NANDASOFT
南大苏富特

JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED

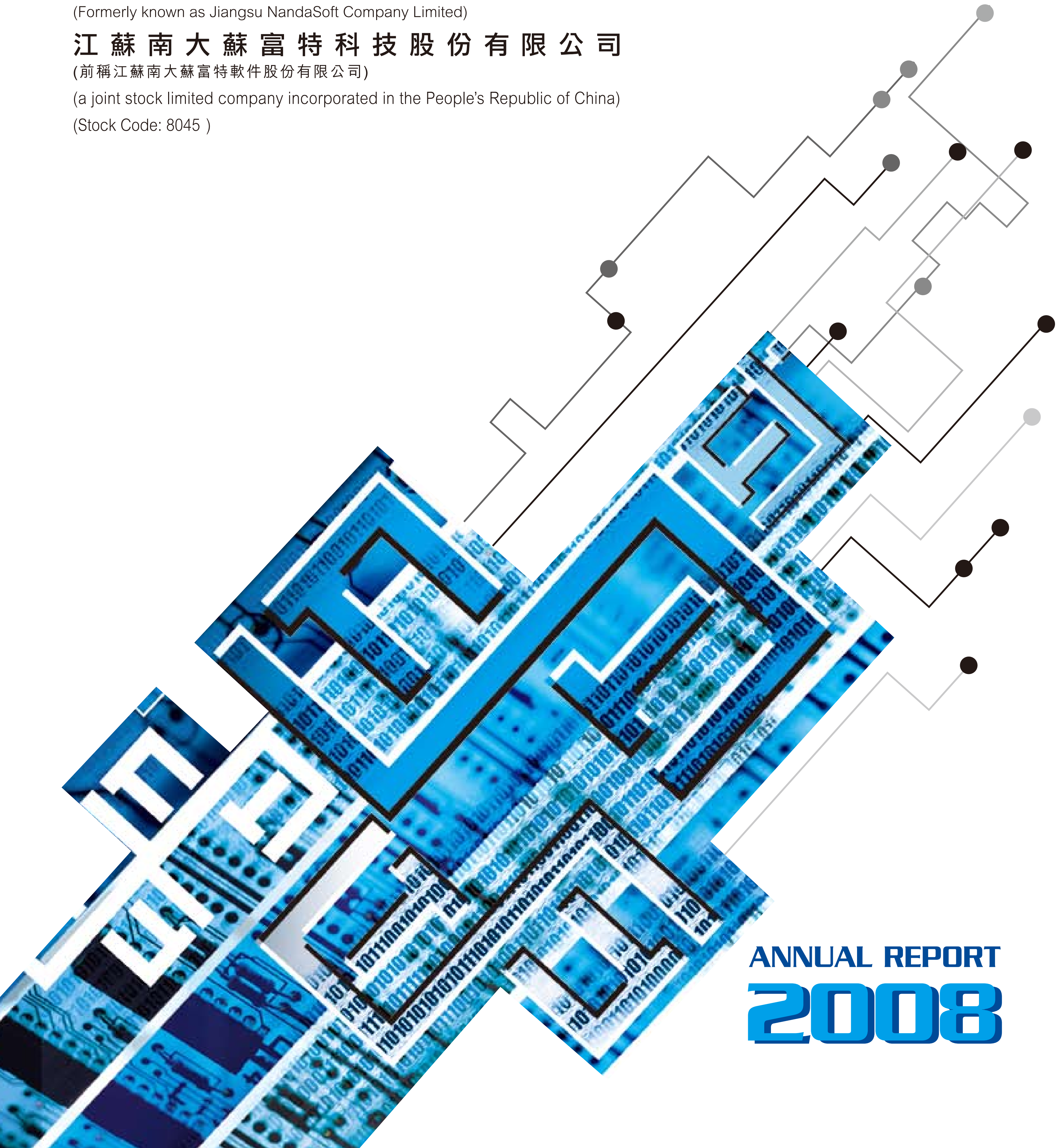
(Formerly known as Jiangsu NandaSoft Company Limited)

江蘇南大蘇富特科技股份有限公司

(前稱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 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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This report, for which the directors of Jiangsu NandaSoft Technology Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jiangsu NandaSoft Technology Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (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.

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CORPORATE INFORMATION

Directors of the Company

Executive Directors

Professor Xie Li *(Chairman)*
Mr. Chen Zheng Rong
Mr. Pan Jian Xiang
Mr. Liu Jian (alias, Liu Jian Bang)
(Chief Executive Officer)

Non-executive Directors

Mr. Yuan Ren Wei
Mr. Liu Winson Wing Sun

Independent Non-executive Directors

Mr. Xu Huan Liang
Mr. Yim Hing Wah, Terence
Dr. Daxi Li

Supervisors

Mr. Zhang Xu Yu
Mr. Xu Ke Jian
Mr. Jin Yi
Mr. Zhao Wei Dong
Mr. Shaw Yong Lei
Mr. Sun Xing Huan

Qualified Accountant

Ms. Tong Sze Wan, *HKICPA, ACCA*

Company Secretary

Ms. Tong Sze Wan, *HKICPA, ACCA*

Audit Committee

Mr. Xu Huan Liang
Mr. Yim Hing Wah, Terence
Dr. Daxi Li

Nomination Committee

Professor Xie Li
Mr. Liu Jian Bang
Mr. Yuan Ren Wei
Mr. Xu Huan Liang
Mr. Yim Hing Wah, Terence
Dr. Daxi Li

Remuneration Committee

Professor Xie Li
Mr. Liu Jian Bang
Mr. Pan Jian Xiang
Mr. Xu Huan Liang
Mr. Yim Hing Wah, Terence
Dr. Daxi Li

Compliance Officer

Professor Xie Li

Authorised Representatives

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

Auditors

Cachet Certified Public Accountants Limited

Legal Advisers

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

Principal Bankers

China Industrial and Commercial Bank,
Nanjing Branch, Shanxi Lu sub-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

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

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

Room1508-09, Trendy Centre
682 Castle Peak Road
Lai Chi Kok,
Kowloon, Hong Kong

Stock Code

8045

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report for the year ended 31 December 2008 of Jiangsu NandaSoft Technology Company Limited (formerly known as Jiangsu NandaSoft Company Limited) ("Jiangsu NandaSoft" or the "Company", and together with its subsidiaries, the "Group") to the shareholders for their review.

2008 marked the tenth anniversary of the Company. Throughout the decade, the Company has upheld the principle of relying on the integrated advantages of Nanjing University. We have made every endeavour and have played a leading role in the industry in promoting the combination of production, academics and research, and the industrialisation of technological achievements.

The impact of the global financial crisis spread out gradually in 2008. Economic crises of different extent hit many countries. Under such an international environment, the robust growth momentum of the PRC economy was unavoidably restrained. Nevertheless, the PRC government timely introduced a "RMB4,000 billion" strategic investment plan and numerous industry revitalisation plans with the aim of boosting and strengthening the fast and healthy growth of the PRC economy through stimulating domestic demand and industrial upgrade. Against this backdrop, the IT industry in the PRC was exposed to opportunities and challenges at the same time.

In view of the above macro economic environment, NandaSoft adjusted and consolidated its development strategies timely and effectively to ensure the stable and healthy growth of the Company. During the year, the Company persisted on the development strategies of "upholding improvement and innovation, strengthening quality services; upholding unique software, promoting diversified businesses; enhancing group structure, improving management efficiency". It continued to strengthen and perfect the independent network security products and their total solutions, focusing on the development of quality safety services business and software outsourcing business. Meanwhile, more efforts was devoted to promote the diversification of business, including: services outsource training, high-end communication products application , minimally invasive medical equipment materials and products, as well as technological real estates etc. These have substantially increased the Company's integrated competitiveness and profitability.

In 2008, the Company was once again successfully one of the top hundred profit-making software enterprises in China, making us the high and new technology enterprise in Jiangsu Province that was among the top hundred profit-making software enterprises in China for five consecutive years.

Results Performance

During the financial year of 2008, the turnover of the Group decreased by approximately 14.8% to approximately RMB260,480,000 and the Group's results recorded a profit attributable to the shareholders of approximately RMB10,904,000. The Board did not recommend the payment of a final dividend for the year ended 31 December 2008.

CHAIRMAN'S STATEMENT

Upholding Unique Software and Strengthening Quality Services

The Company continued to rely on its unique independent network security products and their total solutions. At the same time, it kept on reinforcing its efforts on R&D and improved its service quality. This year, the Company undertook the electronic development fund project sponsored by the Ministry of Industry and Information Technology "the Development and Industrialisation of Internal Core Security Based System Reinforcement Software", and the industrialisation of technological achievement fund project sponsored by the Ministry of Finance "the R&D of IPV6 Network Security Integrated Protection System NSS-3". Such projects effectively promoted the development of high-end network security products, enhanced NandaSoft's network security total solutions and in turn strengthened our competitiveness in the industry. Regarding the existing product sales and marketing, the Company continued to step up its in improving its service quality. With a view to ensure its service capability and standard, the Company restructured its original marketing department into three teams: security products sales and services, security consultancy services and data services.

Developing Technological Business and Promoting Diversified Business

While developing unique businesses such as cutting-edge software and system integration, the Company continued to create new profit growth-points. The Company cooperated with IBM to establish a service outsourcing training base that focused on ETP training. The training base would promote the development of service outsourcing software of the Company. A communication company was set up during the year to launch high standard products such as wireless video monitor systems, GPS integrated dispatch administration platforms and intelligent public transit systems. In addition, the Company has entered into agreement for the acquisition of certain equity interests in Promed Medical Tech (Suzhou) Co., Ltd and Vascore Medtech Medical (Suzhou) Co., Ltd in order to develop Prostent cardiovascular pharmaceutical stent products complying with international advanced standards. During the year, construction of NandaSoft Technology and Innovation Park (NandaSoft Software City) was on schedule.

Upholding Improvement and Innovation, Enhancing Management Efficiency

The Company persisted in innovation and strived for improvement. With a strengthened management, the Company improved and enhanced its original management system, remuneration policy and human resources allocation. By introducing management personnels from Hong Kong, India and the United States, the strength of our management team was improved, and the management standard and efficiency were upgraded. This would help the Company to maintain stable development under a backdrop of global financial crisis.

Facing a new environment in both the domestic and overseas arenas, the Company is confident to capture opportunities and to face the challenges ahead. The Company will continue to strengthen its core competitiveness and sustainable development ability which in turn will bring prosperous return to our shareholders.

Xie Li
Chairman

Nanjing, PRC
20 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Having affected by the economic financial crisis, the turnover for the year ended 31 December 2008 was approximately RMB260,480,000, representing a decrease of approximately 14.8% over 2007.

In order to overcome those unfavourable factors derived from economic financial crisis, the management continue to control the expenditure of the Group especially on cost of sales. During the year under review, the cost of sales of the Group decrease to RMB214,904,000, representing a decrease of approximately 21.6% when compared with that of 2007 which directly generated the profit attributable to shareholders and earnings per share of the Group for the year ended 31 December 2008 amounting to approximately RMB10,904,000 and RMB0.0117, representing an increase of 69.2% and 69.6% respectively.

Financial resources and liquidity

As at 31 December 2008, shareholders' funds of the Group amounted to approximately RMB171,724,000. Current assets amounted to approximately RMB191,008,000, of which approximately RMB29,423,000 were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB83,484,000, comprising mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.184. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31 December 2008, the Group had a gearing ratio of 7.09% and the Group has short-term loan of RMB19,000,000.

Charge on group assets

As at 31 December 2008, none of the Group's assets was pledged as security for liabilities. (2007: 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

Save as the disposal of subsidiaries disclosed in note 30 to the financial statements, during the year of 2008, the Group did not make any other material acquisitions or disposals and no proceeds was invested in any significant financial instruments.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitments

The capital committments of the Group and the Company are disclosed in note 31 to the financial statements.

Contingent liabilities

As at 31 December 2008, the Group had no material contingent liabilities

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB19,777,000, including the directors' emoluments of approximately RMB487,000 for the year ended 31 December 2008 (2007: approximately RMB17,575,000, including the directors' emoluments of approximately RMB356,000).

The increase in employee remuneration was a result of the increase in bonus to individual staff during the year. The number of employees for the year had decreased from 494 to 466.

Business Review

Network Security Products

During the year, the Company continued to increase its efforts in independent innovation on top of its R&D groundwork of existing network security products, and successfully completed all technological and product R&D work of the provincial technological achievement transition foundation project "R&D and Industrialisation of Linux-based Open Security Reinforced Operation System" and the municipal new high technological programme project "Third Party Logistic Supporting ERP System". The Company also passed the checking process of provincial software development foundation project "IPv6 Security Protection System".

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the R&D of security products, the Company completed the following works during the year:

— Perfected the product function of "NandaSoft Security Integrated Protection System SoftZAP" and the formation of basic version and secret network upgraded version

— Developed derivative product "Corporate R&D Information Leakage Prevention System" software based on SoftZAP technology

— IPv6 network security integrated protection system

— Security USB mobile disk management system

— Computer network hacking and defense platform

The R&D of the above products enabled the Company to further penetrate into the market of high-end network security products and consolidate the Company's leading role in the R&D of network security total solution in the PRC.

