RMB10,000,000	60%	—	Not yet commenced business
Jiangsu NandaSoft (Hong Kong) Company Limited (limited company)	HK	HK$1,000,000	100%	—	Import and export of equipment
Jiangsu NandaSoft Xin Yi Software Company Limited* (limited liability company)	PRC	RMB5,000,000	—	84.5%	Sale of computer hardware products and equipment
Jiangsu Fuyue Technology Co., Ltd.* (limited liability company)	PRC	RMB5,000,000	60.6%	—	Sale of computer hardware products and equipment
Jiangsu Sheng Feng Investment Company Limited (limited liability company)	PRC	RMB10,000,000	95%	4.5%	Investment holding
Jiangsu Zhong Chong Digital Technology Company Limited (limited liability company)	PRC	US$1,200,000	60%	—	Sale of computer hardware products and equipment

16. Investments in Subsidiaries *(Continued)*

Particulars of the subsidiaries at 31 December 2006 were as follows: *(Continued)*

Name of subsidiary (form of legal entity)	Place of registration and operation	Registered capital	Percentage of registered capital held by the Company *Directly*	*Indirectly*	Principal activities
Nanjing Fan Bang Import and Export Company Limited* (limited liability company)	PRC	RMB1,000,000	—	64.7%	Import and export activities
Nanjing NandaSoft Computer Engineering Company Limited* (limited liability company)	PRC	RMB3,000,000	51%	—	Sale of computer hardware products and equipment
Nanjing NandaSoft System Integration Company Limited* (limited liability company)	PRC	RMB5,000,000	90%	—	System Integration
Nanjing Nanpu Culture and Media Company Limited* (limited liability company)	PRC	RMB500,000	—	46.8%	Design and making of advertisement
Shanghai NandaSoft Information Technology Company Limited* (limited liability company)	PRC	RMB5,000,000	51%	—	Sale of computer hardware products and equipment
Shenzhen NandaSoft Network Technology Company Limited*	PRC	RMB5,000,000	90%	9.9%	Sale of computer hardware products and equipment
Suzhou NandaSoft Technology Company Limited* (limited liability company)	PRC	RMB11,500,000	81.7%	3.5%	Sale of computer hardware products and equipment

* Not audited by Cachet Certified Public Accountants Limited.

17. Interests in a jointly-controlled entity

	Group **2006** ***RMB***	2005 *RMB*
Unlisted equity investments, at cost	**—**	—
Share of net assets	**—**	933,677
	—	933,677

17. Interests in a Jointly-Controlled Entity *(Continued)*

Particulars of the jointly-controlled entity, which was disposed of during the year, at 31 December 2005 were as follows:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of registered capital held by the Group	Proportion of voting power held	Principal activity
江蘇康源環保科技有限公司	Incorporated	PRC	PRC	Ordinary	50%	50%	Development of environmental protection projects

The jointly-controlled entity was not audited by Cachet Certified Public Accountants Limited.

The above investment in the jointly-controlled entity was indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2006	2005
	RMB	*RMB*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	—	725,316
Non-current assets	—	208,361
Current liabilities	—	—
Non-current liabilities	—	—
Net assets	—	933,677
Share of the jointly-controlled entity's results:		
Revenue	—	—
Other income	—	—
Total revenue and other income	—	—
Total expenses	—	(319,810)
Tax	—	—
Loss for the year	—	(319,810)

18. Interests/Investments in Associates

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at cost	**—**	—	**8,358,378**	8,390,480
Share of net assets	**9,541,011**	11,573,836	**—**	—
	9,541,011	11,573,836	**8,358,378**	8,390,480

The Group's balances with the associates are disclosed in note 35 to the financial statements.

Particulars of the principal associates are as follows:

Name of associate	Place of registration and operation	Registered and fully paid capital	Percentage of registered capital held by the Company *Directly*	Percentage of registered capital held by the Company *Indirectly*	Principal activity
Beijing Nandasoft Network Technology Company Limited	PRC	RMB1,000,000	—	49%	Sale of computer hardware products and equipment
Nanjing Qitong Electronics Co., Ltd. ("Nanjing Qitong")	PRC	RMB1,000,000	—	35%	Sale of computer hardware products and equipment
深圳南大研究院有限公司	PRC	RMB10,000,000	30%	—	Not yet commenced business
江蘇南大蘇富特天目湖高新技術創業有限公司	PRC	RMB20,000,000	25%	—	Not yet commenced business
杭州蘇富特信息技術有限公司 (「杭州蘇富特」)	PRC	RMB2,000,000	20%	—	Development and distribution of software and hardware

The above associates were not audited by Cachet Certified Public Accountants Limited.

