ANNUAL REPORT

2011

NANDA SOFTECH

南大苏富特科技

JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED

江蘇南大蘇富特科技股份有限公司

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

(Stock Code: 8045)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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DIRECTORS OF THE COMPANY

Executive Directors

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

Non-executive Directors

Mr. Liu Winson Wing Sun
Mr. Wong Wei Khin
Mr. Li Cheng

Independent Non-executive Directors

Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin

SUPERVISORS

Mr. Zhang Xu Yu
Mr. Xu Ke Jian
Dr. Fu Tao
Ms. Ma Qing Ling
Mr. Shaw Yong Lei
Dr. Lu Lin Hai

QUALIFIED ACCOUNTANT

Ms. Tong Sze Wan, *HKICPA, ACCA*

COMPANY SECRETARY

Ms. Tong Sze Wan, *HKICPA, ACCA*

AUDIT COMMITTEE

Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin

NOMINATION COMMITTEE

Mr. Liu Jian Bang
Mr. Pan Jian Xiang
Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin

REMUNERATION COMMITTEE

Mr. Liu Jian Bang
Mr. Pan Jian Xiang
Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin

COMPLIANCE OFFICER

Mr. Liu Jian Bang

AUTHORISED REPRESENTATIVES

Mr. Liu Jian Bang
Ms. Tong Sze Wan, *HKICPA, ACCA*

AUDITORS

Ascenda Cachet CPA Limited

LEGAL ADVISERS

Loong & Yeung Solicitors & Co
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

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682 Castle Peak Road
Lai Chi Kok
Kowloon, Hong Kong

STOCK CODE

8045

CHAIRMAN'S STATEMENT

Liu Jian Bang
Chairman

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report for the year ended 31 December 2011 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft" or the "Company", or together with its subsidiaries, the "Group") to the shareholders for their review.

The year 2011 was the introductory year of the Twelve Five-year Plan and the new generation of information technology was listed as one of the seven key emerging sectors in the "Development Plan for Strategic Emerging Industry" released "IT" by the Chinese government. Owing to the demand for application and services upgrading, the IT industry enters a transitional stage. For instance, traditional integration services have to develop with greater industrial applications in view of the upgrading demand. The performance growth model which mainly focuses on outsourcing and systems integration and is driven by the number of users will enter the knowledge-oriented era.

In this regard, the year of 2011 heralded the tenth year since the listing of NandaSoft. As one of the leading high-tech enterprises dedicated to the development of modern information technology, NandaSoft formulated its five-year development plan in the introductory year of the Twelve Five-Year Plan, which laid a foundation for its development through innovation.

After years of operating experience in the IT business, NandaSoft realizes that the best way for its development is to combine software and services to enhance the Company's core competitiveness. In 2011, we increased our investment in the fields of intelligent pension, mobile terminal applications and cloud computing in order to explore a new growth driver for our IT business.

For our bio medical business, in addition to the on-going development of minimally invasive medical research, we basically completed our business plan in the areas of clinical drug testing and research, medicines and medical equipment manufacturing through the acquisition of 南京南大藥業有限責任公司 ("Nanda Pharmaceutical").

We were fully relocated to the newly constructed NandaSoft Technology Innovation Park in 2011, and the Company has completed the 27001 and 20000 Quality Accreditations, respectively.

As a pilot programme in respect of innovation and entrepreneurship jointly launched by NandaSoft and Nanjing University, "NandaSoft Venture and Innovation Fund" successfully completed the screening process for Phase 1 project.

BUSINESS RESULTS

During the financial year of 2011, turnover of the Group increased by approximately 20.0% to approximately RMB475,967,000, profit of the Group amounted to RMB66,889,000. The Board recommends to distribute final dividend of RMB0.8 cent per share for the year ended 31 December 2011.

Driven by Innovation to promote development

Innovation, being the driving force of a company's development, is the essence of NandaSoft. Innovation includes creativities in terms of technology, management and business model. As the scientific research base of Nanjing University, NandaSoft has been exploring the innovative ways to strengthen the core competitiveness of the Company.

In 2011, we launched an integrated intelligent pension system that supports 3G, the Internet of Things as well as Internet. By incorporating the forefront high-tech features such as cloud computing, 3G and transmitter, we were committed to developing a new intelligent pension system across all provinces and the State by underlining the core values of science and technology, industrialization and quality services. In addition, we strive to promote technology innovation buoyed by the demands for application services. In the future, NandaSoft will focus on creating high-tech services system to enhance our core competitiveness.

In 2011, we launched the NandaSoft Venture and Innovation Fund for Nanjing University students, and intended to reserve a specific area in the Nandasoft Technology Innovation Park for the students to implement their own business and innovative ideas. In Phase 1, we selected three projects with the provision of RMB500,000 to RMB1,000,000 to fund each project in a bid to encouraging university students to undertake innovation development and entrepreneurship, so as to provide a backing force for innovative business.

Talented team to enhance corporate value

Talent is the greatest asset of NandaSoft. With care, respect and prospect for its employees, NandaSoft always values human resources as an important component in formulating the Company's strategy. For our team-building, high caliber employees have been taken as the core competitiveness of a real high-tech enterprise by NandaSoft. To this end, we provided IT education as one of our key initiatives for business development. In November 2011, we signed an agreement with Oracle and the government of Gaochun County to construct the training unit for outsourcing staff of NandaSoft-Oracle's high-end services that based on cloud computing. We plan to train 20,000 high caliber outsourcing services staff in Nanjing and Jiangsu in the next three years.

Chairman's Statement

In terms of our internal human resources, we have been endeavored to create an environment of "openness, trust and respect", so that each employee can fully unfold their own creativity in the Company to add vitality to our business.

Looking forward, our core strategy will focus on innovative business model, globalization and efficient operation to enable NandaSoft's sustainable development in the future. In respect of innovative business model, NandaSoft will gradually take the shape of companies with growth driven by innovation and services while leveraging its own advantages derived from the past. In respect of globalization strategy, NandaSoft will increase its collaborative efforts around the globe, and will bring in global intellectual resources to the Company in cooperation with the Massachusetts Institute of Technology and Nanjing University Alumni Association-North America. In respect of our efficient operation and management, NandaSoft will increase its operating efficiency in the future through continuous betterment in organization, technology, culture, leadership and human resources.