Product Promotion And Marketing Activities

During the year, the Company restructured its original marketing department into three teams: security products sales and services, security consultancy and services, and data services, which in turn ensured the service capability and standard of the Company. In respect of the sale of security products, the Company reinforced its efforts outside the Jiangsu province and established sales channels in provinces such as Fujian, Jianxi and Henan. The Company organised network security knowledge seminars in Fujian and Jianxi, which targeted at the heads of government information centers with a view to introduce to them the network security products and visions of the Company, which in turn would establish a solid foundation for further sales expansion in the future.

The Company actively participated in national level promotion activities to demonstrate its corporate strength and to increase the presence of its products and services through different exhibitions. During the year, the Company participated in the Software Expo in Beijing, the Annual Conference of PRC Computer Companies and Nanjing International Software Expo. In addition, the Company launched new businesses including the intelligent public transit system during the Nanjing International Software Expo and successfully captured market attention.

MANAGEMENT DISCUSSION AND ANALYSIS

Security System Integration And Services

The Company continued to strengthen the promotion of security system integration and services. Our vision of security upgrading services and security services was shared with our clients during our marketing efforts, and such vision built up client recognition. During the year, the Company entered into long term security service contracts with various government departments and business units such as Administration for Industry and Commerce of Jiangsu Province, Jiangsu Provincial Committee, Jiangsu Expressway(江蘇省高速公路), military headquarters and Nanjing Library, reflecting the Company's leading role in the network security upgrade application services industry to the government of Jiangsu province.

This year, the Company created breaking grounds in the expressway business and became one of the designated network service providers of Jiangsu Expressway. It won the bid for projects of "Small Scale Equipment Purchase of Jiangsu Expressway Network Toll Collection Technology Services Limited(江蘇高速公路聯網收費技術服務有限公司型機設備採購)", "Storage Equipment Purchase of Jiangsu Expressway Network Center(江蘇高速公路聯網中心存儲設備採購)", "Database Purchase of Jiangsu Expressway Network Center(江蘇高速公路聯網中心數據庫採購)". Meanwhile, the Company also undertook the reform of Jiangsu Expressway toll system network and the technological services projects of the expressway branches companies.

In addition, the Company secured the contracts of various hardware and network service projects with the Administration for Industry and Commerce of Jiangsu Province, Department of Labour of Jiangsu Province, Jiangsu Meteorological Bureau, Jiangsu Entry-Exit Inspection and Quarantine Bureau and Nanjing Library etc. Entering into such contracts consolidated the relationship between the Company and its clients, and strengthened NandaSoft's leading position in the industry.

Diversified business expansion

Regarding the diversified business development, NandaSoft put efforts in IT training and the development of high-end communication products, high-tech medical products and technological real estate business during the year.

The Company joined handswith IBM to set up the IBM-ETP training base, which improved learners' ability in employment and occupational development through three modules: strengthening foreign languages, upgrading IT skills and practical corporate training. The wireless video monitoring technology developed by the communication technology company established by the Company during the year was applied to the public transit industry. Through acquiring the shares of Promed Medical Tech (Suzhou) Co., Ltd and Vascore Medtech Medical (Suzhou) Co., Ltd, the Group will enter into the area of the R&D of high-tech medical equipment products. ProStent cardiovascular pharmaceutical stent developed by these companies complied with international advanced level, and were at the stage of clinical observation, data consolidation and preparation for approval.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding the technology real estate area, the foundation project of the phase I of NandaSoft Technology and Innovation Park (NandaSoft Software City) commenced on 8 November 2008, representing the official commencement of the construction of NandaSoft Technology and Innovation Park. By now, the foundation project was completed.

Development of the NandaSoft Group

During the year, the Company strengthened its group management and appointed four new directors, namely Mr. Liu Jian Bang ("Mr. Liu"), Mr. Pan Jian Xiang, Dr. Daxi Li and Mr. Liu Winson Wing Sun. Among them, Mr. Liu was appointed as the Chief Executive Officer of the Company in February 2008. With his extensive experience in the industry, Mr. Liu explored the Group's sales channels of IT products, diversified its business and reinforced the internal control system, allowing the Group to achieve effective and efficient operation and to minimise its external risks. Under the leadership of Mr. Liu and the whole management team, subsidiaries of the Group attained good results during the year and will achieve further positive development in the future.

Fuyue Technology Company, which was engaged in service outsourcing business, was named the "International Service Outsourcing Key Enterprise of Jiangsu Province", and passed the ISO27001 security system certification, and its operation scale was further expanded.

The Suzhou Company continued to maintain its advantages in software development and construction intelligentisation, and achieved satisfactory results. In addition to closer cooperation with long term clients such as Suzhou Genway Development Group, Suzhou Industrial Zone Technology Development Company Limited, Computer Information Center of Suzhou Industrial Zone (園區計算機信息中心) and Suzhou Municipal Administrative Bureau of Gardens, it also successfully solicited new clients including Sunco Land Limited (順馳置地有限公司), Suzhou Transport Administration Bureau, Suzhou Jin Ding Certified Public Accountants Co. Ltd and the Park Industrial and Commercial Administration Bureau (園區工商行政管理局). The Heng Xin online admission system (恒信中招網上錄取系統) developed by the Suzhou Company was named the "Excellent Software Product of Jiangsu Province" by the Jiangsu Technological Industry Department.

Building on the foundation of original clients, the Beijing Company developed new project gradually. Its scope of business included computer system integration, the establishment of constructions intelligentisation system, information technology services and industry software development.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

In the area of network security total solutions, the Company will further target on subdivided market demand to launch products with independent intelligent property rights that face high-end network security application in time through self innovation, with the aim to strengthen its leading position in the area.

As the restructuring of national information industry further expand into the area of software service, the software outsourcing industry faces new development opportunities. The Company will integrate the construction of software talent training base in order to further develop software outsourcing business and to build it as the core business of the Group.

The Company will continue to strengthen the association and cooperation with the government, to consolidate its advantages and to accelerate the growth of the Company. We will seek support from the government at the provincial, municipal and regional levels in terms of policy, capital and project implementation, and will explore high quality projects and partners so as to further improve the profitability and sustainability of NandaSoft. For example, the Company will leverage on the government preferential policies on technological innovative enterprises, strive for policy loans and tax reduction for the NandaSoft Technology and Innovation Park, apply for science projects funds allocated for core electronic components, high-end general chips and basic software products, add the cardiovascular stent project and introduce new partners.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

Principal Activities

The principal activities of the Company are 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 Company's subsidiaries and associated companies are set out in notes 16 and 17 to the financial statements, respectively.

Results and Dividends

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 103.

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 104. 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 27 to the financial statements.

Pre-emptive Rights

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.

REPORT OF THE DIRECTORS

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2008, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately RMB48,869,000, may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling RMB600,000.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 14.5% of the total sales for the year and sales to the largest customer included therein amounted to 4.9%. Purchases from the Group's five largest suppliers accounted for 74.9% 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	
Mr. Pan Jian Xiang	(appointed on 20 June 2008)
Mr. Liu Jian (alias, Liu Jian Bang) *(Chief Executive Director)*	(appointed on 7 November 2008)

Non-Executive Directors:

Mr. Yuan Ren Wei	
Mr. Liu Winson Wing Sun	(appointed on 7 November 2008)
Professor Chen Dao Xu	(resigned on 7 November 2008)
Ms. Zhang Yun Xia	(resigned on 4 February 2008)

REPORT OF THE DIRECTORS

Independent Non-executive Directors:

Mr. Xu Huan Liang	
Mr. Yim Hing Wah, Terence	
Dr. Daxi Li	(appointed on 7 November 2008)
Professor Wang Zhi Jian	(resigned on 7 November 2008)

Supervisors:

Mr. Zhang Xu Yu	(appointed on 7 November 2008)
Mr. Xu Ke Jian	
Mr. Jin Yi	(appointed on 7 November 2008)
Mr. Zhao Wei Dong	(appointed on 7 November 2008)
Mr. Shaw Yong Lei	
Mr. Sun Xing Huan	
Mr. Lv Lei	(resigned on 7 November 2008)
Mr. Zhou Ming Hai	(resigned on 7 November 2008)
Professor Shi Jian Jun	(resigned on 17 March 2009)

The Company has received annual confirmations of independence from Mr. Xu Huan Liang, Mr. Yim Hing Wah, Terence and Dr Daxi Li 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 26 to 30 of the annual report.

Directors' and Supervisors' Service Contracts

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of 3 years. The service will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors 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.

REPORT OF THE DIRECTORS

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

At 31 December 2008, 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%
Supervisors						
Shi Jian Jun	Personal *(Note 1)*	500,000	—	—	0.07%	0.05%

Notes:

(1) These shares are directly held by the individual director and supervisor.

The interests of the directors in the share options of the Company are separately disclosed in note 28 to financial statements.

Save as disclosed above, as at 31 December 2008, 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.

REPORT OF THE DIRECTORS

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 2008, 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 2008, 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	136,340,000	19.48%	—	—	136,340,000	14.60%
Jiangsu Furen Group Company Limited *(Note 2)*	Beneficial Owner	100,000,000	14.29%	—	—	100,000,000	10.71%
Beijing MengHua Investment Co., Ltd	Beneficial Owner	100,000,000	14.29%	—	—	100,000,000	10.71%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") *(Note 3)*	Interest of a controlled corporation	89,750,000	12.82%	—	—	89,750,000	9.61%
Guangzhou DingXiang Trade Co., Ltd *(Note 4)*	Beneficial Owner	80,000,000	11.43%	—	—	80,000,000	8.57%
Liaoning Guotai Housing Development Company Limited *(Note 3 and Note 5)*	Beneficial Owner	75,000,000	10.71%	—	—	75,000,000	8.03%

REPORT OF THE DIRECTORS

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 IT Industrial Investment Company Limited *(Note 6)*	Beneficial Owner	46,850,000	6.69%	—	—	46,850,000	5.02%
Jiangsu Co-Creation *(Note 7)*	Beneficial Owner	89,750,000	12.82%	—	—	89,750,000	9.61%

Notes:

(1) On 24 December 2007, Nanjing University Asset Administration Company Limited entered into a Share Transfer Agreement with Beijing Menghua Investment Co., Ltd. for the transfer of 10.71% domestic shares (100,000,000 domestic shares) in the Company held by Nanjing University Asset Administration Company Limited to Beijing Menghua Investment Co., Ltd.

(2) On 7 December 2007, Jiangsu Furen Group Company Limited entered into a Share Transfer Agreement with Guangzhou DingXiang Trade Co., Ltd. ("GZ DingXiang") for the transfer of 10.71% domestic shares (100,000,000 shares) in the Company held by Jiangsu Furen Group Company Limited to GZ DingXiang. On 12 March 2008, Guangzhou DingXiang entered into a share transfer agreement with Mr. Zhang Bingyuan for the transfer of 2.14% shares (i.e. 20,000,000 domestic Shares) in the Company to Mr. Zhang Bingyuan.

(3) On 26 December 2007, Jiangsu Management Centre entered into a Share Transfer Agreement with Liaoning Guotai Housing Development Company Limited ("Liaoning Guotai") for the transfer of 6.42% domestic shares (60,000,000 domestic shares) in the Company held by Jiangsu Management Centre to Liaoning Guotai.

(4) Subsequent to the balance sheet date on 12 January 2009, GZ DingXiang entered into a Share Transfer Agreement with Shenyang Cheng Fa Commercial Software Company Limited ("Cheng Fa") for the transfer of 2.68% domestic shares (25,000,000 domestic shares) in the Company held by GZ DingXiang to Cheng Fa.

(5) Subsequent to the balance sheet date on 12 January 2009, Liaoning Guotai entered into another Share Transfer Agreement with Cheng Fa for the transfer of 6.42% domestic shares (60,000,000 domestic shares) in the Company held by Liaoning Guotai to Cheng Fa.

(6) On 8 August 2007, Mr. Wang Dao Wu, a natural person, entered into a transfer agreement with Jiangsu Provincial IT Industrial Investment Company Limited for the transfer of 1,000,000 domestic shares in the Company held by him to Jiangsu Provincial IT Industrial Investment Company Limited.

(7) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1 July 2001. The interest of Jiangsu Management Centre comprises 89,750,000 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 9.61% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.

Save as disclosed above, as at 31 December 2008, 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.

REPORT OF THE DIRECTORS

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 32 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 32 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 32 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.

REPORT OF THE DIRECTORS

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

There have been no 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
Jiangsu NandaSoft Technology Company Limited
Xie Li
Chairman

Nanjiang, the PRC
20 March 2009

CORPORATE GOVERNANCE REPORT

Corporate Governance and Audit Committee

Jiangsu NandaSoft Technology Company Limited is committed to upholding good corporate governance. This year, considerable efforts were made to identify and formalise the best practices according to international standards. The Company has complied with the provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM. 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 maximise 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 are held separately to reinforce their respective independence, accountability and responsibility. This separation of positions ensures clearly defined roles between the Chairman'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 2008.

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 comprises nine Directors, including the Chairman of The Board, four of them being Executive Directors, and the remaining five 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 has received confirmation from each Independent Non-Executive Director about his independence under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), and continues to consider each of them to be independent.

