NANDASOFT
南大苏富特

JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED
江蘇南大蘇富特科技股份有限公司

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

(Stock Code: 8045)

2009
ANNUAL REPORT

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.

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.

CONTENTS

Corporate Information

DIRECTORS OF THE COMPANY

Executive Directors

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

Non-executive Directors

Mr. Yuan Ren Wei
Mr. Liu Winson Wing Sun

Independent Non-executive Directors

Mr. Xu Huan Liang
Dr. Daxi Li
Ms. Xie Hong

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
Dr. Daxi Li
Ms. Xie Hong

NOMINATION COMMITTEE

Professor Xie Li
Mr. Liu Jian Bang
Mr. Yuan Ren Wei
Mr. Xu Huan Liang
Dr. Daxi Li
Ms. Xie Hong

REMUNERATION COMMITTEE

Professor Xie Li
Mr. Liu Jian Bang
Mr. Pan Jian Xiang
Mr. Xu Huan Liang
Dr. Daxi Li
Ms. Xie Hong

COMPLIANCE OFFICER

Professor Xie Li

AUTHORISED REPRESENTATIVES

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

AUDITORS

Ascenda Cachet CPA Limited
(Formerly Cachet Certified Public Accountants Limited)

LEGAL ADVISERS

Arculli Fong & Ng in association with
King & Wood, PRC Lawyers
W.K.To & Co

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, Jinyin Street
Shanghai Road, Nanjing, The PRC
Postal code: 210008

PRINCIPAL PLACE OF BUSINESS IN CHINA

NandaSoft Tower, 8, Jinyin 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 2009 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft" or the "Company", and together with its subsidiaries, the "Group") to the shareholders for their review.

With the continuous integration, innovation and development of information technology ("IT") and industrial application, IT solutions and services have become a fundamental investment for the government and enterprise to enhance work quality and efficiency, and achieve innovation and sustainability. NandaSoft is always committed to serve its clients' long-term interests. Active consideration and exploration have been made to understand how an IT solution and service provider can build a win-win commercial ecosystem for clients and partners through continuous improvements and implementation of open and innovative strategies.

NandaSoft has constantly consolidated and adjusted its strategic directions in response to market changes, so as to maximise shareholders' values. In 2009, the Company preliminarily achieved business optimisation and expansion. With respect to IT, we have actively developed a software industrial value chain involving various areas from IT education, industrial solutions, system software, software service outsourcing to IT service. The whole IT industrial value chain covers aspects such as personnel training, software R&D, software production and software service, and its form is preliminarily taking shape. With the development of industrial chain, the Company has also maintained its leading position in IT innovation. In 2009, the Company continued to rank amongst the top 100 profit-making software enterprises in China, and was accredited as a growing service outsourcing enterprise in China.

In the area of high technology, desirable progresses were seen in the minimally invasive medical equipment materials and products invested by the Company and the construction of Technology and Innovation Park. These projects will become positive parts in the Company's IT industrial chain in the future, and will interact with the IT industrial chain to enhance the Company's overall profitability and value.

RESULTS PERFORMANCE

In the financial year of 2009, the turnover of the Group increased by approximately 25.5% to approximately RMB326,990,000, and recorded a profit attributable to owners of the parent of RMB21,097,000. The Board recommends the payment of a final dividend of RMB0.5 cent per share for the year ended 31 December 2009.

DEVELOPING IT INDUSTRIAL CHAIN AND ENHANCING SOFTWARE PROFITABILITY

Apart from providing network security total solutions to its clients, NandaSoft has also arranged a whole IT industrial chain based on the profit model of software upgrade service, and focused on increasing the proportion of service income in the overall IT income. In respect of IT education, the IBM-ETP training base initiated under the cooperation of the government of Gulou District, IBM, NandaSoft and Nanjing University completed student recruitment for three semesters during the year. The first cohort of graduates is basically working in various companies, producing a good model effect. The project is an innovative institution that combines government, industry, academics and research, with students, government and companies all win. With respect to software research and development ("R&D"), we have continued to focus on high-end network security and applied network security solutions in its network security product R&D. The Company has conducted the R&D of the development and industrialization of IPV6 Network Security Integrated Protection System Supporting Internal Core Security Based System Reinforcement Software. It has also entered into a contract with Midea Group, and launched the NandaSoft Document Protection System. In respect of IT service, the Company's "Employment Service" ("就業通") project launched in cooperation with China Mobile and the Department of Labour of Jiangsu Province is likely to become a new profit model in IT service for the Company.

DEVELOPING DIVERSIFIED BUSINESSES AND REINFORCING HIGH TECHNOLOGY STRENGTH

As a business flagship for technological achievement transformation of Nanjing University, the business diversity that we initiated means diversified businesses related to high technology, with an ultimate development objective of strengthening the Company's innovation capability of high technology. We are concerned about the future development in 3G, new medical reform, Internet of Things and smart cities. Accordingly, investments in bio-medicine and wireless communication have been made.

The R&D of new products of Promed Medical Tech (Suzhou) Co., Ltd and Vascore Medtech Medical (Suzhou) Co., Ltd (in which the Company has certain equity interests) has progressed smoothly. Bio-medical equipment with domestic leading technology will be launched soon. We have also established the Nanjing Invasive Medical Equipment New Material and Technological Engineering Centre（南京介入醫療器械新材料與技術工程中心）to focus on the research of international advanced invasive medical equipment.

Regarding wireless communication, the GPS equipment developed by the Company has been applied on city public transport. The application of wireless video technology in the environmental protection sector has also commenced. These applications will incorporate high technology elements into the development of smart cities.

The construction of NandaSoft Technology and Innovation Park has progressed smoothly. Phase I of Nanjing NandaSoft Technology and Innovation Park will be completed and commence operation soon. The construction of the technology and innovation park has facilitated the cooperation of NandaSoft with world-renowned enterprises such as IBM and ITOCHU Corporation and accelerated the internationalisation of the Company.

As we enjoy the changes in lives brought by IT and high technology, NandaSoft are striving to incorporate technology into our lives. With our dedicated efforts, the convenience of technology can be extended to everyone connected with us. Accordingly, we are confident that high technology will become our consumer goods in the future, and make real improvements to our lives. The Company will also generate satisfactory return through ongoing innovation to maximize shareholders' value.

Xie Li
Chairman

Nanjing, PRC
23 March 2010

Management Discussion and Analysis

FINANCIAL REVIEW

In the year of 2009, the Group concentrated not only on the existing computer software and hardware system integration but also diversified the related IT service business such as IT education and wireless software technology which led to the increase in the turnover for the year ended 31 December 2009 to approximately RMB326,990,000, representing an increase of approximately RMB66,510,000, and 25.5% increase when compared with 2008.

The audited profit of the Group attributable to owners of the Company for the year ended 31 December 2009 is approximately RMB21,097,000, representing an increase of approximately 93.5% when compared with 2008. The profit attributable to owners of the Company increased primarily because the Group concentrated on exploring high profit margin business while reducing cost of sales. During the year, the gross profit margin of the Group increased by 21.3% when compared with 2008. All the above speeded up the process of product development of the Company, as well as strengthened its sales network and expanded its product market.

Financial resources and liquidity

As at 31 December 2009, shareholders' funds of the Group amounted to approximately RMB194,020,000. Current assets amounted to approximately RMB215,884,000, of which approximately RMB25,878,000 were cash and bank deposits. The Group had non-current liabilities of RMB48,400,000 and its current liabilities amounted to approximately RMB85,078,000, comprising mainly its trade payables, receipt in advance, other payables and accrued expenses, bank loans and amounts due to shareholders. The net asset value (excluding minority interests) per share was RMB0.208. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31 December 2009, the Group had a gearing ratio of 18.6% and the Group has bank and other borrowings of RMB64,000,000.

Charge on group assets

As at 31 December 2009, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City was pledged as security for bank loans granted to the Group (2008: Nil).

Foreign currency risk

As the Group's operations are mainly conducted in the PRC and substantially over 90% of the Group's sales and purchases were denominated in RMB, there is no significant foreign currency risk that would affect the Group's results of operations.

Material acquisitions/disposals and significant investments

During the year of 2009, the Group has not made any other material acquisitions or disposals and no proceeds was invested in any significant financial instruments.

Capital commitments

As at 31 December 2009, the Group had contracted but not provided for capital commitments for the construction costs of approximately RMB67,000,000.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB24,989,000 (2008: RMB20,340,000), including the directors' and supervisors' emoluments of approximately RMB1,027,000 (2008: RMB487,000) and RMB46,000 (2008: RMB39,000), respectively for the year ended 31 December 2009.

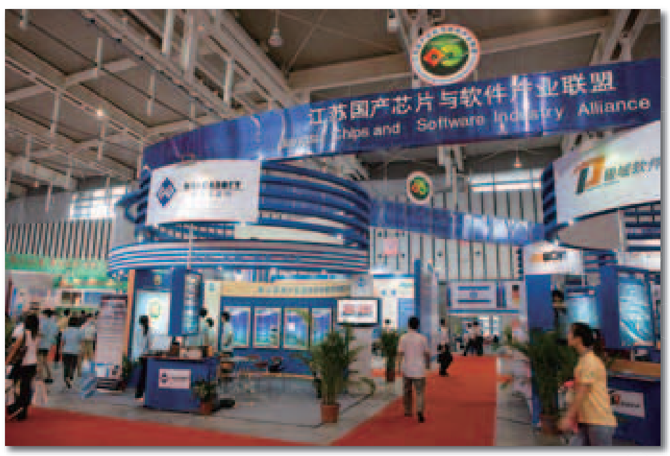
The increase in employee remuneration was a result of the increase in number of staff during the year. The number of employees for the year had increased from 466 to 616.

BUSINESS REVIEW

Network Security Product

During the year, the research department of the Company continued to focus on high-end network security and applied network security solutions in its network security product R&D. In respect of the R&D of high-end network security, the Company has mainly conducted the R&D of the development and industrialisation of IPV6 Network Security Integrated Protection System Supporting Internal Core Security Based System Reinforcement Software. In respect of the R&D of applied network security solutions, the Company has mainly conducted the R&D of network security hacking and defense drilling, and completed the R&D of Network Security Integrated Protection Platform and Network Hacking and Defense Drill and Evaluation Platform. Meanwhile, the Company has developed the NandaSoft Electronic Document Security Protection Platform directed against the confidential issues of internal corporate documents, and entered into a contract with Midea Group for project implementation.

In addition, the Company undertook the Large-scale Network Security Simulation Platform for Teaching and Drill project and Large-scale R&D and Industrialisation of IPv6 Supporting Intranet and Terminal Security Management System project of Electronic Development Fund of the Ministry of Industry and Information Technology during the year. The Company has also passed the checking process of Network Security Integrated Protection Platform System NSS-2, Multi-model and Third Party Logistic Supporting ERP System, Knowledge Management-based Office System for Small and Medium Banks and Message Mechanism Based Security Data Exchange System.