Bearing the vision of "becoming a practitioner and pioneer in international science and technology", all NandaSoft members will continue to excel and bring the Company to a new high.

Mr. Liu Jian Bang
Chairman

Nanjing, PRC
23 March 2012

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2011 was approximately RMB475,967,000 which represents an increase of approximately 20.0% when compared with 2010. The increase in turnover was mainly attributable to improving of market sentiment and diversification of our IT business.

The audited profit of the Group attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB66,889,000, representing an increase of approximately 55.9% when compared with 2010. During the year, the Group disposed of the remaining 49.05% interest of the equity interest in an indirect wholly-owned subsidiary, which held 3.37% shareholding in Promed Medical, to a third party and as a result of that disposal, the Group generated a profit of approximately RMB14,000,000. In addition, one of the associated companies of the Group, 深圳南大研究院有限公司, where the Group directly owned 30% shareholdings, had revaluated its property located at Shenzhen during the year and the Group had shared approximately RMB35,557,000 profit which contributed to the increase in the audited profit of the Group attributable to owners of the Company.

There were several subsidiaries setting up during the year which resulted in the increase in administrative expenses by 36.7%. The finance cost for the Group increase by approximately 738.5%, when compared with the same period in 2010, as a result of the increase in interest-bearing bank and other borrowings by approximately 50.6% when compared with the same period in 2010. The increase in interest-bearing bank and other borrowings was mainly due to the construction of the phase II of the buildings at Jiangdong Software City of Gulou District. Management persisted to implement a more practical and effective system to tighten the expenditure of the Group in order to facilitate the effectiveness and efficiency of the operations.

Financial resources and liquidity

As at 31 December 2011, shareholders' funds of the Group amounted to approximately RMB342,493,000. Current assets amounted to approximately RMB439,057,000, of which approximately RMB82,521,000 were cash and bank deposits. The Group had non-current liabilities of RMB95,196,000 and its current liabilities amounted to approximately RMB311,571,000, comprising mainly the trade and bills payables, receipts in advance, other payables, accrued expenses and deposits received, interest-bearing bank and other borrowings. The net asset value (excluding minority interests) per share was RMB0.31. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 31 December 2011, the Group had a gearing ratio of 30.2% and the Group has interest-bearing bank and other borrowings of RMB211,400,000.

Charge on group assets

As at 31 December 2011, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City and Shenyang City were pledged as security for a RMB107 million interest-bearing bank borrowings granted to the Group (2010: RMB80 million).

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

Save as disclosed in note 18, the Group has not made any other material acquisitions or disposals and no proceeds was invested in any significant financial instruments during the year of 2011.

Capital commitments

As at 31 December 2011, the Group had contracted but not provided for capital commitments for the construction costs of approximately RMB199,654,000.

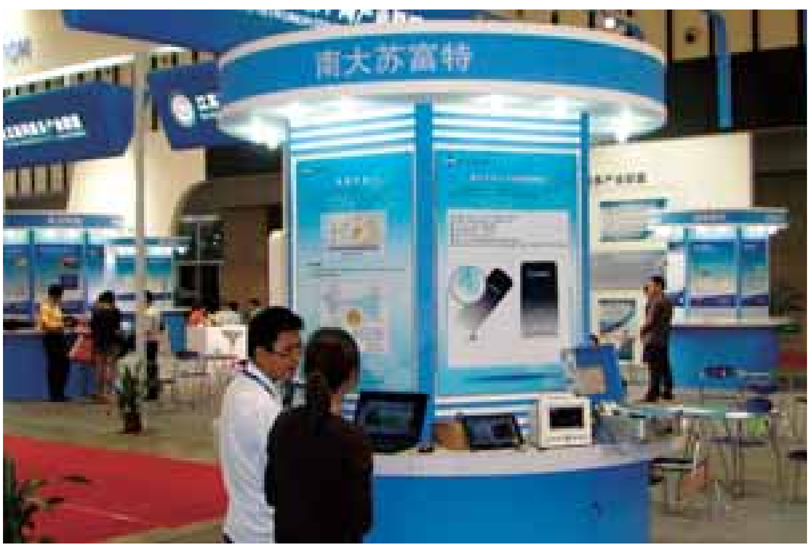
Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB27,783,000 (2010: RMB22,233,000), including the directors' and supervisors' emoluments of approximately RMB1,050,000 (2010: RMB1,199,000) and RMB100,000 (2010: RMB49,000), respectively for the year ended 31 December 2011.

The increase in employee remuneration was a result of the increase in salaries and contribution of pension fund during the year. The number of employees for the year had decreased from 738 to 649.



BUSINESS REVIEW

IT Technology and product R&D

In 2011, the Company placed greater development of mobile platform and cloud computing for in terms of IT technology and products R&D to meet future market demand.

The Company participated in the modern services industry (software) development project in the Jiangsu Province-the research and development and

industrialisation of mobile terminal operating system. During the year, we developed ways to support domestic chip Loongson CPU system and cloud computing, enhance system security and optimise system functions. Also, we signed the sales contracts with some the corporations.

We have completed the research and development of Nandasoft green Internet software V2.0, which is primarily designed for using in mechanical room of primary and secondary schools. The product is an Internet control software which has a collection of features including online behavior control, domain name filtering, online time control and applications control.

The Company won the R&D and industrialisation project of cloud computing support software (platform security software) accredited by the Ministry of Industry and Information Technology of the PRC. The objective of the project is to develop a security software for cloud computing platform with self-owned intellectual property rights, making a breakthrough on the critical security technology of supporting system on cloud computing and to establish a security system applicable to the cloud environment, through which to promote the healthy development of cloud computing technology, further strengthen domestic information security and facilitate the healthy and stable growth of domestic informationalisation.

The Company completed the development of the electronic document management system V1.0, participated in the formulation of the standards for Guo Ban "Universal Function Requirements for Electronic Document Management System", "Common Data Planning for Electronic Documents" and "Packaging specification for XML-based Electronic Documents", and was qualified for the national pilot program for the management of electronic documents in Jiangsu Province. During the year, we also drafted the "National Pilot Program for the Management of Electronic Documents in Jiangsu Province" for the provincial party committee, which laid a foundation for launching our product to the market in the future.