CORPORATE GOVERNANCE REPORT

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

Directors	Attendance
Professor Xie Li	4/4
Mr. Chen Zheng Rong	4/4
Professor Chen Dao Xu	3/3
Ms. Zhang Yun Xia	0/0
Mr. Yuan Ren Wei	4/4
Mr. Xu Huan Liang	4/4
Professor Wang Zhi Jian	3/3
Mr. Yim Hing Wah, Terence	4/4
Mr. Pan Jian Xiang	2/2
Mr. Liu Jian Bang	1/1
Mr. Liu Winson Wing Sun	1/1
Dr. Daxi Li	1/1

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 for a term of 3 years. The service contracts will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

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.

Professor Xie Li ("Professor 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.

CORPORATE GOVERNANCE REPORT

Mr. Liu Jian Bang ("Mr. Liu") is the chief executive officer of the Group and he responses

— for business plans, strategies and policies;

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

— motivate to contribute the growth and profitability of the Group.

Professor Xie and Mr. Liu have 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 three Executive Directors and three Independent Non-Executive Directors, namely, Professor Xie Li, Mr. Liu Jian Bang, Mr. Pan Jian Xiang, Mr. Xu Huan Liang, Mr. Yim Hing Wah, Terence and Dr. Daxi Li.

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 organise 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 with the chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, two meetings of the remuneration committee was duly convened and held.

The remuneration committee conducted two meetings during the year. Details of attendance are as follows:

Directors	Attendance
Professor Xie Li	2/2
Mr. Liu Jian Bang	0/0
Mr. Chen Zheng Rong	2/2
Mr. Pan Jian Xiang	1/1
Mr. Xu Huan Liang	2/2
Mr. Yim Hing Wah, Terence	2/2
Professor Wang Zhi Jian	2/2
Dr. Daxi Li	0/0

CORPORATE GOVERNANCE REPORT

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 two Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors, namely Professor Xie Li, Mr. Liu Jian Bang, Mr. Yuan Ren Wei, Mr. Xu Huan Liang, Mr. Yim Hing Wah, Terence and Dr. Daxi Li.

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.

The nomination committee conducted two meetings during the year. Details of attendance are as follows:

Directors	Attendance
Professor Xie Li	2/2
Mr. Liu Jian Bang	0/0
Mr. Yuan Ren Wei	2/2
Mr. Xu Huan Liang	2/2
Mr. Yim Hing Wah, Terence	2/2
Professor Wang Zhi Jian	2/2
Dr. Daxi Li	0/0

Audit Committee

The Company established an audit committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Mr. Xu Huan Liang, Mr. Yim Hing Wah, Terence, Professor Wang Zhi Jian who was resigned at 7 November 2008 and Dr. Daxi Li was replaced his vacancy with effective from 7 November 2008. The primary duties of the audit committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The audit committee has reviewed the annual report for the year ended 31 December 2008 and concludes the meeting with agreement to the contents of the annual report. 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. All the members of our Audit Committee are Independent Non-Executive Directors. The committee met four times for the year 2008.

Internal Control

The Board is responsible for overseeing the system of internal control of the Group and for reviewing its effectiveness. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. A sound and effective internal control system is designed for (i) safeguarding the interests of shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with the relevant laws and regulations. Such system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

CORPORATE GOVERNANCE REPORT

During the year, the Board through the audit committee has assessed the effectiveness of the internal control system of the Group including financial, operational and compliance controls and risk management functions. The Board is satisfied that, the present system of internal control is effective. The Group does not have the internal audit function and does not consider that there is a need to have one.

Communications with Shareholders

The Board communicates with the shareholders through the annual general meetings and special general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars, notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company. To offer accurate information to investors and shareholders on a timely and fair disclosure basis, a series of public events were hosted by directors and senior management right after results announcements. These served as interactive platforms for the management to address questions from investors and the media.

Auditors' remuneration

Cachet Certified Public Accountants Limited ("Cachet") were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 20 June 2008. Audit fees in respect of annual audit service amounted to HK$400,000. 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 Chapter 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 2008, 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 2008, 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.

REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

Jiangsu NandaSoft Technology Company Limited has compiled with the Company Law of the PRC during the year ended 31 December 2008, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year we provided reasonable suggestions and advice on the operations and development plans to the board and strictly and effectively monitored whether the policies and decisions made had conformed with the state laws and regulations and the Articles of Association of the Company or safeguarded the interests of the shareholders.

After 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
ZHANG XU YU
Chairman of the Supervisory Committee

Nanjing, the PRC
20 March 2009

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Professor Xie Li, (謝立), aged 67, is the Chairman of the Company, and the Professor and PhD student mentor of Nanjing University. Professor Xie 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. Liu Jian (alias Liu Jian Bang) (劉建，又名劉建邦) aged 53, graduated from the Department of Mathematics of the Nanjing University and studied international trade for one year in the Columbia University in the United States in 1989. In 1991, Mr. Liu established JBL International Inc, which is engaged in international trading of textile products in the PRC and the United States and its products are sold in Walmart, Target and JC Penny. In 1996, he was one of the founding shareholders of Lotus Pacific Inc. Lotus Pacific Inc, later renamed as Opta Corp (the "Opta"), where Mr. Liu had served as director until December 2006. Opta was successfully listed on NASDAQ and is engaged in research and development of manufacturing network equipment, Mr. Liu is its vice-chairman and deputy general manager. In 1998, Mr. Liu became the general manager of T&G Inc., which business is focused on international trading, real estate and financial investment. Mr. Liu participated in the establishment and investment of China Mountain Fund in February 2006. He became the president of Jiangsu NandaSoft Group in March 2008. He is currently the honorary chairman of the New York Chinese Businessmen's Association and vice-chairman of U.S. Chinese Chamber of Commerce. Mr. Liu was appointed as Chief Executive Officer of the Company in February 2008. Mr. Liu was appointed as executive director and Vice-Chairman of the Company in November 2008.

Mr. Pan Jian Xiang, (潘健翔), aged 46. Mr. Pan graduated from the Electrical Engineering Department of Dalian Maritime College and obtained a master degree in Engineering from the City College of New York in the United States. He has been the executive director of China Mountain Fund, director of Zhengzhou Huaqiao Friendship Real Estate Development Co., Ltd., executive director of Allied Team International Investment Limited, general manager of Hong Kong Tien Luen Trade Co., Ltd. and director of Guangdong Giovanni Trading Co., Ltd.. He has been engaged in international trading for many years and has participated in the operation of a number of world famous brands, including Citizen from Japan, Raymond Weil from Germany, Valentino from Italy and Alberto from United States. He possesses extensive experience in international trading and brand marketing in different industries including real estate, funds, cosmetics and retailing. Mr. Pan was appointed as Vice President of the Company in February 2008. Mr. Pan was appointed as executive director of the Company in June 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Zheng Rong,（陳峥嶸） aged 53, 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 Computor 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

Mr Yuan Ren Wei,（袁仁偉）, aged 39, is the vice president of Chengjiang Chamber of Commerce for Jiangyin City of Jiangsu Province（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.

Mr. Liu Winson Wing Sun（廖永燊）, aged 32, graduated from the Department of Estate Survey of the University of Technology, Sydney in Australia. He possesses extensive experience in real estate development, shopping centre management, constructions and project investment activities in Australia, Hong Kong and the PRC. Mr. Liu is a director of various companies including Hong Rui Real Estate Development Co., Ltd., Huizhou General Top Real Estate Development Co., Ltd and Sing Fat Construction Company Limited.

Professor Chen Dao Xu,（陳道蓄）, aged 62, is the 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. Professor Chen resigned in November 2008.

Ms. Zhang Yun Xia,（張雲霞）, aged 45, is a university graduate and a senior designer of Zongyi. Ms. Zhang was fashion designer working in Tongzhou 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. Ms. Zhang resigned in February 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Xu Huan Liang, (徐煥亮), aged 67, is a 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), aged 51, is the 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. Prof. Wang resigned in November 2008.

Mr. Yim Hing Wah, Terence (**嚴慶華**)**,** aged 44, 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.

Dr. Daxi Li (李大西), aged 60, is the chairman of Chinese Association of Science and Business. He obtained a doctoral degree from the City University of New York and continued his research in the McGill University of Canada, the City University of New York and the New York Institute of Technology as research associate and assistant professor from 1985 to 1991. He then worked in a number of major investment banks in the United States such as Salomon Brothers Inc. and Lehman Brothers Inc. for over 10 years, and was involved in many important IPO and venture capital investment projects. He is currently a director of the United Orient Bank and Huiheng Medical in the United States and the special consultant of China Opportunity Acquisition Corp. in the United States. He is also the overseas director of Chinese Western Returned Scholars Association, the consultant of China Association of Science and Technology and China Council for the Promotion of Applied Technology Exchanges with Foreign Countries (CCPAT) (中國國際技術交流協會), the director of Cross-Straits Conference of Guangdong Province and the economic consultant in many major provinces in the PRC by invitation. Dr. Li is also a director of Huiheng Medical Inc., being a listed company on the US Dow Jones stock market since November 2007. Dr. Li was appointed as independent non-executive director of the Company in November 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Members of Supervisory Committee

Mr. Zhang Xu Yu (張序余), aged 44, is the assistant to the university president and research executive of the Nanjing University. He graduated from the Department of Physics of the Nanjing University and obtained a master degree in 1987. He has been the league secretary of the Department of Physics of the Nanjing University, the deputy party secretary of the union of department, the department secretary and the administrator of the president's office of the Nanjing University since 1998. He studied and visited the University of Trento in Italy during the period of 1997 to 1998. Mr. Zhang was appointed Chairman of Supervisory Committee of the Company in December 2008.

Mr. Xu Ke Jian, (徐克儉), aged 54, graudated from the Faculty of Humanities of Nanjing University of Science and Technology specialised in ideological and political education. Mr. Xu was the duputy 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 union 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 deputy general manager of the Company. 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.

Mr. Jin Yi (金毅), aged 31, is a PhD student and the technical director of product marketing and service centre of the Company. He graduated from the Department of Computer Science and Technology of the Nanjing University and participated in many major research and development projects at state and provincial level. Mr. Jin joined the Company in July 2000.

Mr. Zhao Wei Dong (趙衛東), aged 36, is the manager of the financial department of the Company. He graduated from the Department of Economics of the Technology and Business University (originated from the Yuzhou University) with a major in Accounting. He was the head of the cost accounting section of the financial department of Chongqing Tingyu Food Co., Ltd., the chief financial officer of Chongqing Dongda Industry Company Ltd. and the manager of financial department of Oliva Cosmetic Company Ltd. with extensive experience in financial management. Mr. Zhao joined the Company in April 2008.

Professor Shi Jian Jun, (施建軍), aged 54, is a 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. Professor Shi resigned in March 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhou Ming Hai, (周明海), aged 59, is 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 Zhou was resigned at November 2008.

Mr. Lv Lei, (呂磊), aged 31, obtained a master degree and is the vice president of the NandaSoft Research Institute (蘇富特研究院). He graduated from the Department of Computer Science and Technology of Nanjing University and has participated in the research and development of various national and provincial key projects. He was awarded the First Prize of technology Progress of Jiangsu Province (江蘇省科技進步一等獎). Mr. Lv jointed the Company in July 1999. Mr. Lv was resigned at November 2008.

Members of the Independent Supervisory Committee

Mr. Shaw Yong Lei, (邵永雷), aged 67, 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.

Mr. Sun Xing Huan, (孫興煥), aged 51, graduated from university and is the general party branch secretary of Huangshan Village, Chengjiang Town, Jiangyin Municipal, the chairman of Jiangyin Nickel Screen Factory (江陰市鎳網廠有限公司), the chairman of Jiangyin Huangshan Group (江陰市黃山集團) and the chairman of Jiangsu Shuangyu Nickel Industry Hi-Tech Company Limited (江蘇雙宇鎳業高科有限公司). He is also the president of Surface Engineering Association of Jiangyin Municipal (江陰市表面工程協會), the vice president of the Chamber of Commerce of Chengjiang Town, Jiangyin Municipal (江陰市澄江鎮商會) and the executive officer of the Nickel Screen Professional Committee of the China Textile Machinery Association (中國紡織機械器材工業協會鎳網專業委員會). He served as deputy section chief of the Production Technology Section of Jiangyin Wuyi Cotton Textile Factory (江陰五一棉紡廠生技科) and deputy factory manager of Jiangying Xijiao Spinning Factory (江陰市西郊紡用廠), and was awarded the model worker of Wuxi Municipal and Jiangsu Province.

Senior Management

Mr. Pu Liang, (浦良), aged 45, is a 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 the Vice President of the Company.

Mr. Chen Xiaozhong (陸小忠), aged 38, is the 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 jointed the Company in May 2000 and was appointed as Vice President of the Company in November 2006.

Ms. Tong Sze Wan, (唐詩韻), aged 36, 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 OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY BY GIVEN that an Annual General Meeting of Jiangsu NandaSoft Technology Company Limited (the "Company") will be held at Room 502, NandaSoft Tower, No. 8, Jingyin Street, Nanjing, the PRC on 13 May 2009 (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 2008;

(2) To consider and pass the reports of the Supervisory Committee for the year 2008;

(3) To consider and pass the audited consolidated financial statements of the Company and its subsidiaries for the year 2008;

(4) To consider and pass the resolution of final dividend distribution for the year 2008;

(5) To consider and pass the resolution for making allotments of statutory surplus reserve for the year 2008;

(6) To consider and pass plans to re-appoint Cachet Certified Public Accountants Limited as auditors of the Company for the year 2009 and to authorise the Board of Directors to fix their remunerations; and

(7) To consider and pass the resolution of the remunerations for the year of 2009 with all directors (including Executive Director, Non-executive Directors and Independent Non-executive Directors) and Supervisors with the Company.