Management Discussion and Analysis

The completion of the R&D and project implementation of the aforesaid products enhanced the independent innovation of the Company, and laid a technological foundation for the launch of new network security products with independent intellectual property rights in the future.

NandaSoft Network Security Protection System V2.0, a network security product independently developed by the Company, was awarded China Outstanding Software Products.

The software product of Jiangsu Hanwin Technology Company Limited, a subsidiary of the Group, Heng Xin Housing Security Appraisal and Management System Software V1.0（恒信房屋安全鑒定管理系統軟件V1.0）was named the Independent Innovative Products of Jiangsu Province 2009.

Beijing NandaSoft Digital Technology Company Limited, a subsidiary of the Group, has set up a government business department during the year for the development of statistics management software as a new profit generator in the future.

Security System Integration and Services

The security system integration service built on the Company's solid technological strengths has continued to gain client recognition, and become a stable profit source of the Company. During the year, the Company has entered into maintenance service contracts with old clients such as the Administration for Industry and Commerce of Jiangsu Province, Jiangsu Expressway and the Department of Labor of Jiangsu Province, and secured new service contracts from the Administration of Quality Supervision of Jiangsu Province, Nanjing Flood and Drought Prevention Command Centre（南京防汛指揮部）and H3C.

In addition, the Company has obtained grade 2 qualification for system integration during the year. The Company also entered into contracts for Phase III of the Industry and Commerce Network Renovation Project of Jiangsu Province, Emergency Platform Network Equipment Expansion Project of Jiangsu Province from the government of Jiangsu Province, and the purchase of equipment of the System Engineering Project of Changzhou Highway Management Integrated Service Centre（常州市公路管理綜合服務中心）. The signing of these projects has established the leading position of the Company in the industry in Jiangsu Province, and consolidated the industrial client base of the Company, laying a foundation for the provision of service projects to these clients in the future.

During the year, the Company has entered into the "Employment Service" ("就業通") project, an online employment information platform launched in cooperation with the Department of Labour of Jiangsu Province and China Mobile. The project is planned to be fully implemented next year.

IBM-ETP Training

The government of Gulou District of Nanjing, IBM, NandaSoft and Nanjing University co-operated to initiate the IBM-ETP training base program in Nanjing which has commenced classes during the year. The project is a combination of government, industry, academics and research innovative institution. The training base aims at training elite talents in software service outsourcing industry with a global vision, generating specialised service outsourcing talents with an international vision.

Management Discussion and Analysis

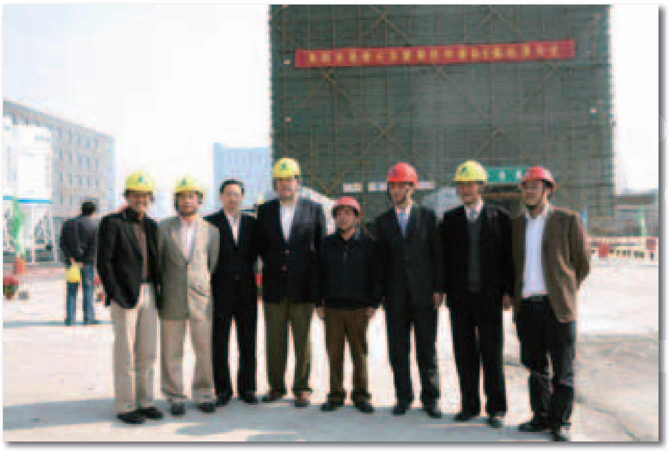
During the year, student recruitment of the Nanjing base for three semesters was completed, while the first cohort of graduates is basically working at international software enterprises. In addition, the recruitment for and training of the first cohort of students of IBM-ETP training base established in Changsu have also been conducted. Currently, there are about 600 students in training for the entire project.

Under the impact of the global financial crisis, the number of orders from Japan received by Jiangsu Fuyue Technology Co., Ltd ("Fuyue Technology"), a subsidiary principally engaged in outsourcing software services to Japan decreased. In view of the worsening global economic environment, the Company gradually extended its service to clients in the PRC, with a particular focus on the implementation of ERP solution in shipbuilding industry. In addition to increasing the business of the Company, the development of projects in the PRC has also accumulated technologies and talents for the Company to expand its international orders in the future. During the year, Fuyue Technology was named one of the Top 10 Software Outsourcing Providers in Nanjing（南京市軟件外包十強）.

Wireless Communication

Regarding wireless communication, the Company has entered into a GPS application agreement with Nanqi Car Rental Co., Ltd. to establish a local model client of GPS application. The Company has also cooperated with 克拉瑪依電信公司 and 阿勒泰電信公司 in Xinjiang to promote the continuous development of the GPS business in Xinjiang region. The Company has entered into an agreement with Nanjing Municipal Environmental Monitoring Centre, signifying the official application of the Company's wireless video monitoring system in the environmental protection sector.

Diversification in Technology Business Development



During the year, the Company has continued to adopt a diversified approach in business development with the development of wireless communication, bio-medicine and construction of technology and innovation parks.

The R&D of new products of Promed Medical Tech (Suzhou) Co., Ltd and Vascore Medtech Medical (Suzhou) Co., Ltd (in which the Company holds equity interests) has progressed smoothly. The production line of ballon (the auxiliary of ProStent repamycineluting stents system) was installed and tested, and is currently under trial production. Since then, Promed Medical possessed the production ability of a complete coronary stent system, enabling it to become one of the few production, research and development-oriented enterprises in the PRC that possesses the abilities of research & developing and production of ballon, stent design and cutting, medicine spray coating, stent crimp and product packaging. The Nanjing Invasive Medical Equipment New Material and Technological Engineering Centre was officially established under the support of NandaSoft.

Phase I of NandaSoft Technology and Innovation Park (NandaSoft Software City) project was capped on 6 November 2009. It is expected to fully open to the Company in 2010.

Future Prospects

Looking forward, with the continuous integration of the PRC economy into global economy, the PRC has begun to emerge as an important force in the global innovation network. The economic structure adjustments and industrial upgrades will also increasingly rely on information construction. We believe that the next decade for China IT industry will certainly be a golden decade. A new era for software and service will soon begin. The Company will continue to develop its IT industrial chain, particularly increase its service revenue, such as from IT education and service outsourcing, in order to strengthen the Company's source of stable cash flow.

In the area of IT R&D, the Company will continue to innovate independently and conduct research on high-end network security products and applied network security products.

For IT education, the Company plans to set up service outsourcing schools to promote IBM-ETP training projects, and undertake promotion in Suqian, Yancheng, Shenyang and Nanchang.

With respect to service outsourcing, the Company will increase the scale of Fuyue Technology. Apart from continuously undertaking the outsourcing order from Japan, the Company also plans to expand the IT outsourcing business of large enterprises in China. At the same time, the Company plans to carry out medicine service outsourcing, and make it a new profit generator of the Company's service outsourcing segment.

Regarding the area of bio-medicine, the bio-medical equipment invested by the Company is likely to be ready for sale next year, so as to have a share in the market of RMB28 billion brought by the new medical reform.

In respect of Technology and Innovation Park, the construction works for Phase II of Nanjing NandaSoft Technology and Innovation Park, and NandaSoft technology and innovation parks in Shenyang, Nanchang and Changshu will commence in sequence, forming a more solid development foundation for the future technological and innovative development of the Company.

In face of the future development in 3G, new medical reform, Internet of Things and smart cities, NandaSoft will incorporate its high technology products and services into the future development of society, and deliver satisfactory return to shareholders by enhancing the Company's profitability through new technological upgrades.

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 2009.

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, sales of computer hardware products and trading of IT related equipment. The activities of the Company's subsidiaries and associated companies are set out in notes 17 and 18 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 107.

The directors recommend the payment of a final dividend of RMB0.5 cent per share 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 108. 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 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution amounted to approximately RMB34,127,000, of which RMB4,670,000 has been proposed as a final dividend for the year. In addition, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 18% of the total sales for the year and sales to the largest customer included therein amounted to 4.9%. Purchases from the major suppliers accounted for the following percentage:

The largest supplier	63%
The five largest supplier	76%

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

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	(deceased on 14 July 2009)
Dr. Daxi Li	
Ms. Xie Hong	(appointed on 29 December 2009)

Supervisors:

Mr. Zhang Xu Yu	
Mr. Xu Ke Jian	
Mr. Jin Yi	
Mr. Zhao Wei Dong	
Mr. Shaw Yong Lei	
Mr. Sun Xing Huan	
Mr. Shi Jian Jun	(resigned on 17 March 2009)

The Company has received annual confirmations of independence from Mr. Xu Huan Liang, Dr. Daxi Li and Ms. Xie Hong 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 25 to 29 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. 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.

DIRECTORS', AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, 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%

Notes:

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

Save as disclosed above, as at 31 December 2009, none of the directors, chief executive or supervisors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the prospectus issued by the Company dated 19 April 2001. Up to 31 December 2009, 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 2009, 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	Beneficial Owner	136,340,000	19.48%	—	—	136,340,000	14.60%
Jiangsu Furen Group Company Limited	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")	Interest of a controlled corporation	89,750,000	12.82%	—	—	89,750,000	9.61%
Shenyang Cheng Fa Commercial Software Company Limited ("Cheng Fa") *(Note 1 and Note 2)*	Beneficial Owner	85,000,000	12.14%	—	—	85,000,000	9.10%
Guangzhou DingXiang Trade Co., Ltd ("GZ DingXiang")	Beneficial Owner	55,000,000	7.86%	—	—	55,000,000	5.89%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	46,850,000	6.69%	—	—	46,850,000	5.02%
Jiangsu Co-Creation *(Note 3)*	Beneficial Owner	89,750,000	12.82%	—	—	89,750,000	9.61%

Notes:

(1) On 12 January 2009, GZ DingXiang entered into a Share Transfer Agreement with Cheng Fa, where Mr. Liu Winson Wing Sun, a non-executive director of the Company, also holds the office of directorship in ChengFa. Furthermore, Mr. Liu Su Ke, father of Mr. Liu Winson Wing Sun, is a shareholder of ChengFa, indirectly holding 50% of the total issued share capital of ChengFa, for the transfer of 2.68% domestic shares (25,000,000 domestic shares) in the Company held by GZ DingXiang to Cheng Fa.

(2) On 12 January 2009, Liaoning Guotai Housing Development Company Limited ("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.

(3) 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 2009, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section "Directors', chief executive's and supervisors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

Connected transactions

In accordance with the conditions agreed with the Stock Exchange with respect to certain connected transactions as specified in the GEM Listing Rules undertaken by the Group, the Independent Non-executive Directors have reviewed the connected transactions with Nanjing University set out in note 37 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 37 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 37 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDITORS

There has been no changes of auditors in the past three years. A resolution to re-appoint Ascenda Cachet CPA Limited (formerly 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

Nanjing, the PRC
23 March 2010

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 2009.

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.