The Company undertook the project of anti-artificial-pricing system for purchasing electronic items for Wuxi government, which can effectively avoid artificial pricing for items supplied in government purchase agreements through the way of informationalization which integrates all purchasers, suppliers and regulatory authorities under the same platform.

IT Services

In 2011, the Company incorporated IT services into the industry by providing services that focus on the highway industry and intelligent solutions.

The Company won various projects for Highway Technology Services, including technology service contracts for Changzhou Ring Expressway, Nanjing-Jingjiang-Yancheng Expressway, Coastal Expressway, Lianyungang-Xuzhou Expressway, the toll system of Jiangsu Nanjing-Hangzhou Expressway, the toll system of Suzhou Sujiahang Expressway and the toll system of Suzhou Ring Expressway. This strengthened the Company's position in the information technology industry for expressway.

In respect of system integration and intelligent solutions, Hanwin Technology engrossed in the intelligent community development for a number of real estate projects, which exemplified the advantages of Hanwin Technology in intelligent community development.

Internet of Things

The Company undertook a demonstration project for intelligent health care in Jiangsu and Nanjing. The project will effectively integrate all resources of the community, improve the utilisation rate of medical resources, and create a new model of innovative real-time health services, which promotes the development of the elderly care and health services industry and the health services industry with new technologies as well as the industrialisation of the application of Internet of Things.

The Company established Jiangsu Nandasoft Health Technology Company Limited which provides professional intelligent elderly care service for the elderly. After a long period of R&D and market research, packages for intelligent elderly care service have been developed, which are targeted on four sorts of the elderly, namely those with high blood pressure, those with coronary heart disease, those with diabetes and the sub-healthy elderly population. Currently, our products have been installed in some of the residence of the elderly. The elderly care services system includes daily guardianship, expert advice and personalised health management programs that form a comprehensive set of service procedures and standards.

In 2011, Mailunsi Company started with a good kick-off in two new areas, namely the informationalisation of Intellied and power management by signing contracts for the software development of Midea microwave warehouse management system, optimization of Midea home appliance bar code management system, the Midea headquarter terminal retail information system project, power management and wind turbine remote control system at Yueliang mine of Guizhou Panjiang Refined Coal Co., Ltd. and the Panjiang Refined Coal Laowu ore energy efficiency management project.

Services outsourcing and staff training

In 2011, the training program for Nandasoft's outsourcing servicing staff had approximately 1,500 participants and achieved a remarkable employment rate of over 99%. In November 2011, Jiangsu NandaSoft Institute of Service Outsourcing signed an agreement with Oracle and the government of Gaochun County, Nanjing to construct the training unit for outsourcing staff of NandaSoft-Oracle's high-end services, pursuant to which, Nandasoft will train 20,000 high-end services outsourcing staff in the next three years jointly with Oracle, which will enlarge the scale of Nandasoft's training system and lay a foundation for the Company to expand nationally.

Bio medicine business

Faced with a high rate of misdiagnosis in China's healthcare market and abuses of drugs, NandaSoft began to research and develop the drug management system during the year. Through information management, the system promotes effective control and use of medical information, strengthens supervision and evaluation and enhances necessary knowledge in rational and safe drug use for both doctors and patients.

Promed launched five products in 2011: DES coronary drug-eluting stent designed for coronary heart disease, aorta stent graft system, single-use brain tissue blocker, peripheral central venous catheters as well as single-use PTCA balloon dilatation catheter.

In 2011, Nandasoft acquired Nanda Pharmaceutical, which was a medica technology achievements transformation enterprise of Nanjing University holding various certificates for class 1 of State New Medicine. This acquisition was completed after obtaining all the "Certificate of Approval" from relevant government authorities in January 2012. The Management believes this acquisition will enhance the competitiveness of Nandasoft by optimising its presence in the bio medicine field of the industry chain.

Future prospects

Looking forward, the enhancement and upgrading of information technology will boost the growth of the industry. Domestic demand for information technology is likely to shift from controlling stage to the system integration stage, whilst the development of software and services will thrive on the growth and value enhancement in the future.

Under the favorable policy of the "Twelve Five-year Plan" for software and information technology promulgated by the Ministry of Industry and Information Technology, the outlook for software services industry is promising in 2012. In respect of business, Nandasoft will strive to enhance the IT services and introduce cloud computing services and intelligent elderly care and health services. In respect of the sectors we engage in, we will continue to capture opportunities brought by the informationalization of the medical sector, so as to further enrich the Company's product with and expand our market share for the informationalization in the medical sector.

In respect of innovation and venture, we will collaborate with Nanjing University and rely on its comprehensive advantages to enable Nandasoft to become the perfect ground for innovation and venture for the students of Nanjing University.

Mr. Liu Jian Bang
Chairman

Nanjing, PRC
23 March 2012

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 2011.

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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 127.

The directors recommend the payment of a final dividend of RMB0.8 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 128.

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.

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 2011, the Company's reserves available for distribution amounted to approximately RMB51,619,000, of which RMB8,832,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately RMB78,634,000, 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 18.7% of the total sales for the year and sales to the largest customer included therein amounted to 5.7%. Purchases from the major suppliers accounted for the following percentage:

The largest supplier	48.8%
The five largest supplier	71.7%

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:

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

Non-Executive Directors:

Mr. Liu Winson Wing Sun	
Mr. Wong Wei Khin	(appointed at 17 January 2011)
Mr. Li Cheng	(appointed at 17 January 2011)

Independent Non-executive Directors:

Mr. Xu Huan Liang	(resigned at 10 June 2011)
Dr. Daxi Li	
Ms. Xie Hong	
Mr. Xie Man Lin	(appointed at 10 June 2011)

Supervisors:

Mr. Zhang Xu Yu	
Mr. Xu Ke Jian	
Mr. Jin Yi	(resigned at 6 April 2011)
Dr. Fu Tao	(appointed at 6 April 2011)
Mr. Zhao Wei Dong	(resigned at 6 April 2011)
Ms Ma Qing Ling	(appointed at 6 April 2011)
Mr. Shaw Yong Lei	
Mr. Sun Xing Huan	(resigned at 4 Nov 2011)
Dr. Lu Lin Hai	(appointed at 4 Nov 2011)

The Company has received annual confirmations of independence from Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin 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 27 to 31 of the annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

Save as disclosed above, none of the directors nor the supervisors 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 and remuneration committee of the Company 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, 2011, 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 X V 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 H share capital	Percentage of deemed beneficial interest in the Company's total share capital
		Direct	Indirect				
Directors							
Liu Winson Wing Sun	Personal *(Note 1)*	–	–	558,000	–	0.13%	0.05%
Wong Wei Khin	Personal *(Note 2)*	–	–	3,000,000	–	0.71%	0.27%

Notes:

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

(2) These shares are directly held by the individual director and his sister.