(8) 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 authorise 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;

NOTICE OF ANNUAL GENERAL MEETING

(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 authorised 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 authorised 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 10.

The object of the Company is to promote and develop the computer software industry in the PRC and Jiangsu Province, to facilitate the development and industrialisation of software, and to accelerate the construction of software development and application base. The Company is supported by high and new computer technologies and operates as a limited company based on international practices and scientific standards. Through effective and efficient management and utilisation of the operational advantages of marketisation, the Company strives to achieve comprehensive development, to bring satisfactory returns of investment interests for all Shareholders, and to create social benefits.

NOTICE OF ANNUAL GENERAL MEETING

To be amended as:

The object of the Company is to develop computer software and high and new technological products with independent intellectual property rights to promote the industrialisation of high and new technology achievements. The Company is supported by the Nanjing University in terms of advantages in scientific research, technology and talents to develop as a renowned high technology enterprise in both the domestic and overseas markets through characterisation, group management and internationalisation. In addition, through effective and efficient management and leveraging on the operation advantages of marketisation, the Company strives to achieve comprehensive development, to bring satisfactory returns of investment interests for all Shareholders, and to create social benefits.

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

Nanjing, the PRC
27 March 2009

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, 46/F, 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 14 April 2009 to 13 May 2009, 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 14 April 2009.

5. Shareholders entitled to attend the AGM are requested to deliver the reply slip for attendance to the Company Registrar before 29 April 2009.

INDEPENDENT AUDITORS' REPORT

CACHET
Cachet Certified Public Accountants Limited
德揚會計師事務所有限公司
13F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong

To the shareholders of Jiangsu NandaSoft Technology Company Limited
(Formerly known as "Jiangsu NandaSoft Company Limited")
(Established as a joint stock company in the People's Republic of China with limited liability)

We have audited the financial statements of Jiangsu NandaSoft Technology Company Limited (formerly known as "Jiangsu NandaSoft Company Limited", the "Company") set out on pages 36 to 103, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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. Our report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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.

INDEPENDENT AUDITORS' REPORT

Auditors' responsibility *(Continued)*

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and of the profit and cash flows of the Group for the year then ended 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
20 March 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 RMB	2007 RMB
REVENUE	5	**260,480,104**	305,728,452
Cost of sales	6	**(214,904,230)**	(274,012,677)
Gross profit		**45,575,874**	31,715,775
Other income and gains	5	**12,924,187**	28,190,308
Selling and distribution costs		**(18,460,067)**	(19,704,573)
Research and development costs	6	**(204,669)**	(906,946)
Administrative expenses		**(26,587,380)**	(29,911,347)
Finance costs	7	**(643,503)**	(2,596,425)
Share of losses of associated companies	17	**(41,281)**	(244,581)
PROFIT BEFORE TAX	6	**12,563,161**	6,542,211
Tax	10	**(715,372)**	(351,402)
PROFIT FOR THE YEAR		**11,847,789**	6,190,809
Attributable to:			
Equity holders of the Company	11	**10,904,457**	6,445,375
Minority interests		**943,332**	(254,566)
		11,847,789	6,190,809
DIVIDENDS		**—**	—
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**1.17 cents**	0.69 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB	2007 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,705,929**	3,873,055
Intangible assets	15	**18,341,509**	19,128,305
Interests in associated companies	17	**7,923,117**	9,296,430
Available-for-sale investments	18	**1,360,053**	1,546,982
Construction in progress	19	**27,675,507**	24,029,553
Deposits paid	20	**18,060,000**	—
Total non-current assets		**77,066,115**	57,874,325
CURRENT ASSETS			
Inventories	21	**45,442,795**	42,394,962
Trade and other receivables	22	**109,901,147**	105,331,935
Equity investments at fair value through profit or loss	23	**264,331**	61,000
Due from shareholders	32	**5,976,185**	35,736,681
Due from a minority shareholder	32	**—**	29,642
Due from an associated company	32	**—**	11,220
Cash and cash equivalents	24	**29,423,371**	30,577,880
Total current assets		**191,007,829**	214,143,320
CURRENT LIABILITIES			
Trade and other payables	25	**35,390,390**	45,447,200
Receipts in advance, other creditors and accrued expenses		**28,675,037**	36,495,043
Due to a shareholder	32	**115,297**	115,297
Interest-bearing bank and other borrowings	26	**19,000,000**	8,000,000
Tax payable		**303,191**	92,199
Total current liabilities		**83,483,915**	90,149,739
NET CURRENT ASSETS		**107,523,914**	123,993,581
TOTAL ASSETS LESS CURRENT LIABILITIES		**184,590,029**	181,867,906

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB	2007 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**184,590,029**	181,867,906
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*26*	**—**	(10,000,000)
Net assets		**184,590,029**	171,867,906
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*27*	**93,400,000**	93,400,000
Reserves	*29(a)*	**78,324,418**	67,925,492
		171,724,418	161,325,492
Minority interests		**12,865,611**	10,542,414
Total equity		**184,590,029**	171,867,906

Xie Li
Director

Liu Jian Bang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the parent								
	Share capital	Share premium account	Statutory surplus reserve	Discretionary surplus reserve	Translation reserve	Retained earnings	Total	Minority interests	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	(note 27)	*(note 29(a))*	*(note 29(a))*	*(note 29(a))*					
At 1 January 2007	93,400,000	48,868,818	7,269,610	—	(45,195)	5,491,101	154,984,334	18,140,772	173,125,106
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	(104,217)	—	(104,217)	—	(104,217)
Profit for the year	—	—	—	—	—	6,445,375	6,445,375	(254,566)	6,190,809
Total recognised income and expenses for the year	—	—	—	—	(104,217)	6,445,375	6,341,158	(254,566)	6,086,592
Appropriations	—	—	(2,451,777)	—	—	2,451,777	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(220,080)	(220,080)
Disposal of subsidiaries	—	—	—	—	—	—	—	(7,123,712)	(7,123,712)
At 31 December 2007 and 1 January 2008	93,400,000	48,868,818	4,817,833	—	(149,412)	14,388,253	161,325,492	10,542,414	171,867,906
Exchange differences arising on translation of foreign operation recognised directly in equity	—	—	—	—	(36,312)	—	(36,312)	—	(36,312)
Profit for the year	—	—	—	—	—	10,904,457	10,904,457	943,332	11,847,789
Total recognised income and expenses for the year	—	—	—	—	(36,312)	10,904,457	10,868,145	943,332	11,811,477
Appropriations	—	—	145,879	76,000	—	(221,879)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(121,600)	(121,600)
Contribution of capital to subsidiaries by minority shareholders	—	—	—	—	—	—	—	3,004,343	3,004,343
Decrease in minority shareholders' interests in subsidiaries	—	—	—	—	—	—	—	(610,000)	(610,000)
Disposal of subsidiaries	—	—	(469,219)	—	—	—	(469,219)	(892,878)	(1,362,097)
At 31 December 2008	**93,400,000**	**48,868,818**	**4,494,493**	**76,000**	**(185,724)**	**25,070,831**	**171,724,418**	**12,865,611**	**184,590,029**

CONSOLIDATED CASH FLOW STATEMENT

31 December 2008

	Notes	2008 RMB	2007 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**12,563,161**	6,542,211
Adjustments for:			
Interest paid	7	**427,336**	2,349,093
Share of losses of associated companies	17	**41,281**	244,581
Interest income	5	**(240,927)**	(252,978)
Gain on disposal of items of buildings and prepaid land lease payments	5	**—**	(15,695,305)
Gain on disposal of available-for-sale investments	5	**(9,479)**	(1,186,090)
(Gain)/loss on disposal of subsidiaries	5	**(4,388,874)**	482,226
Loss on disposal of associated companies	6	**345,159**	—
Loss on disposal of items of property, plant and equipment	6	**105,624**	313
Depreciation of property, plant and equipment	13	**1,397,058**	1,896,729
Recognition of prepaid land lease payments	14	**—**	59,250
Amortisation of intangible assets	15	**3,527,153**	4,201,315
Operating profit/(loss) before movements in working capital		**13,767,492**	(1,358,655)
Increase in inventories		**(4,045,473)**	(7,542,722)
(Increase)/decrease in trade and other receivables		**(21,717,320)**	16,670,747
(Decrease)/increase in trade and other payables		**(6,096,957)**	4,402,234
Increase/(decrease) in receipt in advance, other creditors and accrued expenses		**8,110,602**	(7,567,048)
Cash (used in)/generated from operations		**(9,981,656)**	4,604,556
Interest received		**240,927**	252,978
Interest paid		**(427,336)**	(2,349,093)
PRC income tax paid		**(539,506)**	(350,788)
Net cash (outflow)/inflow from operating activities		**(10,707,571)**	2,157,653

CONSOLIDATED CASH FLOW STATEMENT

31 December 2008

	Notes	2008 RMB	2007 RMB
Net cash (outflow)/inflow from operating activities		**(10,707,571)**	2,157,653
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*13*	**(1,798,918)**	(1,178,560)
Proceeds from disposal of items of buildings and prepaid land lease payments		**—**	46,687,562
Proceeds from disposal of available-for-sale investment		**386,408**	3,186,000
Proceeds from disposal of property, plant and equipment		**385,700**	—
Additions to intangible assets	*15*	**(2,740,357)**	(4,146,035)
Proceeds from disposal of associated companies		**636,873**	—
Net cash inflow arising from disposal of subsidiaries	*30*	**944,899**	4,907,652
Repayment from/(advance to) sharerholders		**29,760,496**	(32,178,642)
Repayment from minority shareholders		**29,642**	1,115,705
(Increase)/decrease in equity investments at fair value through profit or loss		**(203,331)**	244,060
Increase in deposits paid		**(18,060,000)**	—
Increase in construction in progress	*19*	**(3,645,954)**	(1,277,553)
Net cash inflow from investing activities		**5,695,458**	17,360,189
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders of subsidiaries		**3,004,343**	—
Repayment to/(advance from) associated companies		**11,220**	(11,220)
New bank loans		**9,000,000**	8,000,000
Repayment of bank loans		**(8,000,000)**	(63,000,000)
Dividend paid to minority shareholders		**(121,600)**	(220,080)
Net cash inflow/(outflow) from financing activities		**3,893,963**	(55,231,300)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,118,150)**	(35,713,458)
Cash and cash equivalents at beginning of year		**30,577,880**	66,371,906
Effect of foreign exchange rate changes, net		**(36,359)**	(80,568)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**29,423,371**	30,577,880
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**29,423,371**	30,577,880

BALANCE SHEET

31 December 2008

	Notes	2008 RMB	2007 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,136,227**	1,573,160
Intangible assets	15	**17,673,009**	18,568,305
Investments in subsidiaries	16	**51,147,072**	42,331,360
Investments in associated companies	17	**7,923,117**	8,355,372
Available-for-sale investments	18	**1,170,053**	1,170,053
Construction in progress	19	**27,675,507**	24,029,553
Deposits paid	20	**12,210,000**	—
Total non-current assets		**119,934,985**	96,027,803
CURRENT ASSETS			
Inventories	21	**17,345,118**	8,545,825
Trade and other receivables	22	**88,108,634**	59,869,456
Due from shareholders	32	**5,976,185**	35,736,681
Dividend receivable		**9,367,838**	10,248,650
Cash and cash equivalents	24	**10,905,996**	13,343,645
Total current assets		**131,703,771**	127,744,257
CURRENT LIABILITIES			
Trade and other payables	25	**36,569,555**	18,041,005
Receipts in advance, other creditors and accrued expenses		**26,445,291**	29,136,095
Due to a shareholder	32	**115,297**	115,297
Interest-bearing bank and other borrowings	26	**19,000,000**	8,000,000
Total current liabilities		**82,130,143**	55,292,397
NET CURRENT ASSETS		**49,573,628**	72,451,860
TOTAL ASSETS LESS CURRENT LIABILITIES		**169,508,613**	168,479,663
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**—**	(10,000,000)
Net assets		**169,508,613**	158,479,663
EQUITY			
Issued capital	27	**93,400,000**	93,400,000
Reserves	29(b)	**76,108,613**	65,079,663
Total equity		**169,508,613**	158,479,663

Xie Li
Director

Liu Jian Bang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. Corporate Information

Jiangsu NandaSoft Technology Company Limited (the "Company") (formerly known as "Jiangsu NandaSoft Company Limited") 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. Pursuant to the special resolution of the Company passed on 20 June 2008 and under the regulations of State Adminstration For Industry & Commerce of the PRC, the name of the Company was changed from "Jiangsu NandaSoft Company Limited" to "Jiangsu NandaSoft Technology Company Limited" with effective from 22 September 2008.

The Company's registered office and principal place of business in the PRC is located at NandaSoft Tower, 8, Jinyin Street, Shanghai Road, Nanjing, the PRC. The Company's registered office and principal place of business in Hong Kong is located at Room 08-09, 15/F., Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

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.

The consolidated financial statements are presented in Renminbi, which is the same as the functional 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 include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. 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 income, expenses and unrealised gains and losses from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.1 Basis of Preparation *(Continued)*

Basis of consolidation *(Continued)*

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 business combinations 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.