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. Liu Jian Bang		4/4
Mr. Pan Jian Xiang		4/4
Mr. Chen Zheng Rong		4/4
Mr. Yuan Ren Wei		3/4
Mr. Liu Winson Wing Sun		4/4
Mr. Xu Huan Liang		4/4
Dr. Daxi Li		4/4
Ms. Xie Hong	(appointed on 29 December 2009)	1/1
Mr. Yim Hing Wah, Terence	(deceased on 14 July 2009)	2/2

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. 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 ("Prof Xie") is the Chairman of the Group and he leads the Board and is responsible for the proceedings and workings of the Board. He ensures that

— the Board acts in the best interest of the Group; and

— the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

Mr. 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.

Prof Xie and Mr. Liu have considerable industry experience and they are motivated to contribute to the growth and profitability of the Group.

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, Dr. Daxi Li and Ms. Xie Hong.

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		2/2
Mr. Pan Jian Xiang		2/2
Mr. Xu Huan Liang		2/2
Dr. Daxi Li		2/2
Ms. Xie Hong	(appointed on 29 December 2009)	1/1
Mr. Yim Hing Wah, Terence	(deceased on 14 July 2009)	1/1

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, Dr. Daxi Li and Ms. Xie Hong.

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		2/2
Mr. Yuan Ren Wei		2/2
Mr. Xu Huan Liang		2/2
Dr. Daxi Li		2/2
Ms. Xie Hong	(appointed on 29 December 2009)	1/1
Mr. Yim Hing Wah, Terence	(deceased on 14 July 2009)	1/1

AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Mr. Xu Huan Liang, Dr. Daxi Li and Mr. Yim Hing Wah, Terence (deceased on 14 July 2009) and Ms. Xie Hong replaced his vacancy with effect from 29 December 2009. 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 2009 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 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 2009.

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.

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

Ascenda Cachet CPA Limited ("Ascenda Cachet") (formerly Cachet Certified Public Accountants Limited) were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 13 May 2009. Audit fees in respect of annual audit service amounted to HK$400,000. Ascenda 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 2009, 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 2009, 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 2009, 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 statements of the Company, audited by Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited), truely and sufficiently reflect 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
23 March 2010

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Professor Xie Li, (謝立), aged 68, 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 54, 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 is currently the honorary chairman of the New York Chinese Businessmen's Association and vice-chairman of U.S. Chinese Chamber of Commerce.

Mr. Pan Jian Xiang, (潘健翔), aged 47. 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. Chen Zheng Rong, (陳崢嶸), aged 54, 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 Schoo (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), 40, 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 33, 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.

Independent non-executive Directors

Mr. Xu Huan Liang, (徐煥亮), aged 68, 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.

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.

Ms. Xie Hong, (解紅), aged 42, graduated from Lanzhou Jincheng United College with a major in Accounting. She has worked for the finance department of Lanzhou General Machinery Plant of Gansu Province, Gansu No.3 Certified Public Accountants, Lanzhou Huafeng Certified Public Accountants and Nanjing Huaan CPA Limiated. Ms. Xie is a qualified Chinese Certified Public Accountant as well as a Certified Public Valuer, and is currently the legal representative and chief accountant of Nanjing Nanshen Xidi CPA Limited. Ms. Xie possesses extensive experience in finance and auditing, and has been actively involved in audit projects for various listed companies. Ms. Xie was appointed as a director on 29 December 2009.

Mr. Yim Hing Wah, Terence (嚴慶華) had 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 held 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. He was passed away on 14 July 2009 at the age of 44.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Zhang Xu Yu, (張序余), aged 45, 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 55, graduated from the Faculty of Humanities of Nanjing University of Science and Technology specialised in ideological and political education. Mr. Xu was the deputy officer of the international cooperation department, the vice division chief of foreign economic cooperation division of Zhongshan Group, the vice chairman of the union of Zhongshan Group during the period from 1989 to 1991. From 1991 to 1993, he was the chairman of the 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 32, 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 37, 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**), 55, 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 2009.

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 52, 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 Municipa (江陰市表面工程協會), the vice president of the Chamber of Commerce of Chengjiang Town, Jiangyin Municipa (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 46, 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 Ser vices 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 39, 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.

Mr. Xu Zhihuai, (許志懷), aged 52, graduated from the Faculty of mathematics of the Nanjing University with a major in mathematics in 1982, attended the foreign affairs classes of the State Education Commission at Beijing Language Institute and Beijing Normal University in 1990, and graduated from the MBA graduate course of the School of Management and Engineering of Nanjing University in 2001. Mr. Xu has been the secretary of CYL Committee of the Department of Mathematics of Nanjing University successfully, deputy chief of the Student Affairs Department of Nanjing University, the secretary of CYL Committee of Nanjing University, assistant professor of Nanjing University, alternate member and member of the Thirteenth Central Committee of the Communist Youth League. He was named a Pace-setter in the new Long March and is an elite in the national internet and cultural circle. Since 1995, he has been vice-president and executive vice-president of the board of directors of Nanjing Tiandi Group, executive vice-president of Nanjing Fuzhong Group, general manager of 江蘇省浪淘沙网吧連鎖有限公司, president of 南京上達通信電子有限公司. He possesses a strong background in the aspects of IT, internet, communication, new materials, real estate, mechanical and electrical integration and bioengineering. Mr. Xu joined the Company in September 2008.

Ms. Tong Sze Wan, (唐詩韻), aged 37, 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, Jinyin Street, Nanjing, the PRC on 11 May 2010 (Tuesday) at 9:30 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 2009;

(2) To consider and pass the reports of the Supervisory Committee for the year 2009;

(3) To consider and pass the audited consolidated financial statements of the Company and its subsidiaries for the year 2009;

(4) To consider and pass the resolution of final dividend of RMB0.5 cent per share (inclusive of tax) for the year 2009 which will be distributed on or before 30 July 2010. The total amount of dividends to be distributed shall be RMB4,670,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The listed issuer will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax.

Final dividend, net of applicable tax, for non-listed Shares will be distributed and paid in RMB whereas dividend for H Shares will be declared in RMB and paid in Hong Kong dollars ("HKD"). The exchange rate between RMB and HKD shall be ascertained on the basis of the average of the middle exchange rates for RMB to HKD as published by the People's Bank of China for the five trading days prior to 12 April 2010.

(5) To consider and pass the resolution for making allotments of statutory surplus reserve for the year 2009;

(6) To consider and pass plans to re-appoint Ascenda Cachet CPA Limited (Formerly Cachet Certified Public Accountants Limited) as auditors of the Company for the year 2010 and to authorise the Board of Directors to fix their remunerations;

(7) To consider and pass the resolution of the remunerations for the year of 2010 with all directors (including Executive Director, Non-executive Directors and Independent Non-executive Directors) and Supervisors with the Company; and

(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;

(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.

Original Article 4

The legal representative of the Company is acted by either the Chairman, Executive Directors or the General Manager.

To be amended as:

The legal representative of the Company is acted by General Manager.

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

Nanjing, the PRC
26 March 2010

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 register of holder of H Shares of the Company will be closed from Monday, 12 April 2010 to Tuesday, 11 May 2010 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend and for attending and for voting in the forthcoming annual general meeting of the Company, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 9 April 2010.

5. Shareholders entitled to attend the AGM are requested to deliver the reply slip for attendance to the Company Registrar before 27 April 2010.

INDEPENDENT AUDITORS' REPORT

CACHET
Ascenda Cachet CPA Limited
天健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

(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 (the "Company", together with its subsidiaries, the "Group") set out on pages 35 to 107, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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.

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 2009 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.

Ascenda Cachet CPA Limited
(Formerly Cachet Certified Public Accountants Limited)
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
23 March 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB	2008 RMB
REVENUE	5	**326,989,675**	260,480,104
Cost of sales	6	**(257,608,012)**	(214,904,230)
Gross profit		**69,381,663**	45,575,874
Other income and gains	5	**14,441,509**	12,924,187
Selling and distribution costs		**(20,794,228)**	(18,460,067)
Research and development costs	6	**(1,274,204)**	(204,669)
Administrative expenses		**(36,536,714)**	(26,587,380)
Finance costs	7	**(841,101)**	(643,503)
Share of losses of associated companies	18	**(139,039)**	(41,281)
PROFIT BEFORE TAX	6	**24,237,886**	12,563,161
Income tax expense	10	**(1,966,528)**	(715,372)
PROFIT FOR THE YEAR		**22,271,358**	11,847,789
Profit attributable to:			
Owners of the Company	11	**21,097,413**	10,904,457
Minority interests		**1,173,945**	943,332
		22,271,358	11,847,789
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**2.26 cents**	1.17 cents
Diluted		**N/A**	N/A

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009	2008
	RMB	*RMB*
PROFIT FOR THE YEAR	**22,271,358**	11,847,789
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operation	**(355)**	(36,312)
Other comprehensive income for the year, net of tax	**(355)**	(36,312)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**22,271,003**	11,811,477
Total comprehensive income attributable to:		
Owners of the Company	**21,097,062**	10,868,150
Minority interests	**1,173,941**	943,327
	22,271,003	11,811,477

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB	2008 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,397,362**	3,705,929
Prepaid land leases payments	15	**8,193,873**	—
Intangible assets	16	**21,954,626**	18,341,509
Interests in associated companies	18	**12,645,074**	7,923,117
Available-for-sale investments	19	**962,199**	1,360,053
Construction in progress	21	**69,705,508**	27,675,507
Deposits paid	22	**10,010,000**	18,060,000
Total non-current assets		**128,868,642**	77,066,115
CURRENT ASSETS			
Inventories	23	**46,338,913**	45,442,795
Trade receivables	24	**68,435,767**	47,395,812
Prepayments, deposits and other receivables	25	**64,034,938**	62,505,335
Equity investments at fair value through profit or loss	26	**5,430**	264,331
Due from shareholders	37(b)	**6,212,165**	5,976,185
Cash and cash equivalents	27	**25,877,702**	29,423,371
		210,904,915	191,007,829
Assets classified as held for sale	20	**4,979,004**	—
Total current assets		**215,883,919**	191,007,829
CURRENT LIABILITIES			
Trade payables	28	**36,877,836**	31,539,016
Receipts in advance, other payables and accrued expenses	29	**30,202,110**	32,526,411
Due to shareholders	37(b)	**1,575,297**	115,297
Interest-bearing bank and other borrowings	30	**15,600,000**	19,000,000
Tax payable		**822,886**	303,191
Total current liabilities		**85,078,129**	83,483,915
NET CURRENT ASSETS		**130,805,790**	107,523,914

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB	2008 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**259,674,432**	184,590,029
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**(48,400,000)**	—
Net assets		**211,274,432**	184,590,029
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**93,400,000**	93,400,000
Reserves	33(a)	**95,949,985**	78,324,423
Proposed final dividends	12	**4,670,000**	—
		194,019,985	171,724,423
Minority interests		**17,254,447**	12,865,606
Total equity		**211,274,432**	184,590,029