18. Interests/Investments in Associates *(Continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2006	2005
	RMB	*RMB*
Total assets	**36,325,049**	46,522,765
Total liabilities	**(3,027,048)**	(7,388,245)
Net assets	**33,298,001**	39,134,520
Group's share of net assets of associates	**9,541,011**	11,573,836
Revenue	**2,763,860**	12,425,671
Profit/(loss) for the year	**(549,882)**	141,155
Group's share of profit/(loss) of associates for the year	**(215,477)**	57,212

19. Available-for-sale Investments

		Group		Company	
		2006	2005	**2006**	2005
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Investments at fair value in:					
南通明德重工有限公司	*(a)*	**—**	10,000,000	**—**	—
南京水木年華餐飲有限公司	*(b)*	**2,000,000**	3,500,000	**—**	—
Other unlisted equity investments	*(c)*	**3,570,541**	2,866,113	**3,169,962**	2,397,763
		5,570,541	16,366,113	**3,169,962**	2,397,763

19. Available-for-sale Investments *(Continued)*

Notes:

(a) On 5 November 2004, a subsidiary of the Company, Jiangsu Sheng Feng Investment Company Limited ("Sheng Feng") entered into an agreement with 南通明德重工有限公司 ("Nantung Mingde") regarding a project of manufacturing of vessel-related lid for five years. Sheng Feng and Nantung Mingde contributed RMB10,000,000 and RMB30,000,000 respectively to finance the operations of the project. Nantung Mingde has the unilateral control of the project. Sheng Feng is entitled to share 25% of the operating results of the project during the operation period in accordance with the agreement. In accordance with an undated supplementary agreement, Sheng Feng did not have the controlling power over the operations and management of the project. Sheng Feng has recognised income from this investment amounting to RMB678,800 (2005: RMB558,000) for the year ended 31 December 2006.

In the opinion of the Directors of the Company, the Group was unable to exercise any significant influence over the project. They were unable to gain access to the books and records of the project, and consequently, unable to determine reliably the fair value of this investment at 31 December 2005. Therefore, the investment was stated at its cost.

Sheng Feng entered into a supplementary agreement with Nantung Mingde on 18 April 2006 to terminate the rights and obligations of Sheng Feng in the project. The investment costs were refunded to the Group during the year.

(b) On 20 October 2004, Sheng Feng entered into an agreement with 南京水木年華餐飲有限公司 ("Shuimu Nianhua") regarding a project of operating a club in Nanjing. Sheng Feng invested RMB2,500,000 to finance the operations of the project. Shuimu Nianhua has the control of the management of the club. On 1 October 2005, Sheng Feng cancelled the above agreement and entered into a new agreement for the same project. Sheng Feng invested RMB4,000,000 as the entire capital which would be repaid at RMB500,000 in the first year (i.e. 2005), RMB1,000,000 in each of the following three years and the remaining RMB500,000 in the fifth year to Sheng Feng from the profit of the project. After the return of its contribution, Sheng Feng will be entitled to 50% of the operating result of the project. In accordance with an undated supplementary agreement, Sheng Feng did not have the controlling power over the operations and management of the project. For the year ended 31 December 2005, Sheng Feng received the RMB500,000 return of capital for 2005 in accordance with the above repayment terms.

In the opinion of the Directors of the Company, the Group did not have control nor significant influence over the project and was denied access to the books and records of the project. Consequently, the Directors of the Company were unable to determine reliably the fair value of this investment at 31 December 2005. Therefore, the investment was stated at its cost at 31 December 2005.

In view of the unsatisfactory performance of the project, the Group entered into an agreement in February 2007 with one of the venture partners of the project to dispose of the Group's interests in the project for a consideration of RMB2,000,000. The consideration will be settled in instalments, as to RMB100,000 on or before 30 June 2007, as to RMB400,000 on or before 31 December 2007, as to RMB250,000 on or before 30 June 2008, as to RMB250,000 on or before 31 December 2008 and with remaining balance of RMB1,000,000 on or before 31 December 2010. In view of the above, the Directors of the Company have made an impairment provision of RMB1,500,000 as at 31 December 2006. The Group did not record any other income or expense from the investment during the year.