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 entity concept method whereby the difference, if any, 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 interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

NOTES TO FINANCIAL STATEMENTS

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2.2 Impact of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

(a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets *(Continued)*

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group did not reclassify any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statement[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Share-based payment — Vesting Conditions and Cancellation[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendments)	Financial Instruments Disclosures[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[1]
HK(IFRIC)-Int 15	Agreements for the construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[2]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[4]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2008
2 Effective for annual periods beginning on or after 1 October 2008
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in a changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies are under 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 loss.

Associated companies

An associated company 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 interests in associated companies 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 Group's share of the post-acquisition results and reserves of associated companies is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associated companies, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associated companies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction in progress, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets *(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 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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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 an impairment loss is credited to the income statement in the period in which it arises.

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;

(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).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 methods are reviewed, and adjusted if appropriate, at least 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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. Derivatives, including separated embedded derivatives, and also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

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 less any allowance for impairment. 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. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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; and other valuation models.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

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.

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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 by adjusting the allowance account. 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 and other 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 and significant changes in the technological, market economic or legal environment that have an adverse effect on 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgments. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

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

Financial liabilities including trade and other payables, receipts in advance, other creditors and accrued expenses, amount due to a shareholder and interest-bearing bank and other 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. The related interest expense is recognised within "financial costs" in the income statement.

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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 and associated companies, 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.

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 and associated companies, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

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.

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 system integration services, it comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments arising from system integration contract services; 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2.4 Summary of Significant Accounting Policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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 and associated companies 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 a separate component of the exchange fluctuation reserve. 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 subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Estimation uncertainty

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.

Provision for impairment on trade and other receivables

The policy for impairment allowances on trade and other receivables 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 customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes impairment 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.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Judgments *(Continued)*

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Useful lives and residual values of intangible assets

The management of Group assesses whether the intangible assets are of finite useful lives at each balance sheet date. In determining useful lives of finite intangible assets, the Group has consider various factors, such as expected usage of the asset, expected period of future economic benefit and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that generate similar future economic benefits. Additional amortisation is made if the estimated useful lives of finite intangible assets are different from previous estimation. Useful lives are reviewed at each financial year end date based on changes in circumstances.

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. As at 31 December 2008, the best estimate of the carrying amount of capitalised development costs was RMB17,673,009 (2007: RMB18,368,305).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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 hardware and software products and (ii) systems integration services (including provision of IT consulting services) and (iii) trading of IT related products and equipment, and mobile phone, 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.

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007:

Group

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phone		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
REVENUE	192,185,634	211,426,174	62,639,104	75,863,370	5,655,366	18,438,908	260,480,104	305,728,452
RESULTS	(4,619,947)	(17,522,497)	8,548,151	908,251	(761,030)	(285,035)	3,167,174	(16,899,281)
Other income and gains							12,924,187	28,190,308
Unallocated corporate expenses							(2,843,416)	(1,907,810)
Finance costs							(643,503)	(2,596,425)
Share of results of associated companies							(41,281)	(244,581)
Profit before tax							12,563,161	6,542,211
Tax							(715,372)	(351,402)
Profit for the year							11,847,789	6,190,809

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. Segment Information *(Continued)*

Group *(Continued)*

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phone		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
BALANCE SHEET								
ASSETS								
Segment assets	122,443,116	129,356,085	58,249,420	43,728,772	3,603,082	10,792,576	184,295,618	183,877,433
Interests in associated companies							7,923,117	9,296,430
Unallocated assets							75,855,209	78,843,782
Consolidated total assets							268,073,944	272,017,645
LIABILITIES								
Segment liabilities	37,137,446	44,217,027	12,104,215	14,947,548	1,092,828	3,689,162	50,334,489	62,853,737
Unallocated liabilities							33,149,426	37,296,002
Consolidated total liabilities							83,483,915	100,149,739
OTHER INFORMATION								
Additions of property, plant and equipment	961,670	736,996	643,162	423,562	194,086	18,002	1,798,918	1,178,560
Additions of intangible assets	—	—	2,740,357	4,146,035	—	—	2,740,357	4,146,035
Impairment of trade and other receivables	1,988,451	7,414,574	1,155,276	2,686,439	—	644,745	3,143,727	10,745,758
Amortisation of intangible assets	—	—	3,527,153	4,201,315	—	—	3,527,153	4,201,315
Depreciation of property, plant, and equipment	746,572	783,594	576,724	891,672	73,762	221,463	1,397,058	1,896,729

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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:

	Group	
	2008	2007
	RMB	*RMB*
Revenue		
Sale of goods:		
Computer hardware and software products	**192,185,634**	211,426,174
Trading of IT related products and equipment, and mobile phone	**5,655,366**	18,438,908
Rendering of system integration services	**62,639,104**	75,863,370
	260,480,104	305,728,452
Other income and gains		
Bank interest income	**240,927**	252,978
PRC value added tax refunded	**561,883**	886,940
Gain on disposal of buildings and prepaid land lease payments	**—**	15,695,305
Gain on disposal of available-for-sale investments	**9,479**	1,186,090
Gain on disposal of equity investments at fair value through profit or loss	**192,789**	4,201,649
Gain on disposal of subsidiaries *(note 30)*	**4,388,874**	—
Government grants received	**7,159,786**	3,000,000
Others	**370,449**	2,967,346
	12,924,187	28,190,308
	273,404,291	333,918,760

NOTES TO FINANCIAL STATEMENTS

31 December 2008

6. Profit Before Tax

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

	Group	
	2008	2007
	RMB	*RMB*
Cost of sales:		
Cost of computer hardware and software sold	**173,201,737**	201,069,859
Cost of services provided	**37,517,201**	56,551,791
Cost of IT related products and equipment sold	**4,185,292**	16,391,027
	214,904,230	274,012,677
Depreciation of property, plant and equipment *(note 13)*	**1,397,058**	1,896,729
Amortisation of intangible assets *(note 15)*	**3,527,153**	4,201,315
Research and development costs:		
Deferred expenditure amortised *(note 15)*	**3,225,653**	3,225,653
Current year expenditure	**579,016**	944,593
Less: Government grants released	**(3,600,000)**	(3,263,300)
	204,669	906,946
Minimum lease payments under operating leases on office premises	**1,049,315**	1,043,343
Auditors' remuneration	**352,625**	400,000
Loss on disposal of subsidiaries	**—**	482,226
Loss on disposal of associated companies	**345,159**	—
Loss on disposal of items of property, plant and equipment	**105,624**	313
Employee benefits expense (excluding directors' and supervisors' remuneration *(note 8)*):		
Salaries and allowances	**17,964,055**	16,729,938
Pension scheme contribution	**1,286,881**	450,006
	19,250,936	17,179,944
Foreign exchange differences, net	**87,373**	187,126
Impairment of trade and other receivables *(note 22a)*	**3,143,727**	10,745,758
Bank interest income	**(240,927)**	(252,978)
Gain on disposal of buildings and prepaid land lease payments	**—**	(15,695,305)

7. Finance Costs

	Group	
	2008	2007
	RMB	*RMB*
Interest on bank loans wholly repayable within five years	**427,336**	2,349,093
Bank charges	**216,167**	247,332
	643,503	2,596,425

NOTES TO FINANCIAL STATEMENTS

31 December 2008

8. Directors' and Supervisors' Remuneration

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

	Group	
	2008	2007
	RMB	*RMB*
Directors' fees:		
Independent non-executive directors	**24,800**	24,000
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**440,015**	303,860
Non-executive directors	**22,134**	28,000
	462,149	331,860
	486,949	355,860
Supervisors' emoluments:		
Salaries, allowances and other benefits	**39,000**	39,000

(a) Independent non-executive directors

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

	Group	
	2008	2007
	RMB	*RMB*
Mr. Xu Huan Liang	**8,000**	8,000
Mr. Yim Hing Wah	**8,000**	8,000
Dr. Daxi Li (appointed on 7 November 2008)	**800**	—
Professor Wang Zhi Jian (resigned on 7 November 2008)	**8,000**	8,000
	24,800	24,000

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

(b) Executive directors and non-executive directors

	Group				
	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
2008					
Executive directors:					
Professor Xie Li	—	224,890	—	—	224,890
Mr. Chen Zheng Rong	—	112,000	—	—	112,000
Mr. Pan Jian Xiang (appointed on 20 June 2008)*	—	73,125	—	—	73,125
Mr. Liu Jian (alias Liu Jian Bang) (appointed on 7 November 2008)*	—	30,000	—	—	30,000
	—	440,015	—	—	440,015
Non-executive director:					
Mr. Yuan Ren Wei	—	12,000	—	—	12,000
Mr. Liu Winson Wing Sun (appointed on 7 November 2008)	—	800	—	—	800
Professor Chen Dao Xu (resigned on 7 November 2008)	—	8,000	—	—	8,000
Ms. Zhang Yun Xia (resigned on 4 February 2008)	—	1,334	—	—	1,334
	—	22,134	—	—	22,134
	—	462,149	—	—	462,149

* Mr. Pan Jian Xiang and Mr. Liu Jian Bang were appointed as executive directors in June 2008 and November 2008, respectively. Their emoluments from the date of their appointment as the executive directors were included as directors' remuneration for the year ended 31 December 2008. However, as they were employed by the Group prior to June 2008 and November 2008, respectively, their emoluments had been included as staff costs.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

(b) Executive directors and non-executive directors *(Continued)*

	Group				
	Fees *RMB*	Salaries, allowances and benefits in kind *RMB*	Performance related bonuses *RMB*	Pension scheme contributions *RMB*	Total remuneration *RMB*
2007					
Executive directors:					
Professor Xie Li	—	191,860	—	—	191,860
Mr. Chen Zheng Rong	—	112,000	—	—	112,000
	—	303,860	—	—	303,860
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
	—	331,860	—	—	331,860

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2007: Nil).

No further emoluments were paid by the Group to the executive and non-executive directors either as an inducement upon joining or to join the Group, or as compensation for loss of office.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2007: two) directors of which two of them were appointed as directors, in June 2008 and November 2008, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	RMB	*RMB*
Salaries, allowances and other benefits	**307,100**	326,981
Pension scheme contributions	**—**	—
	307,100	326,981

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

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**2**	3

10. Tax

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 has decreased from 33% to 25% on 1 January 2008 and thereafter.

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

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% relief from the state corporate income tax rates of either 15% and 33% in the succeeding three years (the "Tax Holiday"), commencing from the first profitable year. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2007: 33%) is applicable to these subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. Tax *(Continued)*

	Group	
	2008	2007
	RMB	*RMB*
Current — the PRC:		
Charge for the year	**529,088**	359,674
Underprovision/(overprovision) in prior years	**186,284**	(8,272)
	715,372	351,402
Deferred tax	**—**	—
Total tax charge for the year	**715,372**	351,402

A reconciliation of the tax expense applicable to profit before tax using the average tax rates applicable to profits in the countries concerned to the tax expense at the effective tax rate is as follows:

	Group			
	2008		2007	
	RMB	***%***	*RMB*	*%*
Profit before tax	**12,563,160**		6,542,211	
Tax at the average tax rates applicable to profits in the countries concerned	**3,220,524**	**25.6**	2,158,930	33.0
Tax effect of share of results of associated companies	**10,320**	**0.1**	63,383	1.0
Tax effect of expenses not deductible	**3,843,592**	**30.6**	694,673	10.6
Tax effect of income not taxable	**(5,852,473)**	**(46.6)**	(7,983,539)	(122.0)
Underprovision/(overprovision) in the prior year	**186,284**	**1.5**	(8,272)	(0.1)
Tax effect of tax losses not recognised	**(107,829)**	**(0.9)**	609,347	9.3
Tax losses utilised from previous year	**(579,397)**	**(4.6)**	(1,268,235)	(19.4)
Effect of concessionary tax rate	**(192,475)**	**(1.5)**	4,620,946	70.6
Others	**186,826**	**1.5**	1,464,169	22.4
Tax charge at the Group's effective tax rate	**715,372**	**5.7**	351,402	5.4

The share of tax attributable to associated companies of RMB Nil (2007: Nil) is included in "Share of profits and losses of associated companies" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. Tax *(Continued)*

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

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Tax losses	**5,293,747**	5,980,973	**2,686,425**	4,144,266
Deductible temporary differences	**9,286,130**	5,098,751	**4,334,739**	5,076,260
	14,579,877	11,079,724	**7,021,164**	9,220,526

The above tax losses are available for a period of one to five years for offsetting against future taxable profits of the companies operating in the PRC 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.

Pursuant to the PRC Corporate Income Tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

11. Net Profit Attributable to Equity Holders of the Company

The consolidated net profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of RMB11,028,950 (note 29(b)) (2007: RMB6,663,330) which has been dealt with in the financial statements of the Company.

12. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the profit attributable to equity holders of the Company of RMB10,904,457 (2007: RMB6,445,375) and on 934,000,000 (2007: 934,000,000) shares in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2008 and 2007 as there existed no diluting events during the years.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

13. Property, Plant and Equipment

	Group				
	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
31 December 2008					
At 1 January 2008:					
Cost	—	200,753	8,553,551	4,769,768	13,524,072
Accumulated depreciation	—	(200,753)	(6,411,556)	(3,038,708)	(9,651,017)
Net carrying amount	—	—	2,141,995	1,731,060	3,873,055
At 1 January 2008, net of accumulated depreciation	—	—	2,141,995	1,731,060	3,873,055
Additions	—	—	725,108	1,073,810	1,798,918
Depreciation provided during the year	—	—	(882,876)	(514,182)	(1,397,058)
Disposals	—	—	—	(491,324)	(491,324)
Disposal of subsidiaries	—	—	(77,709)	—	(77,709)
Exchange realignment	—	—	47	—	47
At 31 December 2008, net of accumulated depreciation	—	—	1,906,565	1,799,364	3,705,929
At 31 December 2008:					
Cost	—	200,753	9,044,040	5,181,243	14,426,036
Accumulated depreciation	—	(200,753)	(7,137,522)	(3,381,879)	(10,720,154)
Exchange realignment	—	—	47	—	47
Net carrying amount	—	—	1,906,565	1,799,364	3,705,929
31 December 2007					
At 1 January 2007:					
Cost	20,912,783	200,753	10,302,046	4,911,335	36,326,917
Accumulated depreciation	(4,287,004)	(200,753)	(6,296,708)	(2,790,681)	(13,575,146)
Net carrying amount	16,625,779	—	4,005,338	2,120,654	22,751,771
At 1 January 2007, net of accumulated depreciation	16,625,779	—	4,005,338	2,120,654	22,751,771
Additions	—	—	442,856	735,704	1,178,560
Depreciation provided during the year	(169,394)	—	(1,315,630)	(411,705)	(1,896,729)
Disposals	(16,456,385)	—	(101,314)	—	(16,557,699)
Disposal of a subsidiary	—	—	(889,255)	(713,593)	(1,602,848)
At 31 December 2007, net of accumulated depreciation	—	—	2,141,995	1,731,060	3,873,055
At 31 December 2007:					
Cost	—	200,753	8,553,551	4,769,768	13,524,072
Accumulated depreciation	—	(200,753)	(6,411,556)	(3,038,708)	(9,651,017)
Net carrying amount	—	—	2,141,995	1,731,060	3,873,055

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

	Company			
	Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB	*RMB*	*RMB*	*RMB*
31 December 2008				
At 1 January 2008:				
Cost	—	4,310,971	2,061,157	6,372,128
Accumulated depreciation	—	(3,414,298)	(1,384,670)	(4,798,968)
Net carrying amount	—	896,673	676,487	1,573,160
At 1 January 2008, net of accumulated depreciation	—	896,673	676,487	1,573,160
Additions	—	73,086	1,073,810	1,146,896
Depreciation provided during the year	—	(329,170)	(254,659)	(583,829)
At 31 December 2008, net of accumulated depreciation	—	640,589	1,495,638	2,136,227
At 31 December 2008:				
Cost	—	4,384,057	3,134,967	7,519,024
Accumulated depreciation	—	(3,743,468)	(1,639,329)	(5,382,797)
Net carrying amount	—	640,589	1,495,638	2,136,227
31 December 2007				
At 1 January 2007:				
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
At 1 January 2007, net of accumulated depreciation	16,625,779	1,217,786	223,245	18,066,810
Additions	—	112,771	575,704	688,475
Depreciation provided during the year	(169,394)	(433,884)	(122,462)	(725,740)
Disposals	(16,456,385)	—	—	(16,456,385)
At 31 December 2007, net of accumulated depreciation	—	896,673	676,487	1,573,160
At 31 December 2007:				
Cost	—	4,310,971	2,061,157	6,372,128
Accumulated depreciation	—	(3,414,298)	(1,384,670)	(4,798,968)
Net carrying amount	—	896,673	676,487	1,573,160

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14. Prepaid Land Lease Payments

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Carrying amount at 1 January	**—**	10,045,105	**—**	10,045,105
Recognised during the year	**—**	(59,250)	**—**	(59,250)
Disposal during the year	**—**	(9,985,855)	**—**	(9,985,855)
Carrying amount at 31 December	**—**	—	**—**	—

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

15. Intangible Assets

	Group			
	Deferred development costs	**Copy rights**	**Other intangible assets**	**Total**
	RMB	***RMB***	***RMB***	***RMB***
31 December 2008				
At 1 January 2008:				
Cost	**32,459,725**	**6,019,022**	**600,000**	**39,078,747**
Accumulated amortisation	**(14,091,420)**	**(5,819,022)**	**(40,000)**	**(19,950,442)**
Net carrying value	**18,368,305**	**200,000**	**560,000**	**19,128,305**
At 1 January 2008, net of accumulated amortisation	**18,368,305**	**200,000**	**560,000**	**19,128,305**
Additions	**2,530,357**	**—**	**210,000**	**2,740,357**
Amortisation during the year	**(3,225,653)**	**(200,000)**	**(101,500)**	**(3,527,153)**
At 31 December 2008, net of accumulated amortisation	**17,673,009**	**—**	**668,500**	**18,341,509**
At 31 December 2008:				
Cost	**34,990,082**	**6,019,022**	**810,000**	**41,819,104**
Accumulated amortisation	**(17,317,073)**	**(6,019,022)**	**(141,500)**	**(23,477,595)**
Net carrying value	**17,673,009**	**—**	**668,500**	**18,341,509**

NOTES TO FINANCIAL STATEMENTS

31 December 2008

15. Intangible Assets *(Continued)*

	Group			
	Deferred development costs *RMB*	Copy rights *RMB*	Other intangible assets *RMB*	Total *RMB*
31 December 2007				
At 1 January 2007:				
Cost	28,913,690	6,019,022	1,000,000	35,932,712
Accumulated amortisation	(10,865,767)	(4,925,027)	(458,333)	(16,249,127)
Net carrying value	18,047,923	1,093,995	541,667	19,683,585
At 1 January 2007, net of accumulated amortisation	18,047,923	1,093,995	541,667	19,683,585
Additions	3,546,035	—	600,000	4,146,035
Disposal of a subsidiary	—	—	(500,000)	(500,000)
Amortisation during the year	(3,225,653)	(893,995)	(81,667)	(4,201,315)
At 31 December 2007, net of accumulated amortisation	18,368,305	200,000	560,000	19,128,305
At 31 December 2007:				
Cost	32,459,725	6,019,022	600,000	39,078,747
Accumulated amortisation	(14,091,420)	(5,819,022)	(40,000)	(19,950,442)
Net carrying value	18,368,305	200,000	560,000	19,128,305

NOTES TO FINANCIAL STATEMENTS

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15. Intangible Assets *(Continued)*

	Company		
	Deferred development costs	Copy rights	Total
	RMB	*RMB*	*RMB*
31 December 2008			
At 1 January 2008:			
Cost	32,459,725	5,055,994	37,515,719
Accumulated amortisation	(14,091,420)	(4,855,994)	(18,947,414)
Net carrying value	18,368,305	200,000	18,568,305
At 1 January 2008, net of accumulated amortisation	18,368,305	200,000	18,568,305
Additions	2,530,357	—	2,530,357
Amortisation during the year	(3,225,653)	(200,000)	(3,425,653)
At 31 December 2008, net of accumulated amortisation	17,673,009	—	17,673,009
At 31 December 2008:			
Cost	34,990,082	5,055,994	40,046,076
Accumulated amortisation	(17,317,073)	(5,055,994)	(22,373,067)
Net carrying value	17,673,009	—	17,673,009

NOTES TO FINANCIAL STATEMENTS

31 December 2008

15. Intangible Assets *(Continued)*

	Company		
	Deferred development costs *RMB*	Copy rights *RMB*	Total *RMB*
31 December 2007			
At 1 January 2007:			
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
At 1 January 2007, net of accumulated amortisation	18,047,923	1,093,995	19,141,918
Additions	3,546,035	—	3,546,035
Amortisation during the year	(3,225,653)	(893,995)	(4,119,648)
At 31 December 2007, net of accumulated amortisation	18,368,305	200,000	18,568,305
At 31 December 2007:			
Cost	32,459,725	5,055,994	37,515,719
Accumulated amortisation	(14,091,420)	(4,855,994)	(18,947,414)
Net carrying value	18,368,305	200,000	18,568,305

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16. Investments in Subsidiaries

	Company 2008 RMB	Company 2007 RMB
Unlisted equity investments/shares, at cost	**51,147,072**	42,331,360

Particulars of the principal subsidiaries at 31 December 2008 were as follows:

Name of subsidiary	Place of establishment/ incorporation and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company *Directly*	Percentage of paid up/issued capital held by the Company *Indirectly*	Principal activities
Beijing NandaSoft Digital Technology Company Limited*#	PRC	RMB2,000,000	80%	—	Sale of computer hardware products and equipment
Jiangsu Fuyue Technology Co., Ltd.*#	PRC	RMB5,000,000	60%	—	Sale of computer hardware products and equipment
Jiangsu NandaSoft (Hong Kong) Company Limited	HK	HK$1,000,000	100%	—	Investment holding (2007: Trading of equipment)
Jiangsu NandaSoft Xin Yi Technology Company Limited*#	PRC	RMB5,000,000	—	84.7%	Sale of computer hardware products and equipment
Jiangsu NandaSoft Communication Company Limited*#	PRC	RMB5,000,000	51%	—	Not yet commence business
Jiangsu Sheng Feng Investment Company Limited*#	PRC	RMB10,000,000	95%	4.9%	Investment holding
NandaSoft Telecommunication Technology (Hong Kong) Limited	HK	HK$1,000,000	—	100%	Repairing of mobile phone service

NOTES TO FINANCIAL STATEMENTS

31 December 2008

16. Investments in Subsidiaries *(Continued)*

Particulars of the principal subsidiaries at 31 December 2008 were as follows *(Continued)*:

Name of subsidiary	Place of establishment/ incorporation and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company *Directly*	*Indirectly*	Principal activities
Nanjing NandaSoft Computer Engineering Company Limited*#	PRC	RMB7,000,000	51%	—	Sale of computer hardware products and equipment
Nanjing NandaSoft System Integration Company Limited*#	PRC	RMB20,000,000	98%	—	System Integration
Shenyang Soft Software Development Company Limited*#	PRC	RMB10,000,000	70%	—	Not yet commence business
Shenzhen NandaSoft Network Technology Company Limited*#	PRC	RMB5,000,000	—	97.7%	Sale of computer hardware products and equipment
Suzhou NandaSoft Technology Company Limited*#	PRC	RMB11,500,000	—	83.5%	Sale of computer hardware products and equipment

* Cachet Certified Public Accountants Limited are not the statutory auditors of these companies.

\# The English names of these subsidiaries are directly translated from their Chinese names as no English names have been registered.

The above table lists the subsidiaries of the Company which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. Investments in Associated Companies

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at cost	**—**	—	**8,000,000**	8,400,000
Share of net assets	**7,923,117**	9,296,430	**—**	—
Less: Impairment	**—**	—	**(76,883)**	(44,628)
	7,923,117	9,296,430	**7,923,117**	8,355,372

The Group's balances with the associated companies are disclosed in note 32 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

17. Investments in Associated Companies *(Continued)*

Particulars of the associated companies as at 31 December 2008 were as follows:

Name of associated company	Place of establishment and operation	Paid up capital	Percentage of paid up capital held by the Company		Principal activity
			Directly	*Indirectly*	
Jiangsu NandaSoft Tianmuhu Hi-tech Company Limited#	PRC	RMB20,000,000	25%	—	Not yet commenced business
Shenzhen Nanda Research Institute Company Limited#	PRC	RMB10,000,000	30%	—	Not yet commenced business

\# The English names of the above associated companies are directly translated from their Chinese names as no English names have been registered.

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

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

	2008	2007
	RMB	*RMB*
Total assets	**47,790,222**	41,538,652
Total liabilities	**(18,101,108)**	(8,164,982)
Net assets	**29,689,114**	33,373,670
Group's share of net assets of associated companies	**7,923,117**	9,296,430
Revenue	**—**	460,554
Loss for the year	**(135,197)**	(503,054)
Group's share of loss of associated companies for the year	**(41,281)**	(244,581)

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18. Available-for-sale Investments

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at fair value	**1,360,053**	1,546,982	**1,170,053**	1,170,053

The 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.

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.

19. Construction in Progress

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Cost at 1 January	**24,029,553**	—	**24,029,553**	—
Reclassified from deposits paid	**—**	22,752,000	**—**	22,752,000
Additions during the year	**3,645,954**	1,277,553	**3,645,954**	1,277,553
Cost at 31 December	**27,675,507**	24,029,553	**27,675,507**	24,029,553

The construction in progress comprises a land use right and the related construction and other project costs. The land use right is held under a medium term lease and is situated in the PRC.

As at 31 December 2008, the Company and the Group had authorised but not contracted committments for the construction costs of approximately RMB5,700,000 (2007: Nil).

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20. Deposits Paid

		Group		Company	
		2008	2007	**2008**	2007
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Unlisted equity investments	*(a)*	**12,210,000**	—	**12,210,000**	—
A land use right	*(b)*	**5,850,000**	—	**—**	—
		18,060,000	—	**12,210,000**	—

Notes:

(a) During the year, the Company entered into agreements to acquire the following unlisted equity investments:

(i) On 28 August 2008, the Company entered into an agreement with an independent third party for the acquisition of a 30% of equity interest in Vascore Medtech Medical (Suzhou) Company Limited ("Vascore") at a consideration of US$1,450,000 (approximately RMB9,910,000), which has been settled by the Company in full during the year. As at 31 December 2008, the investee company was still in the course of applying for approval for the change in equity holders and business licences from the local authorities.