Xie Li
Director

Liu Jian Bang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital	**Share premium account**	**Capital reserve**	**Statutory surplus reserve**	**Discretionary surplus reserve**	**Translation reserve**	**Retained profits**	**Proposed final dividends**	**Total**	**Minority interests**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
	(note 31)	*(note 33(a))*	*(note 33(a))*	*(note 33(a))*	*(note 33(a))*						
At 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
Total comprehensive income for the year	—	—	—	—	—	(36,307)	10,904,457	—	10,868,150	943,327	11,811,477
Appropriations	—	—	—	145,879	76,000	—	(221,879)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(121,600)	(121,600)
Capital contribution to subsidiaries by minority shareholders	—	—	—	—	—	—	—	—	—	3,004,343	3,004,343
Acquisition of minority shareholders' interests in subsidiary	—	—	—	—	—	—	—	—	—	(610,000)	(610,000)
Disposal of subsidiaries	—	—	—	(469,219)	—	—	—	—	(469,219)	(892,878)	(1,362,097)
At 31 December 2008 and 1 January 2009	93,400,000	48,868,818	—	4,494,493	76,000	(185,719)	25,070,831	—	171,724,423	12,865,606	184,590,029
Total comprehensive income for the year	—	—	—	—	—	(351)	21,097,413	—	21,097,062	1,173,941	22,271,003
Appropriations	—	—	—	423,008	201,000	—	(624,008)	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(596,600)	(596,600)
Capital contribution to subsidiaries by minority shareholders	—	—	1,198,500	—	—	—	—	—	1,198,500	4,201,500	5,400,000
Acquisition of minority shareholders' interests in subsidiary	—	—	—	—	—	—	—	—	—	(390,000)	(390,000)
Proposed final dividends	—	—	—	—	—	—	(4,670,000)	4,670,000	—	—	—
At 31 December 2009	**93,400,000**	**48,868,818**	**1,198,500**	**4,917,501**	**277,000**	**(186,070)**	**40,874,236**	**4,670,000**	**194,019,985**	**17,254,447**	**211,274,432**

Consolidated Statement of Cash Flows

31 December 2009

	Notes	2009 RMB	2008 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**24,237,886**	12,563,161
Adjustments for:			
Interest paid	7	**408,242**	427,336
Share of losses of associated companies	18	**139,039**	41,281
Interest income	5	**(228,080)**	(240,927)
Gain on disposal of available-for-sale investments	5	**—**	(9,479)
Gain on disposal of subsidiaries	5	**—**	(4,388,874)
Loss on disposal of associated companies	6	**—**	345,159
Loss on disposal of items of property, plant and equipment	6	**9,787**	105,624
Depreciation of property, plant and equipment	14	**1,540,774**	1,397,058
Amortisation of intangible assets	16	**2,985,890**	3,527,153
Impairment of available-for-sale investments	6	**397,854**	—
		29,491,392	13,767,492
Increase in inventories		**(896,118)**	(4,045,473)
Increase in trade receivables		**(21,038,227)**	(22,785,283)
(Increase)/decrease in prepayment, deposits and other receivables		**(1,527,010)**	1,067,963
Increase/(decrease) in trade payables		**4,948,820**	(2,689,084)
(Decrease)/increase in receipt in advance, other payables and accrued expenses		**(2,324,301)**	4,702,729
Cash generated from/(used in) from operations		**8,654,556**	(9,981,656)
Interest received		**228,080**	240,927
Interest paid		**(408,242)**	(427,336)
PRC income tax paid		**(1,446,833)**	(539,506)
Net cash flows from/(used in) operating activities		**7,027,561**	(10,707,571)

Consolidated Statement of Cash Flows

31 December 2009

	Notes	2009 RMB	2008 RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(3,277,789)**	(1,798,918)
Proceeds from disposal of available-for-sale investment		**—**	386,408
Proceeds from disposal of property, plant and equipment		**33,655**	385,700
Additions of intangible assets		**(1,799,007)**	(2,740,357)
Payment for acquisition of an associated company		**(7,540,000)**	—
Proceeds from disposal of associated companies		**—**	636,873
Net cash inflow arising from disposal of subsidiaries	34	**—**	944,899
(Advance to)/repayment from shareholders		**(235,980)**	29,760,496
Repayment from minority shareholders		**—**	29,642
Decrease/(increase) in equity investments at fair value through profit or loss		**258,901**	(203,331)
Increase in deposits paid		**(100,000)**	(18,060,000)
Increase in construction in progress	21	**(42,030,001)**	(3,645,954)
Additions of prepaid land lease payments		**(2,343,873)**	—
Net cash (used in)/flows from investing activities		**(57,034,094)**	5,695,458
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution to subsidiaries by minority shareholders		**600,000**	3,004,343
Repayment to associated companies		**—**	11,220
New bank loans		**104,000,000**	9,000,000
Repayment of bank loans		**(59,000,000)**	(8,000,000)
Dividend paid to minority shareholders		**(596,600)**	(121,600)
Advance from shareholders		**1,460,000**	—
Net cash flows from financing activities		**46,463,400**	3,893,963
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,543,133)**	(1,118,150)
Cash and cash equivalents at beginning of year		**29,423,371**	30,577,880
Effect of foreign exchange rate changes, net		**(2,536)**	(36,359)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**25,877,702**	29,423,371
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**25,877,702**	29,423,371

Statement of Financial Position

31 December 2009

	Notes	2009 RMB	2008 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,764,660**	2,136,227
Intangible assets	16	**16,788,126**	17,673,009
Interests in subsidiaries	17	**53,937,072**	51,147,072
Investments in associated companies	18	**12,645,074**	7,923,117
Available-for-sale investments	19	**772,199**	1,170,053
Construction in progress	21	**69,705,508**	27,675,507
Deposits paid	22	**9,910,000**	12,210,000
Total non-current assets		**165,522,639**	119,934,985
CURRENT ASSETS			
Inventories	23	**14,680,922**	17,345,118
Trade receivables	24	**32,765,164**	26,778,543
Prepayment, deposits and other receivables	25	**41,022,279**	61,330,091
Due from shareholders	37(b)	**6,212,165**	5,976,185
Dividend receivable		**8,777,189**	9,367,838
Cash and cash equivalents	27	**9,491,717**	10,905,996
		112,949,436	131,703,771
Assets classified as held for sale	20	**4,979,004**	—
Total current assets		**117,928,440**	131,703,771
CURRENT LIABILITIES			
Trade payables	28	**25,284,763**	34,357,315
Receipts in advance, other payables and accrued expenses	29	**19,248,018**	28,657,531
Due to a shareholder	37(b)	**1,575,297**	115,297
Interest-bearing bank and other borrowings	30	**1,600,000**	19,000,000
Tax payables		**378,553**	—
Total current liabilities		**48,086,631**	82,130,143
NET CURRENT ASSETS		**69,841,809**	49,573,628
TOTAL ASSETS LESS CURRENT LIABILITIES		**235,364,448**	169,508,613
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**(48,400,000)**	—
Net assets		**186,964,448**	169,508,613
EQUITY			
Issued capital	31	**93,400,000**	93,400,000
Reserves	33(b)	**88,894,448**	76,108,613
Proposed final dividends	12	**4,670,000**	—
Total equity		**186,964,448**	169,508,613

Xie Li	**Liu Jian Bang**
Director	*Director*

1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (the "Company", together with its subsidiaries, the "Group") 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 Group 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, provides systems integration services and trading of IT related equipment and mobile phone which include the provision of information technology ("IT") consulting.

The Company's registered office in the PRC is located at NandaSoft Tower, 8 Jinyin Street, Shanghai Road, Nanjing, Jiangsu, the PRC. The Company's registered office 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 ("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 and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). They have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. 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.

The acquisition of subsidiaries during the year has been accounted for using the purchases 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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition 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 and revised 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 and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7, Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 18 Amendment[#]	Amendment to Appendix to HKAS 18 Revenue — Determining whether an entity is acting as a principal or as an agent
HKAS 32 & 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition And Measurement — Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)*	Amendments to a number of HKFRSs except for Amendment to HKFRS 5

\# Included in Improvements to HKFRSs 2009 (as issued in May 2009)

* The Group adopted all the improvement to HKRFSs issued in October 2008 except for the amendments to HKFRS 5 Non-current assets Held for Sale and Discontinued Operation – Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 8 — Operating Segments

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(b) HKAS 1 (Revised) — Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendments	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Right Issues[3]
HKAS 39 Amendments	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
HK(IFRIC)-Int 14	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Amendments Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operation — Plan to Sell the Controlling interest in a Subsidiary[1]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to reviewing inconsistencies and clarify wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies 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.

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of financial position 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.

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.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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.

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.

An assessment is made at the end of each reporting period 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 associated company;

(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);

(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); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 the each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 and capitalised borrowing costs on related borrowed funds 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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within 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. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationship as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance cost.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to 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 when:

- the rights to receive cash flows from the asset have expired;

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, 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. In the case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the statements of income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, receipts in advance, other payables and accrued expenses, an amount due to shareholders, and interest-bearing bank loans and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes 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 selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. 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 or includes any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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 statements of income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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 other valuation models.

Inventories

Inventories represent trading merchandise and direct costs incurred for IT contract work in progress and 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.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

- 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statements of income 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 rending of services, on the percentage of completion basis, as further explained in the accounting policy for "Contract of services" above;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(c) IT training services income, when the services are provided; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, 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. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statements of income as they become payable in accordance with the rules of the central pension scheme.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to the income statements. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.

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 end of the reporting period. 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty *(Continued)*

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 the end of each reporting period, and makes provision 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 the end of each reporting period 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 the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. 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.

Useful lives of intangible assets

The Group assesses whether the intangible assets are of finite useful lives at the end of each reporting period. In determining useful lives of intangible assets, the Group has considered 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 lives of the intangible assets is based on the experience of the Group with similar intangible assets that generate similar future economic benefits. Additional amortisation is made if the estimated useful lives of intangible assets are different from previous estimation. Useful lives are reviewed at each financial year end date based on changes in circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty *(Continued)*

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statements of income. At 31 December 2009, impairment losses of RMB397,854 have been recognised for available-for-sale assets (2008: Nil). The carrying amount of available-for-sale assets was RMB962,199 (2008: RMB1,360,053).

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 2009, the best estimate of the carrying amount of capitalised development costs was RMB16,788,126 (2008: RMB17,673,009).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the computer hardware and software products segment is a supplier of the components of IT products;

(b) the system integration service segment produces the IT consulting services;

(c) the trading of IT related products and equipment, and mobile phone segment is trading of the components of IT related products; and

(d) the training services segment is the provision of IT training services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from operations. The adjusted profit before tax from operations is measured consistently with the Group's profit before tax from operations except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss, amounts due from shareholders and other unallocated head office and corporate assets as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Segment liabilities exclude interest-bearing bank and other borrowings, the amounts due to shareholders, tax payables and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

Intersegment 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 Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rending IT services in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical segment were made.