19. Available-for-sale Investments *(Continued)*

Notes: (Continued)

(c) Other unlisted equity securities represent unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB550,000 (2005: RMB385,032), which had been carried at cost less impairment before the disposal. A gain on disposal of RMB509,000 (2005: RMB384,968) has been recognised in the income statement for the current year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

20. Deposit Paid

On 31 October 2006 and 1 November 2006, the Company entered into a framework agreement with Nanjing Gulou District Government and an implementation agreement with Gulou Limited, an independent party, (the "Acquisition Agreements") in relation to the acquisition of the right to use a piece of land in Nanjing at a consideration of RMB22,752,000, which had been paid during the year. The vendors are responsible for "Seven connections and one levelling"(七通一平) on the land before delivering to the Company. Details of the Acquisition Agreements are set out in the Company's circular dated 22 November 2006.

21. Inventories

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Computer hardware products, equipment and software products	**35,024,985**	36,185,451	**6,972,683**	3,713,787

At the balance sheet date, none (2005: RMB264,484) of the inventories of the Group and the Company were carried at net realisable value.

22. Loan Receivables

	Group	
	2006	2005
	RMB	*RMB*
Fixed-rate loan receivables from 通州至誠軟件開發有限公司	**—**	10,000,000

In the opinion of the Directors, the fair value of the Group's loan receivables approximates to the carrying amount.

22. Loan Receivables *(Continued)*

On 5 November 2004, Jiangsu Zhong Chong Digital Technology Company Limited ("Zhong Chong"), a subsidiary of the Company, entered into an agreement with 通州至誠軟件開發有限公司 ("Tungzhou Software") regarding a project of development of software for motor vehicle business management and logistics (the "1st Agreement"). Zhong Chong invested RMB13,000,000 to finance the operations of the project, while Tungzhou Software is responsible for the operations and management of the project. Tungzhou Software guaranteed a minimum annual return of 5.58% to Zhong Chong during the investment period. Tungzhou Software would distribute its profit once a year and guaranteed that Zhong Chong would receive the whole contribution after 3 years. In accordance with an undated supplementary agreement, Zhong Chong did not have the controlling power on the operation and management of the project.

In early 2005, the Group decided to change the investing entity of this project to Sheng Feng, another subsidiary of the Company, whose principal activity is investment holding, and Tungzhou Software agreed. According to the verbal agreement between Zhong Chong and Tungzhou Software, both parties agreed to terminate the 1st Agreement.

On 27 April 2005, Sheng Feng entered into a new agreement with Tungzhou Software regarding the same project (the "2nd Agreement"). Total investment is RMB13,000,000 in accordance with the 2nd Agreement and Sheng Feng contributed RMB5,000,000 and RMB5,000,000 on 29 April 2005 and 27 May 2005, respectively, to finance the operations of the project, while Tungzhou Software is responsible for the operations and management of the project. Tungzhou Software guaranteed a minimum annual return of 5.58% to Sheng Feng during the investment period. Tungzhou Software would distribute its profit once a year and guaranteed that Sheng Feng would receive its contribution back after two years.

Tungzhou Software delayed the refund of contribution of the 1st Agreement to Zhong Chong due to its financial difficulty. Zhong Chong received the refund of RMB10,000,000 and RMB3,000,000 on 20 October 2005 and 21 October 2005, respectively. The maximum outstanding balance due from Tungzhou Software during the period from 27 May 2005 to 20 October 2005 was RMB23,000,000.

In view of the unsatisfactory performance of the project, the Group terminated the 2nd Agreement with Tungzhou Software on 16 March 2006. The investment costs were refunded to the Group at RMB5,000,000 each on 24 March 2006 and 27 March 2006, respectively. The Group had sought a legal opinion that the rights and obligations of the 1st Agreement had been cancelled. The Group did not record any income or expense from the investment.