Save as disclosed above, as at 31 December 2011, 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 2011, 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 2011, 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 in Ordinary Shares of the Company:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited *(Note 1)*	Beneficial Owner	127,848,097	18.72%	–	–	127,848,097	11.58%
Beijing Chang Tian Guosheng Investment Co., Ltd. ("Beijing Chang Tian"), formerly known as "Beijing MengHua Investment Co., Ltd" *(Note 2)*	Beneficial Owner	100,000,000	14.64%	–	–	100,000,000	9.06%
Shenyang Cheng Fa Commercial Software Company Limited	Beneficial Owner	85,000,000	12.45%	–	–	85,000,000	7.70%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") *(Note 1 & Note 3)*	Interest of a controlled corporation	84,159,944	12.32%	–	–	84,159,944	7.62%

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
Shanghai Shiyuan Network Technology Company Limited ("Shiyuan") *(Note 4)*	Beneficial Owner	55,000,000	8.05%	–	–	55,000,000	4.98%
Guangzhou DingXiang Trade Co., Ltd ("GZ DingXiang")	Beneficial Owner	50,000,000	7.32%	–	–	50,000,000	4.53%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	43,931,959	6.43%	–	–	43,931,959	3.98%
Jiangsu Co-Creation *(Note 1 & 3)*	Beneficial Owner	84,159,944	12.32%	–	–	84,159,944	7.62%
Leung Chiu Fun *(Note 5)*	Beneficial Owner	–	–	21,224,000	5.04%	21,224,000	1.92%
Yap Siew Chin *(Note 6)*	Beneficial Owner	–	–	35,000,000	8.31%	35,000,000	3.17%
Cam Global Funds SPC *(Note 7)*	Beneficial Owner	–	–	28,056,000	6.66%	28,056,000	2.54%

Notes:

(1) On 31 August 2010, 187,000,000 H shares (the "New H Shares") has been issued and allotted which comprise of (i) 170,000,000 New H Shares and (ii) 17,000,000 H Shares converted from the same number of Domestic Shares transferred from each of the State Shareholders on a pro rata basis to the National Social Security Fund Council of PRC (the "NSSF Council") (National Social Security Fund Council of PRC), which is in aggregate equivalent to 10% of New H Shares issued pursuant to the New Issue.

(2) As at 18 November 2011, Beijing MengHua Investment Company Ltd has changed its name to Beijing Chang Tian Guosheng Investment Co., Ltd..

(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 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 7.62% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.

(4) On 8 November 2010, Shiyuan entered into a Share Transfer Agreement with GZ DingXiang for the transfer of 8.05% domestic shares (55,000,000 domestic shares) in the Company held by GZ DingXiang.

(5) Ms. Leung directly held 66,000 H shares, representing approximately 0.02% of the Company's total issued H share capital and she also indirectly held 30,000,000 H shares, representing approximately 2.72% of the Company's total issued share capital through Para-Benefit Limited.

As at 25 February 2011, Para-Benefit Limited transferred 30,000,000 H shares to Ms Leung and at the same date she further purchased 648,000 H shares. As a result, she directly held 30,714,000 H shares, representing approximately 7.30% of the Company's issued H share capital and 2.78% of the Company's total issued share capital.

As at 4 March 2011. Ms. Leung disposed of 3,800,000 H shares and she directly held 26,914,000 H shares, representing approximately 6.39% of the Company's issued H share capital and 2.44% of the Company's total issued share capital.

As at 11 April 2011, Ms. Leung disposed of 5,690,000 H shares and she directly held 21,224,000 H shares, representing approximately 5.04% of the Company's issued H shares capital and 1.92% of the Company's total issued share capital.

(6) These shares are also directly held by Low Hin Choong who is also the spouse of Yap Siew Chin.

(7) As at 6 December 2011, Cam Global Funds SPC disposed of 1,962,000 H shares and it directly held 28,056,000 H shares, representing approximately 6.66% of the Company's issued H shares capital and 2.54% of the Company's total issue share capital.

Subsequent to the reporting period, Cam Global Funds SPC disposed of 726,000 H shares at 27 February 2012. As a result, it directly held 25,170,000 H shares, representing approximately 5.98% of the Company's issued H share capital and 2.28% of the Company's total issued share capital.

Save as disclosed above, as at 31 December 2011, no person, other than the directors, chief executive and supervisor 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 38 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 38 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 and in note 38 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 as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Jiangsu NandaSoft Technology Company Limited
Liu Jian Bang
Chairman

Nanjing, the PRC
23 March 2012

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. It focuses on the Group's overall strategic policy, monitors performance and provides proper supervision to ensure appropriate business conduct and effective management of the highest quality. The positions of Chairman 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 2011.

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, three of them being Executive Directors, and the remaining six Non-Executive Directors, of whom three are independent. The Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promotion the best interests of the Group and its shareholders. Independent Non-Executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company 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	Number of Attendance
Mr. Liu Jian Bang	4/4
Mr. Pan Jian Xiang	4/4
Mr. Chen Zheng Rong	4/4
Mr. Liu Winson Wing Sun	4/4
Mr. Wong Wei Khin	4/4
Mr. Li Cheng	4/4
Mr. Xu Huan Liang	2/2
Dr. Daxi Li	4/4
Ms. Xie Hong	4/4
Mr Xie Man Lin	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 ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Mr. Liu Jian Bang ("Mr. Liu") is designated as the Chairman of the Group. Mr Liu 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. Pan Jian Xiang ("Mr. Pan") is the CEO 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.