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phone		IT Training services		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Segment revenue:										
Sales to external customers	**259,991,412**	192,185,634	**52,490,553**	62,639,104	**13,570,035**	5,655,366	**937,675**	—	**326,989,675**	260,480,104
Segment results	**9,021,388**	(4,619,947)	**9,584,044**	8,548,151	**290,343**	(761,030)	**(135,364)**	—	**18,760,411**	3,167,174
Reconciliation:										
Other income and gains									**10,221,509**	12,924,187
Unallocated corporate expenses									**(3,763,894)**	(2,843,416)
Finance costs									**(841,101)**	(643,503)
Share of results of associated companies									**(139,039)**	(41,281)
Profit before tax									**24,237,886**	12,563,161
Income tax expense									**(1,966,528)**	(715,372)
Profit for the year									**22,271,358**	11,847,789

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Sales of computer hardware and software puroducts		System integration service		Trading of IT related products and equipment, and mobile phone		IT Training services		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*	***RMB***	*RMB*
Segment assets	**151,582,727**	122,443,116	**30,603,554**	58,249,420	**7,911,734**	3,603,082	**546,692**	—	**190,644,707**	184,295,618
Reconciliation:										
Interests in associated companies									**12,645,074**	7,923,117
Unallocated assets									**141,462,780**	75,855,209
Total assets									**344,752,561**	268,073,944
Segment liabilities	**38,151,258**	37,137,446	**7,702,488**	12,104,215	**1,991,273**	1,092,828	**137,595**	—	**47,982,614**	50,334,489
Reconciliation:										
Unallocated liabilities									**85,495,515**	33,149,426
Total liabilities									**133,478,129**	83,483,915
Other segment information:										
Additions of property, plant and equipment	**661,588**	961,670	**272,385**	643,162	**383,575**	194,086	**1,960,241**	—	**3,277,789**	1,798,918
Additions of intangible assets	**—**	—	**6,599,007**	2,740,357	**—**	—	**—**	—	**6,599,007**	2,740,357
Additions of construction in progress — unallocated	**—**	—	**—**	—	**—**	—	**—**	—	**42,030,001**	3,645,954
Impairment losses recognised in the income statement	**—**	3,244,437	**—**	1,057,460	**—**	—	**—**	—	**—**	4,301,897
— Unallocated	**—**	—	**—**	—	**—**	—	**—**	—	**3,397,854**	1,815,455
									3,397,854	6,117,352
Impairment losses reversed in the Income statement *(note 24)*	**(543,921)**	(2,242,671)	**(154,699)**	(730,954)	**—**	—	**—**	—	**(698,620)**	(2,973,625)
Amortisation of intangible assets	**—**	—	**2,985,890**	3,527,153	**—**	—	**—**	—	**2,985,890**	3,527,153
Depreciation of property, plant and equipment	**742,042**	746,572	**411,701**	576,724	**21,265**	73,762	**365,766**	—	**1,540,774**	1,397,058

Information about a major customer

Revenue of approximately RMB15,700,000 (2008: RMB12,700,000) was derived from sales of computer hardware and software products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

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:

	2009	2008
	RMB	*RMB*
Revenue		
Sale of goods:		
Computer hardware and software products	**259,991,412**	192,185,634
Trading of IT related products and equipment, and mobile phone	**13,570,035**	5,655,366
Rendering of system integration services	**52,490,553**	62,639,104
Provision of IT training services	**937,675**	—
	326,989,675	260,480,104
Other income and gains		
Bank interest income	**228,080**	240,927
PRC value added tax refunded	**2,104,010**	561,883
Gain on disposal of available-for-sale investments	**—**	9,479
Gain on disposal of equity investments at fair value through profit or loss	**—**	192,789
Gain on disposal of subsidiaries *(note 34(a))*	**—**	4,388,874
Other project income *(note 25b)*	**1,728,898**	—
Government grants received	**9,857,025**	7,159,786
Others	**523,496**	370,449
	14,441,509	12,924,187
	341,431,184	273,404,291

6. PROFIT BEFORE TAX

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

	2009	2008
	RMB	*RMB*
Cost of sales:		
Cost of computer hardware and software sold	**216,431,008**	173,201,737
Cost of services provided	**31,559,360**	37,517,201
Cost of IT related products and equipment sold	**9,123,514**	4,185,292
Cost of provision of IT training services	**494,130**	—
	257,608,012	214,904,230
Depreciation of property, plant and equipment *(note 14)*	**1,540,774**	1,397,058
Amortisation of intangible assets* *(note 16)*	**2,985,890**	3,527,153
Research and development costs:		
Deferred expenditure amortised *(note 16)*	**2,683,890**	3,225,653
Current year expenditure	**590,314**	579,016
Less: Government grants released	**(2,000,000)**	(3,600,000)
	1,274,204	204,669
Minimum lease payments under operating leases on office premises	**2,623,894**	1,049,315
Auditors' remuneration	**351,339**	352,625
Loss on disposal of associated companies	**—**	345,159
Loss on disposal of items of property, plant and equipment	**9,787**	105,624
Employee benefits expense (excluding directors' and supervisors' remuneration *(note 8)*):		
Salaries and allowances	**20,895,164**	17,964,055
Pension scheme contributions	**3,020,638**	1,850,106
	23,915,802	19,814,161
Foreign exchange differences, net	**137,157**	87,373
Reverse of impairment of trade receivables *(note 24(a))***	**(698,620)**	(2,973,625)
Impairment of prepayments, deposit and other receivables *(note 25)***	**3,000,000**	6,117,352
Impairment of available-for-sales investments***	**397,854**	—
Bank interest income	**(228,080)**	(240,927)

* The amortisation of intangible assets for the year are included in "Administrative expenses" and "Research and Development costs" in the consolidated income statement amounted RMB302,000 (2008: RMB301,500) and RMB2,683,890 (2008: RMB3,225,653), respectively.

** Reverse of impairment of trade receivables and impairment of prepayments, deposits and other receivables are included "Administrative expenses" in the consolidated income statement.

*** Impairment of available-for-sales investments are included in "Administrative expenses" in the consolidated income statement.

7. FINANCE COSTS

	2009	2008
	RMB	*RMB*
Interest on bank loans wholly repayable within five years	**2,251,085**	427,336
Bank charges	**432,859**	216,167
	2,683,944	643,503
Less: Interests capitalised in construction in progress	**(1,842,843)**	—
	841,101	643,503

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	
	2009	2008
	RMB	*RMB*
Directors' fees:		
Independent non-executive directors	**26,400**	24,800
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**980,100**	440,015
Non-executive directors	**20,000**	22,134
	1,000,100	462,149
	1,026,500	486,949
Supervisors' emoluments:		
Salaries, allowances and other benefits	**46,000**	39,000

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

		Group 2009 RMB	2008 RMB
Mr. Xu Huan Liang		**10,000**	8,000
Dr. Daxi Li		**10,000**	800
Ms. Xie Hong	(appointed on 29 December 2009)	**—**	—
Mr. Yim Hing Wah	(deceased on 14 July 2009)	**6,400**	8,000
Professor Wang Zhi Jian	(resigned on 7 November 2008)	**—**	8,000
		26,400	24,800

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

(b) Executive directors and non-executive directors

	Group Fees RMB	Salaries, allowances and benefits in kind RMB	Pension scheme contributions RMB	Total remuneration RMB
2009				
Executive directors:				
Professor Xie Li	—	**310,100**	—	**310,100**
Mr. Liu Jian Bang	—	**310,000**	—	**310,000**
Mr. Pan Jian Xiang	—	**250,000**	—	**250,000**
Mr. Chen Zheng Rong	—	**110,000**	—	**110,000**
	—	**980,100**	—	**980,100**
Non-executive directors:				
Mr. Yuan Ren Wei	—	**10,000**	—	**10,000**
Mr. Liu Winson Wing Sun	—	**10,000**	—	**10,000**
	—	**20,000**	—	**20,000**
	—	**1,000,100**	—	**1,000,100**

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

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

		Group			
		Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
		RMB	*RMB*	*RMB*	*RMB*
2008					
Executive directors:					
Professor Xie Li		—	224,890	—	224,890
Mr. Liu Jian Bang	(appointed on 7 November 2008)*	—	30,000	—	30,000
Mr. Pan Jian Xiang	(appointed on 20 June 2008)*	—	73,125	—	73,125
Mr. Chen Zheng Rong		—	112,000	—	112,000
		—	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. Their emoluments had been included in salaries and allowances under "Employee benefits expenses" before their appointment as executive directors.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2008: 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.

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2009	2008
	RMB	*RMB*
Salaries, allowances and other benefits	**464,300**	307,100
Pension scheme contributions	**—**	—
	464,300	307,100

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

	Number of employees	
	2009	2008
Nil to RMB1,000,000	**2**	2

10. TAX

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 25 % in the succeeding three years (the "Tax Holiday"), commencing from 1 January 2008. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2008: 25%) is applicable to these PRC subsidiaries.

Hong Kong income tax has not been provided (2008: Nil) as Hong Kong subsidiaries has available tax losses brought forward from prior years to offset the assessable profits generated during the year.

10. TAX *(Continued)*

	Group	
	2009	2008
	RMB	*RMB*
Current — the PRC:		
Charge for the year	**2,084,720**	529,088
(Overprovision)/underprovision in prior years	**(118,192)**	186,284
Total tax charge for the year	**1,966,528**	715,372

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

	Group			
	2009		2008	
	RMB	***%***	*RMB*	*%*
Profit before tax	**24,237,886**		12,563,161	
Tax at the average tax rates applicable to profits in the countries concerned	**5,573,402**	**23.0**	3,220,524	25.6
Tax effect of share of results of associated companies	**34,760**	**0.1**	10,320	0.1
Tax effect of expenses not deductible	**1,518,068**	**6.3**	3,843,592	30.6
Tax effect of income not taxable	**(4,357,031)**	**(18.0)**	(5,852,473)	(46.6)
(Overprovision)/underprovision in the prior year	**(118,192)**	**(0.4)**	186,284	1.5
Tax effect of tax losses not recognised	**345,266**	**1.4**	384,086	3.0
Tax losses utilised from previous year	**(299,607)**	**(1.2)**	(1,071,312)	(8.5)
Effect of concessionary tax rate	**(1,082,173)**	**(4.5)**	(192,475)	(1.5)
Others	**352,035**	**1.4**	186,826	1.5
Tax charge at the Group's effective tax rate	**1,966,528**	**8.1**	715,372	5.7

The share of tax attributable to associated companies of RMB Nil (2008: Nil) is included in "Share of profits and losses of associated companies" on the face of the consolidated income statement.