23. Trade and Other Receivables

		Group		Company	
		2006	2005	**2006**	2005
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Trade receivables	*(a)*	**94,281,994**	154,068,819	**58,596,601**	85,346,048
Less: Accumulated impairment		**(34,787,968)**	(15,843,704)	**(30,571,875)**	(13,882,102)
		59,494,026	138,225,115	**28,024,726**	71,463,946
Notes receivable		**426,932**	—	**426,932**	—
Advances to suppliers	*(b)*	**32,661,552**	36,477,727	**10,589,035**	12,956,337
Other receivables		**25,034,380**	14,054,973	**33,756,278**	39,477,123
Other receivable from 中國石油天然氣股份有限公司	*(c)*	**6,590,000**	4,990,000	**—**	—
Advance to Yahu	*(d)*	**7,405,759**	7,406,000	**—**	—
Total trade and other receivables		**131,612,649**	201,153,815	**72,796,971**	123,897,406

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The aged analysis of trade debtors, based on the invoice date and net of impairment, is stated as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Aged:				
0 — 90 days	**21,983,226**	82,685,248	**4,571,638**	30,288,870
91 — 180 days	**3,537,544**	9,789,385	**1,697,134**	4,784,822
181 — 365 days	**6,645,108**	18,255,780	**3,677,320**	14,114,944
Over 365 days	**27,328,148**	27,494,702	**18,078,634**	22,275,310
	59,494,026	138,225,115	**28,024,726**	71,463,946

At the balance sheet date, the fair values of trade and other receivables approximates to the carrying amounts.

23. Trade and Other Receivables *(Continued)*

Notes:

(a) Included in the balance is trade receivable of the Group from an associate amounted to Nil (2005: RMB500,000). Included in the balance is trade receivable of the Company from subsidiaries and an associate amounted to RMB1,722,321 (2005: RMB1,529,309) and Nil (2005: RMB500,000) respectively.

(b) Included in the advances to suppliers is an aggregate amount of RMB4,877,699 (2005: Nil). During the year, the Company entered into a series of export transactions with an independent third party under which the Company acted as the export agent for the independent third party. For this purpose, the Company received letters of credits from the overseas customers and in turn arranged the Company's bank to issue certain bills of acceptance（承兑匯票）in favour of the independent third party. The clearance of the letters of credits and the bills of acceptance is conditional upon the shipment of goods. However, during the year, the independent third party through illegal endorsement drew down the bills of acceptance without making the shipment of goods. The Company has applied to court demanding the refund of the drawdown amounts and for damages from the independent third parties. In the first hearing, the court has ruled against the Company and the Company has made an appeal. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid case and, accordingly, have not provided for any provision for the advance deposits, other than the related legal and other costs.

(c) On 7 December 2005, the Group entered into an agreement with 中國石油天然氣股份有限公司江蘇宿遷銷售分公司 ("China Petroleum") regarding a project of operating a gas station in Suqian, the PRC. The Group contributes RMB6,590,000 (2005: RMB4,990,000) to purchase land use right for China Petroleum, and the Group is responsible for the construction of the whole project. On 2 March 2006, China Petroleum guarantees that it will refund all the investments (including but not limited to the land use right and other general and administration expenses) to the Group, if both sides cannot reach a cooperation agreement before 1 October 2006.

(d) The balance was unsecured, interest-free and has been fully settled subsequent to the balance sheet date.

24. Equity Investments at Fair Value Through Profit or Loss

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Listed equity investments in the PRC, at market value	**305,060**	962,410	**—**	958,000

The above equity investments at 31 December 2005 were classified as held for trading.

The fair values of the above investments are determined based on the quoted market bid prices available on the relevant exchanges.

25. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Cash and bank balances	**66,371,906**	28,525,251	**37,179,458**	12,121,467
Time deposits	**—**	6,195,785	**—**	5,430,561
	66,371,906	34,721,036	**37,179,458**	17,552,028
Less: Time deposits pledged for short term bank loans	**—**	(6,195,785)	**—**	(5,430,561)
Cash and cash equivalents	**66,371,906**	28,525,251	**37,179,458**	12,121,467

The Group pledged its bank deposits of the Group and the Company amounting to Nil (2005: RMB6,195,785) and Nil (2005: RMB5,430,561), respectively, for banking facilities granted to the Group.