Mr Liu and Mr. Pan 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 November 2005 and comprises two Executive Directors and three Independent Non-Executive Directors, namely, Mr. Liu Jian Bang, Mr. Pan Jian Xiang, Dr. Daxi Li, Ms. Xie Hong and Mr Xie Man Lin. The role and function of the remuneration committee include:

(1) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and the senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration

(2) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payables for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of the non-executive Directors;

(3) to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, and employment conditions elsewhere in the Group while determining any specific remuneration package;

(4) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(5) to review and approve compensation payable to the executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determine in accordance with relevant contractual terms and that such compensation is other wise fair and no excessive for the Company;

(6) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure the such arrangements are determine in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(7) to ensure that no director or any his associates is involved in deciding his own remuneration; members of the Committee should abstain from voting at Committee meeting on resolutions relating to their remuneration review;

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

(9) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under GEM Listing Rule 17.90; and

The Remuneration committee consults with the CEO 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	Number of Attendance
Mr. Liu Jian Bang	2/2
Mr. Pan Jian Xiang	2/2
Mr. Xu Huan Liang	1/1
Dr. Daxi Li	2/2
Ms. Xie Hong	2/2
Mr Xie Man Lin	1/1

NOMINATION COMMITTEE

The Nomination Committee was established in November 2005, it enhances transparency and highlight fairness in the selection and appointment of Board members. The Nomination Committee consists of two Executive Directors, and three Independent Non-Executive Directors, namely, Mr. Liu Jian Bang, Mr Pan Jian Xiang, Dr. Daxi Li, Ms. Xie Hong and Mr Xie Man Lin.

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	Number of Attendance
Mr. Liu Jian Bang	2/2
Mr. Pan Jian Xiang	2/2
Mr. Xu Huan Liang	1/1
Dr. Daxi Li	2/2
Ms. Xie Hong	2/2
Mr Xie Man Lin	1/1

AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Dr. Daxi Li, Ms. Xie Hong and Mr Xie Man Lin. 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 2011 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 of 2011 and among one with external auditor.

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") were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 10 June 2011. Audit fees in respect of annual audit service amounted to HK$500,000. Apart from that, Ascenda Cachet provided other assurance services to the Company by reviewing on the Group's Q3 quarterly result which the service amounted to HK$100,000. The Audit Committee will consider, in advance of them being contracted for and performed, whether such other assurance functions could lead to any potential material conflict of interest.

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 2011, 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 2011, 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 2011, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

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

After investigations, we consider that the financial statements of the Company, audited by Ascenda Cachet CPA Limited, truely and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the 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 2012

DIRECTORS

Executive Directors

Mr. Liu Jian (alias Liu Jian Bang)(劉建，又名劉建邦), aged 56, 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, 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 Liu was appointed as the Chairman at November 2010.

Mr. Pan Jian Xiang,(潘健翔), aged 49, graduated from the Electrical Engineering Department of Dalian Maritime College and obtained a master degree in Engineering from the City College of New York in the United States.

He has been the executive director of China Mountain Fund, director of Zhengzhou Huaqiao Friendship Real Estate Development Co., Ltd., executive director of Allied Team International Investment Limited, general manager of Hong Kong Tien Luen Trade Co., Ltd. and director of Guangdong Giovanni Trading Co., Ltd.. He has been engaged in international trading for many years and has participated in the operation of a number of world famous brands, including Citizen from Japan, Raymond Weil from Germany, Valentino from Italy and Alberto from United States. He possesses extensive experience in international trading and brand marketing in different industries including real estate, funds, cosmetics and retailing. Mr Pan was appointed as the Chief Executive Officer at November 2010.

Mr. Chen Zheng Rong,(陳峥嶸), aged 56, is the executive director of the Company. He graduated from the school of physics of Soochow University, and had been the vice curator of Jiangsu Computer Education Center(江蘇省電教館), vice president of Jiangsu Education Television Station(江蘇教育電視台), Secretary of general branch and vice director of Jiangsu Provincial Management Centre for Education Equipment and Self-Supporting School(江蘇省教育裝備與勤工儉學管理中心).

Non-Executive Directors

Mr. Liu Winson Wing Sun,(廖永燊), aged 35, 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.

Mr. Li Cheng,（李成）, aged 54, is currently the assistant principal of Nanjing University as well as the professor and the head of the Center for Technology Transformation of Nanjing University. He obtained his bachelor degree, master degree and doctorate degree from the Department of Geology of Nanjing University in year 1982, 1989 and 1997 respectively.

Since year 1982, he has been lecturer, deputy professor, professor and doctorate tutor in the Department of Geology of Nanjing University. His major research area is in structural geology. Ever since 1999, Mr. Li has been promoted from vice-president of the Department of Technology and Research of Nanjing University, to vice-president and then president of the Department of Technology and Industry of Nanjing University, and is now the president of the Department of Technology of Nanjing University. Mr. Li was appointed as a director on January 2011.

Mr. Wong Wei Khin, aged 43, graduated from the University of Sydney with bachelor degrees in Economics and Laws. Mr. Wong possesses extensive experience in the industry, which includes his 7 years with MBM Group engaging in corporate and investment matters, involvement in private investments of his family business since year 1998, and his holding the positions as executive director of Malayan Building Development Sdn Bhd (a property investment company with projects in Malaysia and China) and director of MBM Resources Berhad (a company listed on the Malaysian Stock Exchange) since 2006. Mr. Wong was appointed as a director on January 2011.

Independent non-executive Directors

Dr. Daxi Li,（李大西）, aged 62, 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 44, 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 Limited. 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. Xie Man Lin (謝滿林), aged 48, is currently the principal of Jiangsu Xie Man Lin Law Firm. Mr. Xie possesses extensive experience in the legal industry and holds major positions in various legal associations within the Jiangsu Province, the People's Republic of China. He is the vice president of the Nanjing Lawyers Association, a standing director of the Jiangsu Lawyers Association, the chairman of the Disciplinary Committee of the Jiangsu Lawyers Association as well as a member of the Jiangsu Senior Legal Professional Qualifications Review Committee. Mr. Xie is also an accredited arbitrator of the Nanjing Arbitration Commission and the Wuhan Arbitration Commission respectively. Apart from his dedication to and active engagement in the legal profession, he has also taken up the role of an independent director of the Nanjing Bank. Mr. Xie obtained his Bachelor degree in Laws from the Southwest University of Political Science and Law and Master degree in Laws from the Nanjing University in 1986 and 2003 respectively. In recognition of his outstanding performance and contribution, Mr. Xie has been granted a number of honorary awards such as "Top Ten Lawyers in Nanjing", "Young and Middle-aged Expert with Outstanding Contribution" and "Outstanding Lawyer in Jiangsu Province".