10. INCOME TAX *(Continued)*

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Tax losses	**5,339,406**	5,293,747	**—**	2,686,425
Deductible temporary differences	**8,728,013**	9,286,130	**4,916,238**	4,334,739
	14,067,419	14,579,877	**4,916,238**	7,021,164

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.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year ended 31 December 2009 includes a profit of RMB17,455,835 (note 33(b)) (2008: RMB11,028,950) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2009	2008
	RMB	*RMB*
Proposed final — RMB0.5 cent (2008: Nil) per ordinary share	**4,670,000**	—

The proposed final dividends (including tax) for the year is subject to the shareholder's approval at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of RMB21,097,413 (2008: RMB10,904,457) and on 934,000,000 (2008: 934,000,000) shares in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2009 and 2008 as no diluting events existed during the years.

14. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2009				
At 1 January 2009				
Cost	**200,753**	**9,044,040**	**5,181,243**	**14,426,036**
Accumulated depreciation	**(200,753)**	**(7,137,475)**	**(3,381,879)**	**(10,720,107)**
Net carrying amount	**—**	**1,906,565**	**1,799,364**	**3,705,929**
At 1 January 2009, net of accumulated depreciation	**—**	**1,906,565**	**1,799,364**	**3,705,929**
Additions	**—**	**3,141,789**	**136,000**	**3,277,789**
Depreciation provided during the year	**—**	**(1,063,136)**	**(477,638)**	**(1,540,774)**
Disposals	**—**	**(36,091)**	**(7,351)**	**(43,442)**
Exchange realignment	**—**	**(2,140)**	**—**	**(2,140)**
At 31 December 2009, net of accumulated depreciation	**—**	**3,946,987**	**1,450,375**	**5,397,362**
At 31 December 2009				
Cost	**200,753**	**12,070,564**	**5,072,208**	**17,343,525**
Accumulated depreciation	**(200,753)**	**(8,123,577)**	**(3,621,833)**	**(11,946,163)**
Net carrying amount	**—**	**3,946,987**	**1,450,375**	**5,397,362**
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)	(7,137,475)	(3,381,879)	(10,720,107)
Net carrying amount	—	1,906,565	1,799,364	3,705,929

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Company		
	Furniture, fixtures and equipment *RMB*	**Motor vehicles** *RMB*	**Total** *RMB*
31 December 2009			
At 1 January 2009			
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**
At 1 January 2009, net of accumulated depreciation	**640,589**	**1,495,638**	**2,136,227**
Additions	**273,482**	**—**	**273,482**
Depreciation provided during the year	**(276,955)**	**(360,573)**	**(637,528)**
Disposals	**(170)**	**(7,351)**	**(7,521)**
At 31 December 2009, net of accumulated depreciation	**636,946**	**1,127,714**	**1,764,660**
At 31 December 2009			
Cost	**4,651,859**	**2,889,932**	**7,541,791**
Accumulated depreciation	**(4,014,913)**	**(1,762,218)**	**(5,777,131)**
Net carrying amount	**636,946**	**1,127,714**	**1,764,660**
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

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	RMB	*RMB*
Cost at 1 January	**—**	—
Additions during the year	**8,193,873**	—
Cost at 31 December	**8,193,873**	—

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

16. INTANGIBLE ASSETS

	Group			
	Deferred development costs	**Copy rights**	**Other intangible assets**	**Total**
	RMB	***RMB***	***RMB***	***RMB***
31 December 2009				
At 1 January 2009				
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**
At 1 January 2009, net of accumulated amortisation	**17,673,009**	**—**	**668,500**	**18,341,509**
Additions	**1,799,007**	**—**	**4,800,000**	**6,599,007**
Amortisation provided during the year	**(2,683,890)**	**—**	**(302,000)**	**(2,985,890)**
At 31 December 2009	**16,788,126**	**—**	**5,166,500**	**21,954,626**
At 31 December 2009				
Cost	**36,789,089**	**6,019,022**	**5,610,000**	**48,418,111**
Accumulated amortisation	**(20,000,963)**	**(6,019,022)**	**(443,500)**	**(26,463,485)**
Net carrying value	**16,788,126**	**—**	**5,166,500**	**21,954,626**

16. INTANGIBLE ASSETS *(Continued)*

	Group			
	Deferred development costs *RMB*	Copy rights *RMB*	Other intangible assets *RMB*	Total *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 provided during the year	(3,225,653)	(200,000)	(101,500)	(3,527,153)
At 31 December 2008	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

	Company		
	Deferred development costs ***RMB***	**Copy rights** ***RMB***	**Total** ***RMB***
31 December 2009			
At 1 January 2009			
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**
At 1 January 2009, net of accumulated amortisation	**17,673,009**	**—**	**17,673,009**
Additions	**1,799,007**	**—**	**1,799,007**
Amortisation provided during the year	**(2,683,890)**	**—**	**(2,683,890)**
At 31 December 2009	**16,788,126**	**—**	**16,788,126**
At 31 December 2009			
Cost	**36,789,089**	**5,055,994**	**41,845,083**
Accumulated amortisation	**(20,000,963)**	**5,055,994**	**(25,056,957)**
Net carrying value	**16,788,126**	**—**	**16,788,126**

16. 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 provided during the year	(3,225,653)	(200,000)	(3,425,653)
At 31 December 2008	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

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB	*RMB*
Unlisted equity investments/shares, at cost	**53,937,072**	51,147,072

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2009 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		Principal activities
			Directly	Indirectly	
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 Hanwin Technology Company Limited (formerly known as "Suzhou NandaSoft Technology Company Limited")*#^	PRC	RMB12,100,000	—	85.22%	Sale of computer hardware products and equipment
Jiangsu NandaSoft (Hong Kong) Company Limited	HK	HK$1,000,000	100%	—	Investment holding
Jiangsu NandaSoft Xin Yi Technology Software Company Limited*#^	PRC	RMB5,000,000	—	100%	Sale of computer hardware products and equipment
Jiangsu NandaSoft Communication Company Limited*#^	PRC	RMB5,000,000	51%	—	Sales of GPS products (2008: not yet commence business)
Jiangsu Sheng Feng Investment Company Limited*#^	PRC	RMB10,000,000	95%	5%	Investment holding
NandaSoft Telecommunication Technology (Hong Kong) Company Limited	HK	HK$1,000,000	—	100%	Repairing of mobile phone service
Nanjing NandaSoft Computer Engineering Company Limited*#^	PRC	RMB7,000,000	51%	—	Sale of computer hardware products and equipment
Nanjing NandaSoft Services Training Centre*#^	PRC	RMB2,000,000	100%	—	IT training services
Nanjing NandaSoft System Integration Company Limited*#^	PRC	RMB20,000,000	100%	—	System Integration

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of establishment/ incorporation and operation	Paid up/issued capital	Percentage of paid up/issued capital held by the Company		Principal activities
			Directly	Indirectly	
Shenyang Soft Software Development Company Limited *#^	PRC	RMB10,000,000	70%	—	Investment holding (2008: Not yet commence business)
Shenzhen NandaSoft Network Technology Company Limited *#^	PRC	RMB5,000,000	—	99.5%	Sale of computer hardware products and equipment

* Ascenda Cachet CPA Limited (formerly 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.

^ These are domestic limited liability companies established in the PRC.

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.

18. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at cost	**—**	—	**17,840,000**	8,000,000
Share of net assets	**17,624,078**	7,923,117	**—**	—
Less: Impairment	**—**	—	**(215,922)**	(76,883)
Less: Transfer to non-current assets classified as held for sale *(note 20)*	**(4,979,004)**	—	**(4,979,004)**	—
	12,645,074	7,923,117	**12,645,074**	7,923,117

18. INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

Particulars of the principal associated companies as at 31 December 2009 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	
Shenzhen Nanda Research Institute Company Limited#	PRC	RMB10,000,000	30%	—	Not yet commenced business
Promed Medical Technology (Suzhou) Company Limited#	PRC	USD1,000,000	30%	—	Development of cardiovascular stent

\# 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 Ascenda Cachet CPA Limited (formerly Cachet Certified Public Accountants Limited).

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

	2009	2008
	RMB	*RMB*
Total assets	**74,717,887**	47,790,222
Total liabilities	**(56,671,130)**	(18,101,108)
Net assets	**18,046,757**	29,689,114
Group's share of net assets of associated companies	**5,414,027**	7,923,117
Revenue	**256,410**	—
Loss for the year	**(454,548)**	(135,197)
Group's share of loss of associated companies for the year	**(139,039)**	(41,281)

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at cost	**962,199**	1,360,053	**772,199**	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 the end of each reporting period 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.

20. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Unlisted equity investments, at carrying amount	**4,979,004**	—	**4,979,004**	—

The unlisted equity investment represents investment in Jiangsu NandaSoft Tianmuhu Hi-tech Company Limited (the "Investment") in the aggregate cost of RMB5,000,000 which were classified as "Investments in associated companies" (note 18) in prior years. On 16 October 2009, the Company has entered into a sales and purchases agreement with an independent third party to dispose of the investment at a consideration of RMB5,000,000. At the reporting date, the investee company was still in the course of applying for approval for the change of equity holders and business licences from the local authorities, and accordingly, the Investment was classified as assets classified as held for sale.

21. CONSTRUCTION IN PROGRESS

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Cost at 1 January	**27,675,507**	24,029,553	**27,675,507**	24,029,553
Additions during the year	**42,030,001**	3,645,954	**42,030,001**	3,645,954
Cost at 31 December	**69,705,508**	27,675,507	**69,705,508**	27,675,507

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 2009, the Company and the Group had contracted but not provided for capital commitments for the construction costs of approximately RMB67,000,000 (2008: RMB5,700,000).

22. DEPOSITS PAID

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Unlisted equity investments	*(a)*	**10,010,000**	12,210,000	**9,910,000**	12,210,000
A land use right		**—**	5,850,000	**—**	—
		10,010,000	18,060,000	**9,910,000**	12,210,000

(a) The unlisted equity investments at 31 December 2009 represented:

(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 2009, the investee company was still in the course of applying for approval for the change of equity holders and business licences from the local authorities.

(ii) On 30 November 2009, a 51%-owned subsidiary of the Company entered into an agreement with two parties, the minority shareholder of that subsidiary and independent third party in relation to establishment of a company, namely Soft Traffic Technology (Nanjing) Company Limited ("蘇富特交通科技（南京）有限公司", "Soft Traffic") in which that subsidiary had contributed RMB100,000 representing 10% of the equity interest of Soft Traffic. As at 31 December 2009, the investee company was still in the course of applying for approval for the establishment and business licences from the local authorities.

23. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Computer hardware products, equipment and software products, and mobile phone	**46,338,913**	45,442,795	**14,680,922**	17,345,118

At the end of the reporting period, the inventories of the Group and the Company carrying at net realisable value amounted to Nil (2008: Nil).