The pledged deposits carried fixed interest rate of 0.72% per annum and with an original maturity of three months or less. The pledge on the bank deposits were released upon the settlement of the relevant bank borrowings.

The carrying amount of the cash and bank balances and time deposits approximates their fair value.

At the balance sheet date, the cash and bank balances and time deposits were mainly denominated in RMB, which is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. Trade and Other Payables

An aged analysis of the trade and other payables as at the balance sheet date, based on the invoice date, is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Trade payables aged:				
0 — 90 days	**22,950,747**	40,446,871	**3,968,430**	11,532,300
91 — 180 days	**2,497,889**	3,030,168	**103,265**	1,287,826
181 — 365 days	**4,107,537**	4,225,434	**3,209,160**	1,991,865
Over 365 days	**7,862,021**	5,022,287	**3,862,169**	2,960,430
	37,418,194	52,724,760	**11,143,024**	17,772,421
Notes payable	**145,902**	19,166,282	**145,902**	19,159,032
	37,564,096	71,891,042	**11,288,926**	36,931,453

Included in the above is trade payable of the Group to an associate amounting to Nil (2005: RMB143,590). Included in the balance is trade payable of the Company to subsidiaries amounted to RMB728,177 (2005: RMB3,063,196).

The fair value of the Group's trade and other payables at 31 December 2005 and 31 December 2006 approximates to the corresponding carrying amount.

27. Interest-bearing Bank and Other Borrowings

	2006			2005		
Group and Company	**Effective interest rate *(%)***	**Maturity**	***RMB***	Effective interest rate *(%)*	Maturity	*RMB*
Bank loans						
— unsecured	**4.65 — 5.85**	**2007**	**63,000,000**	4.65 — 5.58	2006	35,000,000
Bank loan						
— unsecured	**1.00**	**2009**	**10,000,000**	N/A	N/A	—
			73,000,000			35,000,000
Current portion			**(63,000,000)**			(35,000,000)
Long term portion			**10,000,000**			—

All borrowings of the Company and the Group are in RMB and bear interest at floating interest rates. The carrying amounts of the Group's and the Company's current borrowings approximate to their fair values.

28. Deferred Tax

The following are the major deferred tax liabilities and (assets) recognised and movements thereon during the current and prior year:

Group	Research and development costs	Allowance for doubtful debts and inventories	Receipt in advance	Others	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
At 1 January 2005	2,664,638	(1,402,229)	(1,314,355)	(15,000)	(66,946)
Charge/(credit) to income statement during the year *(note 10)*	(5,418)	(1,675,676)	1,314,355	(353,824)	(720,563)
At 1 January 2006	2,659,220	(3,077,905)	—	(368,824)	(787,509)
Charge/(credit) to income statement during the year *(note 10)*	(2,659,220)	3,077,905	—	368,824	787,509
At 31 December 2006	—	—	—	—	—
Company					
At 1 January 2005	2,664,638	(1,304,568)	—	—	1,360,070
Charge/(credit) to income statement during the year	(5,418)	(1,402,542)	—	—	(1,407,960)
At 1 January 2006	2,659,220	(2,707,110)	—	—	(47,890)
Charge/(credit) to income statement during the year	(2,659,220)	2,707,110	—	—	47,890
At 31 December 2006	—	—	—	—	—

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Deferred tax liabilities	**—**	—	**—**	—
Deferred tax assets	**—**	(787,509)	**—**	(47,890)
	—	(787,509)	**—**	(47,890)

28. Deferred Tax *(Continued)*

In the opinion of the directors, the Company is able to obtain the approval document issued by the Science and Technology Committee of Nanjing Municipality in the coming years, and will be entitled to enjoy a 50% concessionary tax rate. As a result, the applicable tax rate had been revised from 33% to 15% since the year ended 31 December 2004.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Tax losses	**6,639,861**	—	**2,846,110**	—
Deductible temporary differences	**3,708,512**	—	**2,919,131**	—
Unused tax credits	**—**	—	**—**	—
	10,348,373	—	**5,765,241**	—

The above tax losses are available for a period of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint venture entities as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. Share Capital

	2006	2005
	RMB	*RMB*
Registered, issued and fully paid:		
700,000,000 domestic shares of RMB0.1 each	**70,000,000**	70,000,000
234,000,000 overseas listed foreign invested shares	**23,400,000**	23,400,000
	93,400,000	93,400,000