Mr. Xu Huan Liang, (徐煥亮), aged 70, 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.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Zhang Xu Yu, (張序余), aged 47, 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 57, 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 34, 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.

Ms. Ma Qing Ling,（馬慶玲）, aged 38, joined the Company in August 2003 and is currently the deputy finance manager of the Company. She graduated from the department of accounting of Tongji University, and is now a certified accountant in the People's Republic of China. Prior to her joining the Company, Ms. Ma had worked in the financial department of each of The First Electric Power Construction Company of Jiangsu Province and Nanjing Sinotide Technology Industry Group.

Mr. Zhao Wei Dong,（趙衛東）, aged 39, 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.

Dr. Fu Tao,（傅濤）, aged 31, joined the group to which the Company belongs in May 2007. He obtained his Doctorate degree from the department of computer of Nanjing Polytechnic University. Dr. Fu has led and participated in many major research and development projects at both state and provincial levels in the People's Republic of China. Dr. Fu is currently a director as well as the general manager of a subsidiary of the Company, Nanjing Botong Technology Company Limited ("**Botong**"), in which the Company owns 70% of the equity interest. Dr. Fu is also a minority shareholder of Botong, holding 12% of its equity interest.

Members of the Independent Supervisory Committee

Mr. Shaw Yong Lei,（邵永雷）, aged 69, 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 54, graduated from university and is the general party branch secretary of Huangshan Village, Chengjiang Town, Jiangyin Municipal, the chairman of Jiangyin Nickel Screen Factory（江陰市鎳網廠有限公司）, the chairman of Jiangyin Huangshan Group（江陰市黃山集團）and the chairman of Jiangsu Shuangyu Nickel Industry Hi-Tech Company Limited（江蘇雙宇鎳業高科有限公司）. He is also the president of Surface Engineering Association of Jiangyin Municipal（江陰市表面工程協會）, the vice president of the Chamber of Commerce of Chengjiang Town, Jiangyin Municipal（江陰市澄江鎮商會）and the executive officer of the Nickel Screen Professional Committee of the China Textile Machinery Association（中國紡織機械器材工業協會鎳網專業委員會）. He served as deputy section chief of the Production Technology Section of Jiangyin Wuyi Cotton Textile Factory（江陰五一棉紡廠生技科）and deputy factory manager of Jiangying Xijiao Spinning Factory（江陰市西郊紡用廠）, and was awarded the model worker of Wuxi Municipal and Jiangsu Province.

Dr. Lu Lin Hai（呂林海）, aged 48, graduated from the School of Medicine of Shanghai Jiaotong University and obtained his doctorate degree from the Department of Medical Research of Tokyo Medical and Dental University of Japan in 1998. He then joined Goodman International Medical Trading (Shanghai) Co., Ltd. in the same year and is now its chief executive officer.

SENIOR MANAGEMENT

Mr. Pu Liang,（浦良）, aged 48, 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 41, 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 54, 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 Pacesetter 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 江蘇省浪淘沙網吧連鎖有限公司, 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 39, 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.

INDEPENDENT AUDITORS' REPORT

Ascenda CACHET
天健德揚

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 consolidated financial statements of Jiangsu NandaSoft Technology Company Limited (the "Company", together with its subsidiaries, the "Group") set out on pages 34 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2011, and of the Group's profit and cash flows 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
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
23 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	**2011** **RMB**	2010 RMB
REVENUE	5	**475,966,732**	396,673,507
Cost of sales	6	**(374,758,938)**	(324,699,507)
Gross profit		**101,207,794**	71,974,000
Other income and gains	5	**28,430,776**	35,745,473
Selling and distribution costs		**(28,374,424)**	(24,276,046)
Research and development costs	6	**(407,145)**	(444,444)
Administrative expenses		**(51,624,115)**	(37,771,540)
Finance costs	7	**(11,630,005)**	(1,387,003)
Share of profits of associated companies		**35,928,663**	4,470,127
PROFIT BEFORE TAX	6	**73,531,544**	48,310,567
Income tax expense	10	**(5,678,065)**	(6,277,694)
PROFIT FOR THE YEAR		**67,853,479**	42,032,873
Profit attributable to:			
Owners of the Company	11	**66,888,502**	42,905,987
Non-controlling interests		**964,977**	(873,114)
		67,853,479	42,032,873
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**6.06 cents**	4.33 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 2011

	2011 RMB	2010 RMB
PROFIT FOR THE YEAR	**67,853,479**	42,032,873
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(560,688)**	97,792
Other comprehensive income for the year, net of tax	**(560,688)**	97,792
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**67,292,791**	42,130,665
Total comprehensive income attributable to:		
Owners of the Company	**66,327,814**	43,003,779
Non-controlling interests	**964,977**	(873,114)
	67,292,791	42,130,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB	2010 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	14	**166,393,454**	7,519,317
Prepaid land leases payments	15	**11,252,348**	–
Intangible assets	16	**19,721,833**	21,388,546
Interests in associated companies	18	**72,745,158**	31,856,531
Available-for-sale investments	19	**5,825,200**	2,662,199
Construction in progress	21	**35,506,792**	181,600,471
Deposits paid	22	**23,320,000**	9,910,000
Deferred tax assets	10	**5,491,317**	6,776,069
Total non-current assets		**340,256,102**	261,713,133
CURRENT ASSETS			
Inventories	23	**48,076,721**	57,623,294
Trade receivables	24	**157,877,036**	120,156,736
Prepayments, deposits and other receivables	25	**130,339,337**	67,536,893
Due from shareholders	38(b)	**2,364,037**	6,923,434
Pledged deposits	26	**12,900,000**	4,971,000
Cash and cash equivalents	26	**82,521,284**	68,652,298
		434,078,415	325,863,655
Non-current assets held for sale	20	**4,979,004**	4,979,004
Total current assets		**439,057,419**	330,842,659
CURRENT LIABILITIES			
Trade and bills payables	27	**88,733,666**	58,577,529
Receipts in advance, other payables, accrued expenses and deposits received	28	**65,923,020**	50,060,110
Due to shareholders	38(b)	**2,065,573**	962,334
Dividend payables	12	**5,927,788**	1,095,414
Interest-bearing bank and other borrowings	29	**142,600,000**	66,000,000
Finance lease payables	30	**46,857**	57,254
Tax payables	10	**6,273,599**	8,182,825
Total current liabilities		**311,570,503**	184,935,466
NET CURRENT ASSETS		**127,486,916**	145,907,193