24. TRADE RECEIVABLES

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Trade receivables		**110,297,248**	89,955,913	**75,003,592**	69,696,168
Impairment	*(a)*	**(41,861,481)**	(42,560,101)	**(42,238,428)**	(42,917,625)
Net carrying amount	*(b)*	**68,435,767**	47,395,812	**32,765,164**	26,778,543

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
At 1 January	**42,560,101**	45,533,726	**42,917,625**	43,330,956
Impairment losses reversed *(note 6)*	**(698,620)**	(2,973,625)	**(679,197)**	(413,331)
At 31 December	**41,861,481**	42,560,101	**42,238,428**	42,917,625

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB39,867,164 (2008: RMB39,811,620) with a carrying amount before provision of RMB39,867,164 (2008: RMB39,811,620). The Group does not hold any collateral or other credit enhancements over these balances.

24. TRADE RECEIVABLES *(Continued)*

(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 interest-free.

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
0 — 90 days	**51,884,653**	36,899,257	**26,953,931**	19,034,755
91 — 180 days	**7,882,235**	4,439,933	**1,488,517**	3,537,480
181 — 365 days	**5,135,921**	2,314,291	**1,467,280**	697,057
Over 365 days	**3,532,958**	3,742,331	**2,855,436**	3,509,251
	68,435,767	47,395,812	**32,765,164**	26,778,543

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

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Neither past due nor impaired	**51,884,653**	36,899,257	**26,953,931**	19,034,755
Less than 1 month past due	**7,882,235**	4,439,933	**1,488,517**	3,537,480
Over 1 month past due	**8,668,879**	6,056,622	**4,322,716**	4,206,308
	68,435,767	47,395,812	**32,765,164**	26,778,543

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.

(c) Included in the Company's trade receivables are amounts due from the subsidiaries of RMB5,241,428 (2008: RMB2,376,675), which are unsecured, interest-free and are repayable on demand.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2009	2008	**2009**	2008
	Notes	***RMB***	*RMB*	***RMB***	*RMB*
Other receivables					
Advances to suppliers	*(a)*	**26,942,236**	31,003,894	**25,751,562**	28,213,191
PetroChina Company Limited	*(b)*	**6,065,000**	3,507,762	**—**	—
Consideration receivable from an ex-venture partner	*(c)*	**2,000,000**	2,000,000	**—**	—
Others		**36,947,695**	30,606,040	**18,270,717**	33,116,900
		71,954,931	67,117,696	**44,022,279**	61,330,091
Less: Impairment *(note 6)*		**(9,117,352)**	(6,117,352)	**(3,000,000)**	—
Net carrying amount of other receivables	*(d)*	**62,837,579**	61,000,344	**41,022,279**	61,330,091
Prepayments		**926,978**	1,074,205	**—**	—
Deposits paid		**270,381**	430,786	**—**	—
Total prepayments, deposits and other receivables		**64,034,938**	62,505,335	**41,022,279**	61,330,091

(a) Included in the advances to suppliers is an aggregate amount of RMB4,877,699 (2008: 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 Company had taken appropriate actions to enforce the rights to collect the advance deposits during the year. 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.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(b) 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 RMB3,900,000 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 gas station operating licence ("成品油零售經營批准證書") by PetroChina. As at 31 December 2009, the Group completed the application for the required licences in respect of the First Station and recognised a gain (net of tax and other expenses incurred) on the project of approximately RMB1,729,000 to other income and gains (note 5) during the year.

In relation to another gas station (the "Second Station"), the Group contributed RMB2,690,000 in 2006 to purchase the related land use rights for PetroChina for the construction of the Second Station. As at 31 December 2009, the Group's management is still in the progress of negotiation with the management of PetroChina.

(c) 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.

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 seized 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.

During the year ended 31 December 2009, the Venture Partner made an appeal and the Nanjing Intermediate People's Court (南京市中級人民法院) ruled in favour of 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 seized properties is above RMB2,000,000 and, accordingly, no further provision for impairment is made for the outstanding receivable.

(d) Included in the Company's other receivables are amount due from the subsidiaries amounting to RMB9,818,103 (2008: RMB22,574,746), which are unsecured, interest-free and are repayable on demand.

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Listed equity investments in the PRC, at market value	**5,430**	264,331	**—**	—

The above equity investments at 31 December 2008 and 2009 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.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Cash at bank	**25,770,649**	29,122,137	**9,463,354**	10,882,899
Cash on hand	**107,053**	301,234	**28,363**	23,097
	25,877,702	29,423,371	**9,491,717**	10,905,996

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

At the end of the reporting period, 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.

28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
0 — 90 days	**18,655,332**	20,211,401	**10,309,267**	22,169,727
91 — 180 days	**1,565,142**	2,996,304	**5,606,696**	5,484,609
181 — 365 days	**6,468,363**	1,749,739	**3,921,308**	1,446,742
Over 365 days	**10,188,999**	6,581,572	**5,447,492**	5,256,237
	36,877,836	31,539,016	**25,284,763**	34,357,315

Included in the Company's trade payables are amount due to the subsidiaries of RMB11,356,166 (2008: RMB17,378,104), which are unsecured, interest-free and are repayable on demand.

29. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Receipt in advance	**11,104,777**	21,099,913	**8,926,295**	24,457,770
Other payables	**16,751,012**	9,527,210	**7,585,750**	2,212,240
Accrued expenses	**2,346,321**	1,899,288	**2,735,973**	1,987,521
	30,202,110	32,526,411	**19,248,018**	28,657,531

Other payables are non-interest-bearing and have an average term of 3 months.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2009			2008		
	Effective interest rate *(%)*	**Maturity**	**RMB**	Effective interest rate *(%)*	Maturity	RMB
Bank loans — secured *(note a)*	**5.44 to 6.10**	**2010 to 2019**	**64,000,000**	—	—	—
Bank loan — unsecured	**—**	**—**	**—**	5.86	2009	9,000,000
Other loan — unsecured	**—**	**—**	**—**	1.00	2009	10,000,000
			64,000,000			19,000,000
Current portion			**(15,600,000)**			(19,000,000)
Non-current portion			**48,400,000**			—

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	Company					
	2009			2008		
	Effective interest rate *(%)*	**Maturity**	**RMB**	Effective interest rate *(%)*	Maturity	RMB
Bank loan — secured *(note b)*	**5.44**	**2019**	**50,000,000**	—	—	—
Bank loan — unsecured	**—**	**—**	**—**	5.86	2009	9,000,000
Other loan — unsecured	**—**	**—**	**—**	1.00	2009	10,000,000
			50,000,000			19,000,000
Current portion			**(1,600,000)**			(19,000,000)
Non-current portion			**48,400,000**			—

Notes:

(a) The Company has guaranteed certain of the bank loans of its subsidiaries up to RMB14,000,000 (2008: Nil) as at the end of the reporting period.

(b) The Company's bank loans were secured by the Company's land use right (included in "Construction in Progress" (note 21)) of RMB22,752,000.

31. SHARE CAPITAL

	2009	2008
	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.

31. SHARE CAPITAL *(Continued)*

Pursuant to a resolution passed in an extraordinary general meeting (the "EGM") and the Class Meetings on 15 September 2009, 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 2009, no placing agreements have been made in relation to the issue of the new H shares since the Company is still seeking the China Securities Regulatory Committee's (the "CSRC") approval for the issue of a maximum number of 187,000,000 new H shares.

32. 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 CSRC 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.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 39.

Basis of appropriation to reserves

The transfers to statutory surplus reserve are 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.

Capital reserve

The Company's capital reserve account cannot distribute in the form of dividends.

Statutory surplus reserve

The Company's Articles of Association requires the appropriation of 10% of its profit after tax 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 profits

The reserves available for distribution to shareholders are based on the lower of the aggregate amount of profit after tax 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 profits of the Group included accumulated losses of RMB215,922 (2008: RMB76,883) retained by the associated companies of the Group.

33. RESERVES *(Continued)*

(b) Company

	Share premium account *RMB*	Statutory surplus reserve *RMB*	Retained profits *RMB*	Proposed final dividends *RMB*	Total *RMB*
At 1 January 2008	48,868,818	5,898,681	10,312,164	—	65,079,663
Total comprehensive income for the year *(note 11)*	—	—	11,028,950	—	11,028,950
At 31 December 2008 and 1 January 2009	48,868,818	5,898,681	21,341,114	—	76,108,613
Total comprehensive income for the year *(note 11)*	—	—	17,455,835	—	17,455,835
Proposed final dividends *(note 12)*	—	—	(4,670,000)	4,670,000	—
At 31 December 2009	48,868,818	5,898,681	34,126,949	4,670,000	93,564,448

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	Group	
	2009	2008
	RMB	*RMB*
Net liabilities disposed of:		
Property, plant and equipment	—	77,709
Cash and bank balances	—	645,101
Trade receivables	—	3,319,635
Prepayments, deposits and other receivables	—	13,828,473
Inventories	—	997,640
Trade payables	—	(3,209,110)
Receipts in advance, other payables and accrued expenses	—	(16,681,351)
Tax recoverable	—	35,126
Minority interests	—	(892,878)
	—	(1,879,655)
Equity interest of the subsidiary retained by the Group, and classified as an available-for-sale investment	—	(190,000)
	—	(2,069,655)
Statutory surplus reserve released upon disposal of subsidiaries	—	(469,219)
Gain on disposal of subsidiaries	—	4,388,874
	—	1,850,000
Satisfied by:		
Cash	—	1,590,000
Decrease in minority shareholders' interest in subsidiaries	—	260,000
	—	1,850,000

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Disposal of subsidiaries *(Continued)*

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

	Group	
	2009	2008
	RMB	*RMB*
Cash consideration received	—	1,590,000
Cash and bank balances disposed	—	(645,101)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	944,899

(b) Major non-cash transaction

During the year, a minority shareholder had made capital contribution to a subsidiary by transferring of intangible assets of RMB4,800,000.

35. 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 (2008: one to two years).

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Within one year	**928,408**	1,060,026	—	—
In the second to fifth years, inclusive	**74,583**	224,339	—	—
	1,002,991	1,284,365	—	—

(b) Capital commitments

Save as disclosed in notes 21 and 22 to the financial statements, as at 31 December 2009, the Group and the Company had no other significant capital commitments.

36. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

The Company had contingent liabilities in respect of corporate guarantees for bank facilities granted to certain subsidiaries in the aggregate amount of RMB14,000,000 (2008: Nil). At the end of the reporting period, such facilities were utilised by the subsidiaries in the aggregate amount of RMB14,000,000 (2008: Nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with a related party, which also constitute continuing connected transactions under the GEM Listing Rules, during the year:

			Group and Company	
Name of related party	**Nature of transactions**	**Relationship**	**2009**	2008
			RMB	*RMB*
Nanjing University	Development cost paid *(note i)*	Shareholder of the Company	**(50,000)**	(100,000)
Nanjing University	System integration services income received *(note ii)*	Shareholder of the Company	**1,440,892**	1,383,470

(i) For the year ended 31 December 2009, the Group paid development cost in an aggregate of RMB50,000 (2008: RMB100,000) to Nanjing University for the joint development of software products. The amounts for both years have been capitalised as intangible assets at the end of the reporting period. These transactions were conducted in accordance with the terms agreed between the Group and the related party.