29. Share Capital *(Continued)*

Domestic shares and H Shares are both ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares, on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. All dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H Shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

30. Share Option Scheme

Pursuant to the Company's share option scheme approved by a resolution of the shareholders of the Company dated 8 December 2000 (the "Share Option Scheme"), the Company may grant options to executive directors and employees of the Company or its subsidiaries to subscribe for the H Shares in the Company for a consideration of HK$1 for each lot of share options granted. The Share Option Scheme will remain valid for a period of ten years commencing on 8 December 2000. Options granted are exercisable at any time not less than three years and not more than ten years from the date of grant of the options. The subscription price is not less than the higher of (a) the closing price of the Company's H Shares as quoted on the date of the grant of the options, (b) the average closing prices of the Company's H Shares for the five business days immediately preceding the date of the grant of the options and (c) the nominal value of the H Shares. However, for employees who are PRC nationals and have taken up any options to subscribe for the Company's H Shares, they shall not be entitled to exercise the options until:

(1) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H Shares or any laws and regulations with similar effects have been abolished or removed; and

(2) The China Securities Regulatory Commission or other relevant government authorities in the PRC have approved the new issue of shares upon the exercise of any options which may be granted under the Share Option Scheme.

No options had been granted by the Company under the Share Option Scheme since its adoption.

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

Basis of appropriation to reserves

The transfers to statutory surplus reserve and statutory public welfare fund are based on the net profit in the financial statements prepared under the PRC accounting standards.

31. Reserves *(Continued)*

(a) Group *(Continued)*

Statutory surplus reserve

The Company's Articles of Association requires the appropriation of 10% of its profit after taxation prepared under the PRC accounting standards each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provision of the Company's Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the Company's production and operations. For the capitalisation of statutory surplus reserve into share capital, the remaining amount of such reserve shall not be less than 25% of the registered share capital.

Statutory public welfare fund

Pursuant to the PRC Company Law, the Company shall make allocation from its profit after taxation prepared under the PRC accounting standards at the rate of 5% to 10% to the statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for employee collective welfare. Individual employees only have the right to use these facilities, the titles to which will remain with the Company. The statutory public welfare fund forms part of the shareholders' equity but is non-distributable other than in liquidation.

Retained earnings

The reserves available for distribution to shareholders are based on the lower of the aggregate amount of profit after taxation for the year and retained profits brought forward determined under PRC accounting standards and that determined under the accounting principles generally accepted in Hong Kong after deduction of the current year's appropriations to the statutory surplus reserve and statutory public welfare fund.

The retained earnings of the Group included loss of RMB230,921 (2005: profit of RMB1,091,397) retained by the associates of the Group.

In the opinion of the directors, there were no reserves available for distribution to the shareholders at 31 December 2006 (2005: RMB26,686,983).

(b) Company

	Share premium account *RMB*	Statutory surplus fund *RMB*	Statutory public welfare fund *RMB*	Retained profits *RMB*	Total *RMB*
Balance at 1 January 2005	48,868,818	3,932,454	1,966,227	31,331,842	86,099,341
Loss for the year	—	—	—	(708,943)	(708,943)
At 31 December 2005	48,868,818	3,932,454	1,966,227	30,622,899	85,390,398
Loss for the year	—	—	—	(26,974,065)	(26,974,065)
At 31 December 2006	48,868,818	3,932,454	1,966,227	3,648,834	58,416,333

32. Notes to the Consolidated Cash Flow Statement

(a) Disposal/liquidation of a subsidiary

		Group	
		2006	2005
	Notes	***RMB***	*RMB*
Net assets disposed/deemed disposed of:			
Property, plant and equipment		**801,516**	—
Cash and bank balances		**1,039,934**	—
Trade and other receivables		**7,352,925**	—
Inventories		**2,552,952**	—
Trade and other payables		**(4,882,288)**	—
Tax payable		**70,233**	—
Minority interests		**(868,924)**	—
		6,066,348	—
Loss on disposal/deemed disposed of subsidiaries	*6*	**(178,922)**	—
		5,887,426	—
Satisfied by:			
Cash		**4,451,426**	—
Interest in an associate		**490,000**	—
Available-for-sale investments		**946,000**	—
		5,887,426	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries is as follows:

	2006	2005
	RMB	*RMB*
Cash consideration received	**4,451,426**	—
Cash and bank balances disposed of	**(1,039,934)**	—
Net inflow of cash and cash equivalents in respect of the disposal/deemed disposal of subsidiaries	**3,411,492**	—

32. Notes to the Consolidated Cash Flow Statement *(Continued)*

(a) Disposal/liquidation of a subsidiary *(Continued)*

As at 31 December 2005, a subsidiary 南京蘇英教育軟件有限公司 has terminated its operation and commenced liquidation. The net assets of 南京蘇英教育軟件有限公司 at the date of its termination were as follows:

	2005
	RMB
Property, plant and equipment	14,231
Intangible assets	780,000
Inventories	797,477
Trade and other receivables	30,338
Bank balances and cash	60,826
Trade and other payables	(12,634)
Provision for levies	(719)
Net assets	1,669,519
Minority interests	(1,669,519)
Gain/(loss) on termination of a subsidiary	—
Net cash outflow arising on liquidation:	
Cash and bank balances	60,826

During the year ended 31 December 2005, the loss of 南京蘇英教育軟件有限公司 up to the date of liquidation of RMB2,224,777 was charged to the Group's results but its cash flows in the year ended 31 December 2005 was insignificant to the Group.

33. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (2005: one to two years).

At 31 December 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Within one year	**2,016,184**	1,512,391	**—**	—
In the second to fifth years, inclusive	**—**	946,608	**—**	—
	2,016,184	2,458,999	**—**	—

34. Commitments

In addition to the operating lease commitments detailed in note 33 above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Contracted, but not provided for:				
Land and buildings	**—**	50,000,000	**—**	50,000,000
Contracted, but not provided for, capital contributions payable to:				
A jointly-controlled entity	**—**	1,246,513	**—**	—
Subsidiaries	**—**	—	**4,800,000**	—
Associates	**—**	—	**—**	—
	—	1,246,513	**4,800,000**	—

35. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related party	Nature of transactions	Relationship	Group 2006 RMB	Group 2005 RMB
Jiangsu Co-Creation	Sales	Shareholder of the Company	**—**	379,573
Nanjing University	Sales	Shareholder of the Company	**—**	2,710,234
杭州蘇富特	Sales	Associate of the Group	**101,000**	34,615
Nanjing Qitong	Purchase	Associate of the Group	**—**	(1,292,627)
Nanjing University	Development cost *(note i)*	Shareholder of the Company	**(770,000)**	(1,000,000)
Nanjing University	Revenue sharing *(note ii)*	Shareholder of the Company	**(230,000)**	(170,000)

35. Related Party Transactions *(Continued)*

(a) *(Continued)*

Notes:

(i) For the year ended 31 December 2006, the Group paid development cost in an aggregate of RMB770,000 (2005: RMB1,000,000) to Nanjing University in accordance with various agreements entered into between the Company and Nanjing University for the joint development of software products. The amounts for both years have been capitalised as intangible assets at the balance sheet date.

(ii) For the year ended 31 December 2005, the Group paid a revenue sharing fee of RMB230,000 (2005: RMB170,000) to Nanjing University in accordance with various agreements entered into between the Company and Nanjing University for joint development of software products.

(iii) The related party transactions are conducted on an arm's length basis and on commercial terms that are no less favourable to the Group than terms available to or from independent third parties.

The related party transactions with Nanjing University also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(b) Outstanding balances with related parties:

	Group		**Company**	
	2006	2005	**2006**	2005
	RMB	*RMB*	***RMB***	*RMB*
Due from shareholders				
Nanjing University	**—**	1,099,009	**—**	1,099,009
Jiangsu Co-Creation Development Company Limited ("Jiangsu Co-Creation")	**2,361,887**	2,361,887	**2,361,887**	2,361,887
Jiangsu Provincial Management Centre for Education Equipment and Self Supporting School	**818,232**	818,232	**818,232**	818,232
	3,180,119	4,279,128	**3,180,119**	4,279,128
Due from minority shareholders				
Koshida Corporation	**1,145,347**	—	**—**	—
Mr. Liu Xiao Min	**—**	210,000	**—**	—
	1,145,347	210,000	**—**	—
Due to shareholders				
Jiangsu Co-Creation	**115,297**	115,297	**115,297**	115,297
Due to an associate				
杭州蘇富特	**—**	359,500	**—**	—

35. Related Party Transactions *(Continued)*

(b) *(Continued)*

The amounts due from/(to) shareholders of the Company represented advances from/to shareholders during the year. The balances are unsecured, interest-free and are repayable on demand.