(ii) On 13 October 2008, the Company entered into an agreement with another two independent third parties for the acquisition of a 30% of equity interest in Promed Medical Technology (Suzhou) Company Limited ("Promed") at a consideration of US$1,400,000 (approximately RMB9,568,000), out of which RMB2,300,000 has been settled. As at 31 December 2008, the investee company was still in the course of applying for approval for the change in equity holders and business licences from the local authorities.

(b) On 26 December 2008, a 70%-owned subsidiary of the Company entered into certain agreements with an independent third party for the acquisition of a land use right in Shenyang at a net consideration of approximately RMB6,700,000, which has been paid by the subsidiary as to RMB5,850,000 during the year. As at 31 December 2008, the subsidiary was still in the course of applying for the transfer of the title and the related certificate.

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21. Inventories

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Computer hardware products, equipment and software products, and mobile phone	**45,442,795**	42,394,962	**17,345,118**	8,545,825

At the balance sheet date, the inventories of the Group and the Company carrying at net realisable value amounted to Nil (2007: Nil).

22. Trade and Other Receivables

		Group		Company	
		2008	2007	**2008**	2007
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Trade receivables		**89,955,913**	86,962,363	**69,696,168**	61,173,332
Less: Accumulated impairment	*(a)*	**(42,560,101)**	(45,533,726)	**(42,917,625)**	(43,330,956)
Net carrying amount	*(b)*	**47,395,812**	41,428,637	**26,778,543**	17,842,376
Notes receivable		**—**	330,000	**—**	—
Other receivables:					
Advances to suppliers	*(c)*	**31,003,894**	31,243,150	**28,213,191**	13,821,283
PetroChina Company Limited (中國石油天然氣股份有限公司)	*(d)*	**3,507,762**	3,215,000	**—**	—
Consideration receivable from an ex-venture partner	*(e)*	**2,000,000**	2,000,000	**—**	—
Others		**30,606,040**	26,840,030	**33,116,900**	28,205,797
		67,117,696	63,298,180	**61,330,091**	42,027,080
Less: Accumulated impairment	*(a)*	**(6,117,352)**	—	**—**	—
Net carrying amount		**61,000,344**	63,298,180	**61,330,091**	42,027,080
Deposit paid and prepayments		**1,504,991**	275,118	**—**	—
Total trade and other receivables		**109,901,147**	105,331,935	**88,108,634**	59,869,456

NOTES TO FINANCIAL STATEMENTS

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22. Trade and Other Receivables *(Continued)*

Notes:

(a) The movements in the provision for impairment of trade and other receivables are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
At 1 January	**45,533,726**	34,787,968	**43,330,956**	30,571,875
Impairment losses recognised/ (written-back) *(note 6)*	**3,143,727**	10,745,758	**(413,331)**	12,759,081
At 31 December	**48,677,453**	45,533,726	**42,917,625**	43,330,956

(b) 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 provisions, is stated as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Aged:				
0 — 90 days	**36,899,257**	22,055,483	**19,034,755**	9,328,299
91 — 180 days	**4,439,933**	2,785,354	**3,537,480**	1,484,371
181 — 365 days	**2,314,291**	7,185,412	**697,057**	5,997,591
Over 365 days	**3,742,331**	9,402,388	**3,509,251**	1,032,115
	47,395,812	41,428,637	**26,778,543**	17,842,376

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

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Neither past due nor impaired	**36,899,257**	22,055,483	**19,034,755**	9,328,299
Less than 1 month past due	**4,439,933**	2,785,354	**3,537,480**	1,484,371
1 to 3 months past due	**6,056,622**	16,587,800	**4,206,308**	7,029,706
	47,395,812	41,428,637	**26,778,543**	17,842,376

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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22. Trade and Other Receivables *(Continued)*

(b) *(Continued)*

Included in the balances are trade and other receivables of the Company from subsidiaries as follows.

	Company	
	2008	2007
	RMB	*RMB*
Due from subsidiaries included in:		
Trade receivables	**2,376,675**	4,698,391
Other receivables	**22,574,746**	17,203,511
	24,951,421	21,901,902

(c) Included in the advances to suppliers is an aggregate amount of RMB4,877,699 (2007: RMB4,877,699). During the year ended 31 December 2006, 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 letters of acceptance is conditional upon the shipment of goods. However, during the same year, the independent third party through illegal endorsement drew down the letters 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 ruled against the Company. The Company made an appeal and the Nanjing Intermediate People's Court (南京市中級人民法院) ruled in favour of the Company. 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.

(d) 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 ("PetroChina") regarding a project of constructing two gas stations in Suqian, the PRC. The Group contributed RMB6,590,000 in 2006 to purchase the related land use rights for PetroChina and for the construction of one of the two gas stations (the "First Station"). On 2 March 2006, PetroChina entered into an agreement to guarantee that it would refund all the investments (including but not limited to the land use rights and other general and administration expenses) to the Group, if both sides could not reach a cooperation agreement before 1 October 2006. On 20 August 2007, the Group and PetroChina have entered into an agreement (the "First Station Transfer Agreement") in relation to the transfer of the Group's interests in the First Station at a consideration of RMB6,750,000 and a partial repayment of RMB3,375,000 has been made to the Group in accordance with the First Station Transfer Agreement with the remaining balance to be settled upon the completion of certain conditions precedent, including but not limited to the obtaining the certificate for qualification of oil sale (「成品油零售經營批准證書」) by PetroChina. As at 31 December 2008, the Group is in the process of assisting PetroChina in the application for the required licenses in respect of the First Station.

(e) Jiangsu Sheng Feng Investment Company Limited ("Sheng Feng"), one of the subsidiaries of the Group, has entered into an agreement dated 20 October 2004 and certain supplementary agreements for investing a total of RMB4,000,000 in a project of operating a club in Nanjing. For the year ended 31 December 2005, Sheng Feng received the RMB500,000 return of capital for 2005 in accordance with the agreements.

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22. Trade and Other Receivables *(Continued)*

(e) *(Continued)*

In view of the unsatisfactory performance of the project, Sheng Feng entered into an agreement in February 2007 with one of the venture partners (the "Venture Partner") of the project to dispose of the Group's interests in the project for a consideration of RMB2,000,000. The consideration is settled by installments, 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 the 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. No settlement has been received by Sheng Feng.

During the year ended 31 December 2008, the Group applied to court demanding for the collection of the outstanding receivable and seizing of the properties of the Venture Partner. The court ruled in favour of the Group and seised the properties of the Venture Partner. On 29 October 2008, the Venture Partner has appealed to court claiming for cancellation of the agreement entered with the Group. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid case and, based on the open market information, believe that the carrying value of seised properties is above RMB2,000,000 and, accordingly, have not provided for any provision for the outstanding receivable.

23. Equity Investments at Fair Value Through Profit or Loss

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Listed equity investments in the PRC, at market value	**264,331**	61,000	**—**	—

The above equity investments at 31 December 2007 and 2008 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.

24. Cash and Cash Equivalents

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Cash and cash equivalents	**29,423,371**	30,577,880	**10,905,996**	13,343,645

The carrying amount of the cash and bank balances approximates its fair value.

At the balance sheet date, the cash and bank balances was 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.

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25. 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	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Trade payables aged:				
0 — 90 days	**20,648,934**	21,671,540	**22,942,133**	7,596,132
91 — 180 days	**4,295,394**	7,512,711	**5,484,609**	3,500,237
181 — 365 days	**2,271,377**	6,985,446	**1,621,730**	1,915,135
Over 365 days	**8,174,685**	9,059,997	**6,521,083**	4,811,995
	35,390,390	45,229,694	**36,569,555**	17,823,499
Notes payables	**—**	217,506	**—**	217,506
	35,390,390	45,447,200	**36,569,555**	18,041,005

Included in the balance is trade payable of the Company to subsidiaries amounted to RMB17,378,104 (2007: RMB3,096,163).

The fair value of the Group's trade and other payables at 31 December 2007 and 2008 approximates to the carrying amounts.

26. Interest-bearing Bank and Other Borrowings

Group and Company

	2008			2007		
	Effective interest rate *(%)*	**Maturity**	***RMB***	Effective interest rate *(%)*	Maturity	*RMB*
Bank loan — unsecured	**5.86**	**2009**	**9,000,000**	6.39	2008	8,000,000
Other loan — unsecured	**1.00**	**2009**	**10,000,000**	1.00	2009	10,000,000
			19,000,000			18,000,000
Current portion			**(19,000,000)**			(8,000,000)
Non-current portion			**—**			10,000,000

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

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27. Share Capital

	2008	2007
	RMB	*RMB*
Registered, issued and fully paid:		
700,000,000 domestic shares ("Domestic Shares") of RMB0.10 each	**70,000,000**	70,000,000
234,000,000 overseas listed foreign invested shares ("H Shares") of RMB0.10 each	**23,400,000**	23,400,000
	93,400,000	93,400,000

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.

Pursuant to a resolution passed in an extraordinary general meeting (the "EGM") and the Class Meetings on 20 June 2008, the Board was granted a special mandate to issue and a possible placing of not more than 187,000,000 new H shares, representing not more than approximately 20.02% of the total issued share capital of the Company at a price not more than HK$0.45 per new H share, but in any event, the issue price per new H share should not be lower than the higher of either (i) HK$0.30 or (ii) the latest audited consolidated net asset value per share of the Company. As at 31 December 2008, no placing agreements have been made in relation to the issue of the new H shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

28. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

29. 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 39.

Basis of appropriation to reserves

The transfers to statutory surplus reserve is based on the net profit in the financial statements prepared under the PRC accounting standards.

Share premium account

The Company's share premium account may be distributed in the form of fully paid bonus shares.

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.

Discretionary surplus reserve

The Group may, at its discretion and subject to approval of its shareholders, transfer its retained earnings balance to its discretionary surplus reserve. The discretionary surplus reserve can be applied for the same purposes as those of the statutory surplus reserve.

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.

The retained earnings of the Group included accumulated losses of RMB76,883 (2007: RMB475,502) retained by the associated companies of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

29. Reserves *(Continued)*

(b) Company

	Share premium account *RMB*	Statutory surplus reserve *RMB*	Retained profits *RMB*	Total *RMB*
At 1 January 2007	48,868,818	5,898,681	3,648,834	58,416,333
Profit for the year *(note 11)*	—	—	6,663,330	6,663,330
At 31 December 2007 And 1 January 2008	48,868,818	5,898,681	10,312,164	65,079,663
Profit for the year *(note 11)*	—	—	11,028,950	11,028,950
At 31 December 2008	**48,868,818**	**5,898,681**	**21,341,114**	**76,108,613**

30. Notes to the Consolidated Cash Flow Statement

Disposal of subsidiaries

	Group	
	2008 *RMB*	2007 *RMB*
Net (liabilities)/assets disposed of:		
Property, plant and equipment	**77,709**	2,102,848
Cash and bank balances	**645,101**	3,957,943
Trade and other receivables	**17,148,108**	11,232,047
Inventories	**997,640**	172,745
Trade and other payables	**(3,959,853)**	(306,773)
Receipts in advance, other creditors and accrued expenses	**(15,930,608)**	(661,373)
Tax recoverable/(payable)	**35,126**	(25,904)
Minority interests	**(892,878)**	(7,123,712)
	(1,879,655)	9,347,821
Equity interest of the subsidiary retained by the Group, and classified as an available-for-sale investment	**190,000**	—
	(2,069,655)	9,347,821
Statutory surplus reserve released upon disposal of subsidiaries	**(469,219)**	—
Gain/(loss) on disposal of subsidiaries *(note 5)*	**4,388,874**	(482,226)
	1,850,000	8,865,595
Satisfied by:		
Cash	**1,590,000**	8,865,595
Decrease in minority shareholders' interest in subsidiaries	**260,000**	—
	1,850,000	8,865,595

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

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

	Group	
	2008	2007
	RMB	*RMB*
Cash consideration received	**1,590,000**	8,865,595
Cash and bank balances disposed	**(645,101)**	(3,957,943)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**944,899**	4,907,652

31. Commitments

(a) Operating lease commitments

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 (2007: one to two years).

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Within one year	**1,060,026**	583,229	**—**	—
In the second to fifth years, inclusive	**224,339**	629,590	**—**	—
	1,284,365	1,212,819	**—**	—

(b) Capital commitments

Save as disclosed in notes 19 and 20 to the financial statements, as at 31 December 2008, the Group and the Company had no other significant capital commitments.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

32. Related Party Transactions

(a) The transactions detailed above and elsewhere in these financial statements, the Group had the following material transactions with related party, which are also continuing connected transactions under the listing rules, during the year:

Name of related party	Nature of transactions	Relationship	Group 2008 RMB	Group 2007 RMB
Nanjing University	Development cost paid *(note i)*	Shareholder of the Company	**(100,000)**	—
Nanjing University	System integration services income received *(note ii)*	Shareholder of the Company	**1,383,470**	—

(i) For the year ended 31 December 2008, the Group paid development cost in an aggregate of RMB100,000 (2007: Nil) to 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. These transactions were conducted in accordance with the terms agreed between the Group and their related parties.

(ii) For the year ended 31 December 2008, the Group received an income for system integration services in an aggregate of RMB1,383,470 (2007: Nil) from Nanjing University in according to the published prices and conditions offered to the major customers of the Group.