(ii) For the year ended 31 December 2009, the Group received an income for system integration services in an aggregate of RMB1,440,892 (2008: RMB1,383,470) from Nanjing University. These transactions were conducted in accordance with the published prices and conditions offered to the major customers of the Group.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

	Group		Company	
	2009	2008	**2009**	2008
	RMB	*RMB*	***RMB***	*RMB*
Due from shareholders				
Nanjing University	**3,032,046**	2,796,066	**3,032,046**	2,796,066
Jiangsu Co-Creation	**2,361,887**	2,361,887	**2,361,887**	2,361,887
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School	**818,232**	818,232	**818,232**	818,232
	6,212,165	5,976,185	**6,212,165**	5,976,185
Due to shareholders				
Nanjing University	**(1,460,000)**	—	**(1,460,000)**	—
Jiangsu Co-Creation	**(115,297)**	(115,297)	**(115,297)**	(115,297)
	(1,575,297)	(115,297)	**(1,575,297)**	(115,297)

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

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

	Group	
	2009	2008
	RMB	*RMB*
Short term employee benefits	**1,072,500**	525,949
Post-employment benefits	**—**	—
Total compensation paid to key management personnel	**1,072,500**	525,949

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

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group
31 December 2009

Financial assets

	Financial assets at fair value through profit or loss -held for trading	Loans and receivables	Available for-sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*
Trade receivables	—	68,435,767	—	68,435,767
Financial assets included in prepayments, deposits and other receivables	—	63,107,960	—	63,107,960
Available-for-sale investments	—	—	962,199	962,199
Deposits paid	—	10,010,000	—	10,010,000
Equity investments at fair value through profit or loss	5,430	—	—	5,430
Due from shareholders	—	6,212,165	—	6,212,165
Cash and cash equivalents	—	25,877,702	—	25,877,702
	5,430	173,643,594	962,199	174,611,223

Financial liabilities

	Financial liabilities at amortised cost
	RMB
Trade payables	36,877,836
Financial liabilities included in receipt in advance, other payables and accrued expenses	30,202,110
Interest-bearing bank and other borrowings	64,000,000
Due to shareholders	1,575,297
	132,655,243

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group
31 December 2008

Financial assets

	Financial assets at fair value through profit or loss -held for trading	Loans and receivables	Available for-sale financial assets	Total
	RMB	*RMB*	*RMB*	*RMB*
Trade receivables	—	47,395,812	—	47,395,812
Financial assets included in prepayments, deposits and other receivables	—	61,431,130	—	61,431,130
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
Cash and cash equivalents	—	29,423,371	—	29,423,371
	264,331	156,310,313	1,360,053	157,934,697

Financial liabilities

	Financial liabilities at amortised cost
	RMB
Trade payables	31,539,016
Financial liabilities included in receipt in advance, other payables and accrued expenses	32,526,411
Interest-bearing bank and other borrowings included in current liabilities	19,000,000
Due to a shareholder	115,297
	83,180,724

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

31 December 2009

Financial assets

	Loans and receivables *RMB*	Available for-sale financial assets *RMB*	Total *RMB*
Trade receivables	32,765,164	—	32,765,164
Financial assets included in Prepayments, deposits and other receivables	41,022,279	—	41,022,279
Available-for-sale investments	—	772,199	772,199
Deposits paid	9,910,000	—	9,910,000
Due from shareholders	6,212,165	—	6,212,165
Cash and cash equivalents	9,491,717	—	9,491,717
	99,401,325	772,199	100,173,524

Financial liabilities

	Financial liabilities at amortised cost *RMB*
Trade payables	25,284,763
Financial liabilities included in receipt in advance, other payables and accrued expenses	19,248,018
Interest-bearing bank and other borrowings included in current liabilities	50,000,000
Due to shareholders	1,575,297
	96,108,078

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

31 December 2008

Financial assets

	Loans and receivables *RMB*	Available for-sale financial assets *RMB*	Total *RMB*
Trade receivables	26,778,543	—	26,778,543
Financial assets included in prepayments, deposits and other receivables	61,330,091	—	61,330,091
Available-for-sale investments	—	1,170,053	1,170,053
Deposits paid	12,210,000	—	12,210,000
Due from shareholders	5,976,185	—	5,976,185
Cash and cash equivalents	10,905,996	—	10,905,996
	117,200,815	1,170,053	118,370,868

Financial liabilities

	Financial liabilities at amortised cost *RMB*
Trade payables	34,357,315
Financial liabilities included in receipt in advance, other payables and accrued expenses	28,657,531
Interest-bearing bank and other borrowings included in current liabilities	19,000,000
Due to a shareholder	115,297
	82,130,143

39. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	RMB	*RMB*	*RMB*	*RMB*
Equity investments at fair value through profit or loss	5,430	—	—	5,430

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

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% (2008: 4%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost 3% (2008: 1%) of costs are denominated in currencies other than the units' functional currency.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

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 2009			
If RMB weakens against HK$	**5%**	**77**	—
If RMB strengthens against HK$	**(5%)**	**(77)**	—
If RMB weakens against US$	**5%**	**185,228**	—
If RMB strengthens against US$	**(5%)**	**(185,228)**	—
If RMB weakens against JPY	**5%**	**186,544**	—
If RMB strengthens against JPY	**(5%)**	**(186,544)**	—
31 December 2008			
If RMB weakens against HK$	5%	60,550	—
If RMB strengthens against HK$	(5%)	(60,550)	—
If RMB weakens against US$	5%	130,551	—
If RMB strengthens against US$	(5%)	(130,551)	—
If RMB weakens against JPY	5%	4,785	—
If RMB strengthens against JPY	(5%)	(4,785)	—

* *Excluding retained profits*

40. 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 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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

Group

31 December 2009	**On demand or no fixed terms of repayment** *RMB*	**Less than 3 months** *RMB*	**3 to less than 12 months** *RMB*	**1 to 5 years** *RMB*	**Over 5 years** *RMB*	**Total** *RMB*
Interest-bearing bank and other borrowings	—	—	15,600,000	33,600,000	14,800,000	64,000,000
Trade payables	36,877,836	—	—	—	—	36,877,836
Financial liabilities included in receipts in advance, other payables and accrued expenses	19,097,333	—	—	—	—	19,097,333
Due to shareholders	1,575,297	—	—	—	—	1,575,297
	57,550,466	—	15,600,000	33,600,000	14,800,000	121,550,466

31 December 2008	On demand or no fixed terms of repayment *RMB*	Less than 3 months *RMB*	3 to less than 12 months *RMB*	1 to 5 years *RMB*	Over 5 years *RMB*	Total *RMB*
Interest-bearing bank and other borrowings	—	—	19,000,000	—	—	19,000,000
Trade payables	31,539,016	—	—	—	—	31,539,016
Financial liabilities included in receipts in advance, other payables and accrued expenses	11,426,498	—	—	—	—	11,426,498
Due to a shareholder	115,297	—	—	—	—	115,297
	43,080,811	—	19,000,000	—	—	62,080,811

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company

31 December 2009

	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	—	—	1,600,000	33,600,000	14,800,000	50,000,000
Trade payables	25,284,763	—	—	—	—	25,284,763
Financial liabilities included in receipts in advance, other payables and accrued expenses	10,321,723	—	—	—	—	10,321,723
Due to shareholders	1,575,297	—	—	—	—	1,575,297
	37,181,783	—	1,600,000	33,600,000	14,800,000	87,181,783

31 December 2008

	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 payables	34,357,315	—	—	—	—	34,357,315
Financial liabilities included in receipts in advance, other payables and accrued expenses	4,199,761	—	—	—	—	4,199,761
Due to a shareholder	115,297	—	—	—	—	115,297
	38,672,373	—	19,000,000	—	—	57,672,373

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are 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 2009 and 31 December 2008.

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 payables, receipt in advance, other payables and accrued expenses, and amounts due to shareholders less cash and cash equivalents. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2009	2008
	RMB	*RMB*
Interest-bearing bank and other borrowings	**64,000,000**	19,000,000
Trade payables	**36,877,836**	31,539,016
Receipts in advance, other payables and accrued expenses	**30,202,110**	32,526,411
Due to shareholders	**1,575,297**	115,297
Less: Cash and cash equivalents	**(25,877,702)**	(29,423,371)
Net debt	**106,777,541**	53,757,353
Equity attributable to owners	**194,019,985**	171,724,423
Total adjusted capital	**194,019,985**	171,724,423
Capital and net debt	**300,797,526**	225,481,776
Gearing ratio	**35%**	24%

41. COMPARATIVE AMOUNTS

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

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2010.

Five Year Financial Summary

31 December 2009

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. The financial statements for the year ended 31 December 2005 and 2006 had been qualified. Details refer to the annual report 2005 and 2006 of the Company.

	2009	2008	2007	2006	2005
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
RESULTS					
REVENUE	**326,989,675**	260,480,104	305,728,452	402,463,042	440,742,213
Cost of sales	**(257,608,012)**	(214,904,230)	(274,012,677)	(365,302,210)	(383,385,350)
Gross profit	**69,381,663**	45,575,874	31,715,775	37,160,832	57,356,863
Other income and gains	**14,441,509**	12,924,187	28,190,308	3,622,089	4,627,115
Selling and distribution costs	**(20,794,228)**	(18,460,067)	(19,704,573)	(26,652,269)	(23,944,896)
Research and development costs	**(1,274,204)**	(204,669)	(906,946)	(2,605,290)	(5,001,220)
Administrative expenses	**(36,536,714)**	(26,587,380)	(29,911,347)	(48,513,919)	(28,543,866)
Finance costs	**(841,101)**	(643,503)	(2,596,425)	(3,119,066)	(1,748,149)
Share of profits/(losses) of:					
A jointly-controlled entity	**—**	—	—	—	(319,810)
Associated companies	**(139,039)**	(41,281)	(244,581)	(215,477)	57,212
PROFIT/(LOSS) BEFORE TAX	**24,237,886**	12,563,161	6,542,211	(40,323,100)	2,483,249
Tax	**(1,966,528)**	(715,372)	(351,402)	(481,193)	(1,355,154)
PROFIT/(LOSS) FOR THE YEAR	**22,271,358**	11,847,789	6,190,809	(40,804,293)	1,128,095
Attributable to:					
Owners of the Company	**21,097,413**	10,904,457	6,445,375	(39,479,448)	(246,721)
Minority interests	**1,173,945**	943,332	(254,566)	(1,324,845)	1,374,816
	22,271,358	11,847,789	6,190,809	(40,804,293)	1,128,095
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**344,752,561**	268,073,944	272,017,645	327,984,079	373,713,492
TOTAL LIABILITIES	**(133,478,129)**	(83,483,915)	(100,149,739)	(154,858,973)	(162,009,374)
MINORITY INTERESTS	**(17,254,447)**	(12,865,606)	(10,542,414)	(18,140,772)	(17,211,674)
	194,019,985	171,724,423	161,325,492	154,984,334	194,492,444