The amount due to an associate of the Group is unsecured, non-interest bearing and repayable on demand.

The fair values of the Group's amounts with the shareholders/minority shareholders/associates at 31 December 2006 approximate to the corresponding carrying amounts.

(c) Compensation of key management personnel of the Group:

	Group	
	2006	2005
	RMB	*RMB*
Short term employee benefits	**474,739**	629,414
Post-employment benefits	**—**	—
Share-based payments	**—**	—
Total compensation paid to key management personnel	**474,739**	629,414

Further details of directors' emoluments are included in note 8 to the financial statements.

36. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's fair value interest rate risk relates primarily to certain fixed rate bank borrowings. The Group has not used any derivative contracts to hedge its exposure to interest rate risk.

Foreign currency risk

The Group's transactions are mainly denominated in RMB, Hong Kong dollars and United States dollars. The Group has not used any derivative contracts to hedge its exposure to currency risk as the foreign currency risk is considered as minimal. Bank balances and cash was mainly denominated in RMB which is not freely convertible into other currencies.

36. Financial Risk Management Objectives and Policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and state-owned banks with good reputation in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other interest-bearing loans. 86% of the Group's debts would mature in less than one year as at 31 December 2006 (2005: 100%).

Price risk

The Group's available-for-sale investments and financial assets/liabilities at fair value through profit or loss are measured at fair value at each balance sheet date. The Group is exposed to equity price risk through it's held for trading and available-for-sale investments. The management manages this exposure by maintaining a portfolio of held for trading investments with different risk profiles. The management also monitors the price movement of the investments and take appropriate action when it is required.

37. Comparative Amounts

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2007.

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2006	2005	2004	2003	2002
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
RESULTS					
REVENUE	**402,463,042**	440,742,213	384,496,927	376,606,707	311,405,868
Cost of sales	**(365,302,210)**	(383,385,350)	(321,770,383)	(319,208,908)	(261,348,530)
Gross profit	**37,160,832**	57,356,863	62,726,544	57,397,799	50,057,338
Other income and gains	**3,622,089**	4,627,115	3,837,193	2,810,679	3,952,207
Selling and distribution costs	**(26,652,269)**	(23,944,896)	(26,757,142)	(23,294,614)	(18,779,758)
Research and development costs	**(2,605,290)**	(5,001,220)	(4,237,612)	(2,629,153)	(1,957,435)
Administrative expenses	**(48,513,919)**	(28,543,866)	(20,372,587)	(20,476,572)	(16,361,828)
Finance costs	**(3,119,066)**	(1,748,149)	(498,617)	(135,061)	(56,686)
Share of profits/(losses) of:					
A jointly-controlled entity	**—**	(319,810)	—	—	—
Associates	**(215,477)**	57,212	134,074	632,550	94,824
PROFIT/(LOSS) BEFORE TAX	**(40,323,100)**	2,483,249	14,831,853	14,305,628	16,948,662
Tax	**(481,193)**	(1,355,154)	(1,853,975)	(1,889,833)	(1,973,102)
PROFIT/(LOSS) FOR THE YEAR	**(40,804,293)**	1,128,095	12,977,878	12,415,795	14,975,560
Attributable to:					
Equity holders of the parent	**(39,479,448)**	(246,721)	12,039,403	11,741,869	13,990,832
Minority interests	**(1,324,845)**	1,374,816	938,475	673,926	984,728
	(40,804,293)	1,128,095	12,977,878	12,415,795	14,975,560
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**327,984,079**	373,713,492	348,823,697	274,818,966	254,537,094
TOTAL LIABILITIES	**(154,858,973)**	(162,009,374)	(138,193,232)	(83,755,534)	(69,934,672)
MINORITY INTERESTS	**(18,140,772)**	(17,211,674)	(15,874,767)	(8,347,137)	(8,957,996)
	154,984,334	194,492,444	194,755,698	182,716,295	175,644,426