	Notes	**2011** **RMB**	2010 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**467,743,018**	407,620,326
NON-CURRENT LIABILITIES			
Deposits received	28	**24,124,190**	24,124,190
Interest-bearing bank and other borrowings	29	**68,800,000**	74,400,000
Finance lease payables	30	**113,239**	166,993
Deferred tax liabilities	10	**2,158,900**	2,520,545
Total non-current liabilities		**95,196,329**	101,211,728
Net assets		**372,546,689**	306,408,598
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	**110,400,000**	110,400,000
Reserves	33(a)	**223,260,592**	165,543,695
Proposed final dividend	12	**8,832,000**	7,728,000
		342,492,592	283,671,695
Non-controlling interests		**30,054,097**	22,736,903
Total equity		**372,546,689**	306,408,598

Liu Jian Bang
Director

Pan Jian Xiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to owners of the Company										
	Issued shares RMB (note 31)	Share premium account RMB (note 33(a))	Capital reserve RMB (note 33(a))	Statutory surplus reserve RMB (note 33(a))	Discretionary surplus reserve RMB (note 33(a))	Translation reserve RMB	Retained profits RMB	Proposed final dividend RMB	Total RMB	Non-controlling Interests RMB	Total RMB
At 1 January 2011	110,400,000	78,634,414	5,796,509	6,933,787	277,000	(133,952)	74,035,937	7,728,000	283,671,695	22,736,903	306,408,598
Profit for the year	-	-	-	-	-	-	66,888,502	-	66,888,502	964,977	67,853,479
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(560,688)	-	-	(560,688)	-	(560,688)
Total comprehensive income for the year	-	-	-	-	-	(560,688)	66,888,502	-	66,327,814	964,977	67,292,791
Appropriations	-	-	-	5,080,299	-	-	(5,080,299)	-	-	-	-
Final 2010 dividend declared	-	-	-	-	-	-	-	(7,728,000)	(7,728,000)	-	(7,728,000)
Partial disposal of a subsidiary without a loss of control (note 35b)	-	-	221,083	-	-	-	-	-	221,083	352,217	573,300
Capital contribution to subsidiaries by non-controlling shareholders	-	-	-	-	-	-	-	-	-	6,000,000	6,000,000
Proposed final 2011 dividend	-	-	-	-	-	-	(8,832,000)	8,832,000	-	-	-
At 31 December 2011	110,400,000	78,634,414*	6,017,592*	12,014,086*	277,000*	(694,640)*	127,012,140*	8,832,000	342,492,592	30,054,097	372,546,689

* These reserve accounts comprise the consolidated reserves of RMB223,260,592 (2010: RMB165,543,695) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the Company										
	Issued shares RMB (note 31)	Share premium account RMB (note 33(a))	Capital reserve RMB (note 33(a))	Statutory surplus reserve RMB (note 33(a))	Discretionary surplus reserve RMB (note 33(a))	Translation reserve RMB	Retained profits RMB	Proposed final dividends RMB	Total RMB	Non-controlling Interests RMB	Total RMB
At 1 January 2010	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
Profit for the year	–	–	–	–	–	–	42,905,987	–	42,905,987	(873,114)	42,032,873
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	97,792	–	–	97,792	–	97,792
Total comprehensive income for the year	–	–	–	–	–	97,792	42,905,987	–	43,003,779	(873,114)	42,130,665
Issue of shares	17,000,000	29,765,596	–	–	–	–	–	–	46,765,596	–	46,765,596
Appropriations	–	–	–	2,016,286	–	–	(2,016,286)	–	–	–	–
Final 2009 dividend declared	–	–	–	–	–	–	–	(4,670,000)	(4,670,000)	–	(4,670,000)
Partial disposal of a subsidiary without a loss of control (note 35b)	–	–	(738,740)	–	–	–	–	–	(738,740)	1,038,740	300,000
Deemed disposal of subsidiaries without a loss of control (note 35c)	–	–	5,336,749	–	–	–	–	–	5,336,749	(5,336,749)	–
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	–	–	686,869	686,869
Capital contribution to subsidiaries by non-controlling shareholders	–	–	–	–	–	–	–	–	–	9,964,000	9,964,000
Disposal of a subsidiaries (note 35(a))	–	–	–	–	–	(45,674)	–	–	(45,674)	2,710	(42,964)
Proposed final 2010 dividend	–	–	–	–	–	–	(7,728,000)	7,728,000	–	–	–
At 31 December 2010	110,400,000	78,634,414	5,796,509	6,933,787	277,000	(133,952)	74,035,937	7,728,000	283,671,695	22,736,903	306,408,598