(b) Save as disclosed in the note (a) above, during the year, the Group entered into an agreement with a minority shareholder of a non-wholly-owed subsidiary for the disposal of certain equity interests in the subsidiary for a consideration of RMB460,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

32. Related Party Transactions *(Continued)*

(c) Outstanding balances with related parties:

	Group		Company	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
Due from shareholders				
Nanjing University	**2,796,066**	32,586,562	**2,796,066**	32,586,562
Jiangsu Co-Creation	**2,361,887**	2,331,887	**2,361,887**	2,331,887
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School	**818,232**	818,232	**818,232**	818,232
	5,976,185	35,736,681	**5,976,185**	35,736,681
Due from a minority shareholder				
Koshida Corporation	**—**	29,642	**—**	—
Due from an associated company				
Nanjing Qitong	**—**	11,220	**—**	—
Due to a shareholder				
Jiangsu Co-Creation	**115,297**	115,297	**115,297**	115,297

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 amounts due from an associated company/a minority shareholder of the Group were unsecured, interest-free and are repayable on demand.

The fair values of the Group's amounts with the shareholders/minority shareholder/associated company at 31 December 2008 approximate to the corresponding carrying amounts.

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

	Group	
	2008	2007
	RMB	*RMB*
Short term employee benefits	**525,949**	394,860
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**525,949**	394,860

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

NOTES TO FINANCIAL STATEMENTS
31 December 2008

33. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group
31 December 2008
Financial assets

	Financial assets at fair value through profit and loss — Designated as such upon initial recognition	— Held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Trade receivables and other receivables	—	—	—	109,901,147	—	109,901,147
Available-for-sale investments	—	—	—	—	1,360,053	1,360,053
Deposits paid	—	—	—	18,060,000	—	18,060,000
Equity investments at fair value through profit or loss	—	264,331	—	—	—	264,331
Interests in associated companies	—	—	—	7,923,117	—	7,923,117
Due from shareholders	—	—	—	5,976,185	—	5,976,185
Cash and cash equivalents	—	—	—	29,423,371	—	29,423,371
	—	264,331	—	171,283,820	1,360,053	172,908,204

Financial liabilities

	Financial liabilities at fair value through profit and loss — Designated as such upon initial recognition	— Held for trading	Financial liabilities at amortised cost	Total
	RMB	*RMB*	*RMB*	*RMB*
Trade and other payables	—	—	35,390,390	35,390,390
Financial liabilities included in receipt in advance, other creditors and accrued expenses	—	—	28,675,037	28,675,037
Interest-bearing bank and other borrowings included in current liabilities	—	—	19,000,000	19,000,000
Due to a shareholder	—	—	115,297	115,297
	—	—	83,180,724	83,180,724

NOTES TO FINANCIAL STATEMENTS

31 December 2008

33. Financial Instruments by Category *(Continued)*

Group
31 December 2007
Financial assets

	Financial assets at fair value through profit and loss — Designated as such upon initial recognition RMB	— Held for trading RMB	Held to maturity investments RMB	Loans and receivables RMB	Available for-sale financial assets RMB	Total RMB
Trade receivables and other receivables	—	—	—	105,331,935	—	105,331,935
Available-for-sale investments	—	—	—	—	1,546,982	1,546,982
Equity investments at fair value through profit or loss	—	61,000	—	—	—	61,000
Interests in associated companies	—	—	—	9,296,430	—	9,296,430
Due from shareholders	—	—	—	35,736,681	—	35,736,681
Due from a minority shareholder	—	—	—	29,642	—	29,642
Due from associated companies	—	—	—	11,220	—	11,220
Cash and cash equivalents	—	—	—	30,577,880	—	30,577,880
	—	61,000	—	180,983,788	1,546,982	182,591,770

Financial liabilities

	Financial liabilities at fair value through profit and loss — Designated as such upon initial recognition RMB	— Held for trading RMB	Financial liabilities at amortised cost RMB	Total RMB
Trade and other payables	—	—	45,447,200	45,447,200
Financial liabilities included in receipt in advance, other creditors and accrued expenses	—	—	36,495,043	36,495,043
Interest-bearing bank and other borrowings				
— current portion	—	—	8,000,000	8,000,000
— non-current portion	—	—	10,000,000	10,000,000
Due to a shareholder	—	—	115,297	115,297
	—	—	100,057,540	100,057,540

NOTES TO FINANCIAL STATEMENTS

31 December 2008

33. Financial Instruments by Category *(Continued)*

Company

31 December 2008

Financial assets

	Financial assets at fair value through profit or loss — Designated as such upon initial recognition	— Held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Trade receivables and other receivables	—	—	—	88,108,634	—	88,108,634
Available-for-sale investments	—	—	—	—	1,170,053	1,170,053
Deposits paid	—	—	—	12,210,000	—	12,210,000
Investment in associated companies	—	—	—	7,923,117	—	7,923,117
Investment in subsidiaries	—	—	—	51,147,072	—	51,147,072
Due from shareholders	—	—	—	5,976,185	—	5,976,185
Cash and cash equivalents	—	—	—	10,905,996	—	10,905,996
	—	—	—	176,271,004	1,170,053	177,441,057

Financial liabilities

	Financial liabilities at fair value through profit and loss — Designated as such upon initial recognition	— Held for trading	Financial liabilities at amortised cost	Total
	RMB	*RMB*	*RMB*	*RMB*
Trade and other payables	—	—	36,569,555	36,569,555
Financial liabilities included in receipt in advance, other creditors and accrued expenses	—	—	26,445,291	26,445,291
Due to a shareholder	—	—	115,297	115,297
Interest-bearing bank and other borrowings included in current liabilities	—	—	19,000,000	19,000,000
	—	—	82,130,143	82,130,143

NOTES TO FINANCIAL STATEMENTS

31 December 2008

33. Financial Instruments by Category *(Continued)*

Company
31 December 2007
Financial assets

	Financial assets at fair value through profit and loss — Designated as such upon initial recognition	— Held for trading	Held to maturity investments	Loans and receivables	Available for-sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Trade receivables and other receivables	—	—	—	59,869,456	—	59,869,456
Available-for-sale investments	—	—	—	—	1,170,053	1,170,053
Investment in associated companies	—	—	—	8,355,372	—	8,355,372
Investment in subsidiaries	—	—	—	42,331,360	—	42,331,360
Due from shareholders	—	—	—	35,736,681	—	35,736,681
Cash and cash equivalents	—	—	—	13,343,645	—	13,343,645
	—	—	—	159,636,514	1,170,053	160,806,567

Financial liabilities

	Financial liabilities at fair value through profit and loss — Designated as such upon initial recognition	— Held for trading	Financial liabilities at amortised cost	Total
	RMB	*RMB*	*RMB*	*RMB*
Trade and other payables	—	—	18,041,005	18,041,005
Financial liabilities included in receipt in advance, other creditors and accrued expenses	—	—	29,136,095	29,136,095
Due to a shareholder	—	—	115,297	115,297
Interest-bearing bank and other borrowings				
— current portion	—	—	8,000,000	8,000,000
— non-current portion	—	—	10,000,000	10,000,000
	—	—	65,292,397	65,292,397

NOTES TO FINANCIAL STATEMENTS

31 December 2008

34. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are 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.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Group has transactional currency exposures as the sales and purchases of the Group were mainly transacted in Hong Kong dollars ("HK$"), Japanese Yen ("JPY") and United States dollars ("US$"). Approximately 4% (2007: 6%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 1% (2007: 5%) of costs are denominated in currencies other than the units' functional currency.

The exchange rate of HK$, JPY and US$ were comparatively volatile, though the functional currency of the Group were strengthens against these transactional currency during the year.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the exchange rate of HK$, JPY and US$, with all other variable held constant, of the Group's profit before tax:

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB*	*RMB*
31 December 2008			
If RMB weakens against HK$	**5%**	**60,550**	**60,550**
If RMB strengthens against HK$	**(5%)**	**(60,550)**	**(60,550)**
If RMB weakens against US$	**5%**	**130,551**	**130,551**
If RMB strengthens against US$	**(5%)**	**(130,551)**	**(130,551)**
If RMB weakens against JPY	**5%**	**4,785**	**4,785**
If RMB strengthens against JPY	**(5%)**	**(4,785)**	**(4,785)**
31 December 2007			
If RMB weakens against HK$	5%	119,982	119,982
If RMB strengthens against HK$	(5%)	(119,982)	(119,982)
If RMB weakens against US$	5%	4,037	4,037
If RMB strengthens against US$	(5%)	(4,037)	(4,037)
If RMB weakens against JPY	5%	6,406	6,406
If RMB strengthens against JPY	(5%)	(6,406)	(6,406)

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In additional, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

31 December 2008

	Group					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Interest-bearing bank and other borrowings	—	—	19,000,000	—	—	19,000,000
Trade and other payables	35,390,390	—	—	—	—	35,390,390
Receipts in advance, other creditors and accrued expenses	28,675,037	—	—	—	—	28,675,037
Due to a shareholder	115,297	—	—	—	—	115,297
	64,180,724	—	19,000,000	—	—	83,180,724

31 December 2007

	Group					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Interest-bearing bank and other borrowings	—	—	8,000,000	10,000,000	—	18,000,000
Trade and other payables	45,447,200	—	—	—	—	45,447,200
Receipts in advance, other creditors and accrued expenses	36,495,043	—	—	—	—	36,495,043
Due to a shareholder	115,297	—	—	—	—	115,297
	82,057,540	—	8,000,000	10,000,000	—	100,057,540

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Liquidity risk *(Continued)*

31 December 2008

	Company					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Interest-bearing bank and other borrowings	—	—	19,000,000	—	—	19,000,000
Trade and other payables	36,569,555	—	—	—	—	36,569,555
Receipts in advance, other creditors and accrued expenses	26,445,291	—	—	—	—	26,445,291
Due to a shareholder	115,297	—	—	—	—	115,297
	63,130,143	—	19,000,000	—	—	82,130,143

31 December 2007

	Company					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Interest-bearing bank and other borrowings	—	—	8,000,000	10,000,000	—	18,000,000
Trade and other payables	18,041,005	—	—	—	—	18,041,005
Receipts in advance, other creditors and accrued expenses	29,136,095	—	—	—	—	29,136,095
Due to a shareholder	115,297	—	—	—	—	115,297
	47,292,397	—	8,000,000	10,000,000	—	65,292,397

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. As at the balance sheet date, the Group had not significant equity price risk.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

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

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and other payables, receipt in advance, other creditors and accrued expenses, and amount due to a shareholder less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	RMB	*RMB*
Interest-bearing bank and other borrowings	**19,000,000**	18,000,000
Trade and other payables	**35,390,390**	45,447,200
Receipts in advance, other creditors and accrued expenses	**28,675,037**	36,495,043
Due to a shareholder	**115,297**	115,297
Less: Cash and cash equivalents	**(29,423,371)**	(30,577,880)
Net debt	**53,757,353**	69,479,660
Equity attributable to equity holders	**171,724,418**	161,325,492
Total adjusted capital	**171,724,418**	161,325,492
Capital and net debt	**225,481,771**	230,805,152
Gearing ratio	**24%**	30%

35. Comparative Amounts

Certain comparative figures have been restated to conform with the current year's presentation.

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 20 March 2009.

FIVE YEAR FINANCIAL SUMMARY

31 December 2008

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.

	2008	2007	2006	2005	2004
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
RESULTS					
REVENUE	**260,480,104**	305,728,452	402,463,042	440,742,213	384,496,927
Cost of sales	**(214,904,230)**	(274,012,677)	(365,302,210)	(383,385,350)	(321,770,383)
Gross profit	**45,575,874**	31,715,775	37,160,832	57,356,863	62,726,544
Other income and gains	**12,924,187**	28,190,308	3,622,089	4,627,115	3,837,193
Selling and distribution costs	**(18,460,067)**	(19,704,573)	(26,652,269)	(23,944,896)	(26,757,142)
Research and development costs	**(204,669)**	(906,946)	(2,605,290)	(5,001,220)	(4,237,612)
Administrative expenses	**(26,587,380)**	(29,911,347)	(48,513,919)	(28,543,866)	(20,372,587)
Finance costs	**(643,503)**	(2,596,425)	(3,119,066)	(1,748,149)	(498,617)
Share of profits/(losses) of:					
A jointly-controlled entity	**—**	—	—	(319,810)	—
Associated companies	**(41,281)**	(244,581)	(215,477)	57,212	134,074
PROFIT/(LOSS) BEFORE TAX	**12,563,161**	6,542,211	(40,323,100)	2,483,249	14,831,853
Tax	**(715,372)**	(351,402)	(481,193)	(1,355,154)	(1,853,975)
PROFIT/(LOSS) FOR THE YEAR	**11,847,789**	6,190,809	(40,804,293)	1,128,095	12,977,878
Attributable to:					
Equity holders of the parent	**10,904,457**	6,445,375	(39,479,448)	(246,721)	12,039,403
Minority interests	**943,332**	(254,566)	(1,324,845)	1,374,816	938,475
	11,847,789	6,190,809	(40,804,293)	1,128,095	12,977,878
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**268,073,944**	272,017,645	327,984,079	373,713,492	348,823,697
TOTAL LIABILITIES	**(83,483,915)**	(100,149,739)	(154,858,973)	(162,009,374)	(138,193,232)
MINORITY INTERESTS	**(12,865,611)**	(10,542,414)	(18,140,772)	(17,211,674)	(15,874,767)
	171,724,418	161,325,492	154,984,334	194,492,444	194,755,698