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB	2010 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**73,531,544**	48,310,567
Adjustments for:			
Interest expenses	7	**9,958,324**	1,073,422
Share of profits of associated companies		**(35,928,663)**	(4,470,127)
Interest income	5	**(181,538)**	(113,038)
Gain on deemed disposal of equity interests in an associated company	5	**(3,616,072)**	(5,991,524)
Gain on bargain purchases	5	**–**	(202,695)
Gain on disposal of subsidiaries	5	**–**	(8,757,914)
Gain on disposal of equity interest in an associated company	5	**(14,231,492)**	–
Reversal of impairment losses as on trade receivables, deposits and other receivable	6	**(5,780,561)**	(5,072,077)
Gain on disposal of items of property, plant and equipment	5	**(27,790)**	(148,124)
Depreciation of property, plant and equipment	14	**4,252,388**	1,733,189
Amortisation of intangible assets	16	**3,775,317**	1,897,931
Amortisation of land lease payments	15	**123,652**	–
		31,875,109	28,259,610
Decrease/(increase) in inventories		**9,546,573**	(10,830,529)
Increase in trade receivables		**(34,114,777)**	(36,177,750)
Increase in prepayment, deposit paid and other receivables		**(60,421,736)**	(10,462,306)
Increase in trade and bills payables		**30,156,137**	20,703,803
Increase/(decrease) in receipt in advance, other payables, accrued expenses and deposits received		**15,862,910**	(657,451)
Cash used in operations		**(7,095,784)**	(9,164,623)
Interest received		**181,538**	113,038
Interest paid		**(9,958,324)**	(1,073,422)
PRC income tax paid		**(6,664,184)**	(3,173,279)
Net cash flows used in operating activities		**(23,536,754)**	(13,298,286)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB	2010 RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(6,508,229)**	(3,558,383)
Proceeds from disposal of property, plant and equipment		**386,862**	163,280
Additions of intangible assets	16	**(2,108,604)**	(1,331,851)
Increase in deposits received		**–**	24,124,190
Payment for acquisition of an associated company		**(4,650,196)**	(10,000,000)
Payment for acquisition of an available-for-sale investment		**(3,163,001)**	(1,600,000)
Acquisition of subsidiaries		**–**	(1,372,762)
Disposal of subsidiaries	35(a)	**–**	9,905,942
Disposal of associated company		**17,206,199**	–
Disposal of subsidiary without a loss control	35(b)	**573,300**	300,000
Repayment from/(advances to) shareholders		**4,559,397**	(711,269)
Decrease in equity investments at fair value through profit or loss		**–**	5,430
Increase in deposits paid		**(13,410,000)**	–
Increase in construction in progress		**(22,288,509)**	(83,554,991)
Net cash flows used in investing activities		**(29,402,781)**	(67,630,414)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of shares		**–**	46,765,596
Inception of new finance leases		**–**	286,273
Capital element of finance lease rental payments		**(57,254)**	(62,026)
Capital contribution by minority shareholders of subsidiaries		**6,000,000**	9,964,000
New bank loans		**148,000,000**	92,000,000
Repayment of bank loans		**(77,000,000)**	(15,600,000)
Dividend paid to shareholders		**(2,895,626)**	(4,118,724)
Advance from/(repayment to) shareholders		**1,103,239**	(612,963)
Net cash flows from financing activities		**75,150,359**	128,622,156
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,210,824**	47,693,456
Cash and cash equivalents at beginning of year		**73,623,298**	25,877,702
Effect of foreign exchange rate changes, net		**(412,838)**	52,140
CASH AND CASH EQUIVALENTS AT END OF YEAR		**95,421,284**	73,623,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash balance	26	**82,521,284**	68,652,298
Pledged deposits	26	**12,900,000**	4,971,000
		95,421,284	73,623,298

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB	2010 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	14	**160,445,943**	2,674,749
Prepaid land leases payments	15	**11,252,348**	–
Intangible assets	16	**14,554,717**	16,995,751
Interests in subsidiaries	17	**95,299,906**	72,997,824
Investments in associated companies	18	**14,861,646**	12,661,646
Available-for-sale investments	19	**4,515,200**	2,372,199
Construction in progress	21	**18,946,651**	172,062,087
Deposits paid	22	**23,320,000**	9,910,000
Deferred tax assets	10	**1,762,147**	2,804,789
Total non-current assets		**344,958,558**	292,479,045
CURRENT ASSETS			
Inventories	23	**16,307,169**	15,155,634
Trade receivables	24	**67,221,440**	65,510,437
Prepayment, deposits and other receivables	25	**101,520,045**	49,725,547
Due from shareholders	38(b)	**2,364,037**	6,923,434
Dividend receivable		**8,177,189**	8,177,189
Pledged deposit	26	**–**	2,421,000
Cash and cash equivalents	26	**19,841,913**	29,138,565
		215,431,793	177,051,806
Non-current assets held for sale	20	**4,979,004**	4,979,004
Total current assets		**220,410,797**	182,030,810
CURRENT LIABILITIES			
Trade payables	27	**24,583,254**	22,353,640
Receipts in advance, other payables, accrued expenses and deposits received	28	**123,983,813**	67,255,963
Due to shareholders	38(b)	**1,937,116**	115,297
Interest-bearing bank and other borrowings	29	**61,100,000**	32,000,000
Dividend payables		**5,383,650**	551,276
Tax payables		**3,196,906**	5,441,114
Total current liabilities		**220,184,739**	127,717,290
NET CURRENT ASSETS		**226,058**	54,313,520

Statement of Financial Position

31 December 2011

	Notes	2011 RMB	2010 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**345,184,616**	346,792,565
NON-CURRENT LIABILITIES			
Deposits received	28	**24,124,190**	24,124,190
Interest-bearing bank and other borrowings	29	**68,800,000**	74,400,000
Total non-current liabilities		**92,924,190**	98,524,190
Net assets		**252,260,426**	248,268,375
EQUITY			
Issued capital	31	**110,400,000**	110,400,000
Reserves	33(b)	**133,028,426**	130,140,375
Proposed final dividend	12	**8,832,000**	7,728,000
Total equity		**252,260,426**	248,268,375

Liu Jian Bang
Director

Pan Jian Xiang
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 Company's predecessor, Jiangsu NandaSoft Limited Liability Company (the "Predecessor") was established on 18 September 1998. By way of transformation of the Predecessor (the "Transformation"), the Company was established on 30 December 1999. Upon its establishment, the Company is engaged in the sales of computer hardware and equipment, and continues to develop, manufacture and market network security software, Internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting.

The 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 ("RMB"), 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. These financial statements are presented in Renminbi.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra group balance, transactions, unrealised gains and losses resulting from intra group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights issues
HK(IFRIC) Int-14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) Int-19	Extinguishing Financial liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

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

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 38 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs.

There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments of HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(ii) HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of change in equity.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(iii) HKAS 27 *Consolidated and Separate Financial Statement*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: *Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [3]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery Of Underlying Assets [2]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [5]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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 interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture 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 investments 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 investments in associated companies, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associated company is included as part of the Group's investments in associated companies and is not individual tested for impairment.

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*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (groups of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and non-current assets held for sale.), 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 in those expense categories consistent with the function of the impaired asset.

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.

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary or the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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 depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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	over the lease terms
Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	16%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at 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 when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding prepaid land lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under financial leases, are included in property, plant and equipment, and depreciated over the shorter of lease terms and the estimated useful lives of the assets. The finance cost of such leases are charged to the income statement so as to provide a constant periodic rate of change over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 receivables, deposits and other receivables, available-for-sales investments and amounts due from shareholders.

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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)

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

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 costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments 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 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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; or
- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced 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 and all collateral has been realised or has been transferred to the Group.

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. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

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 income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 plus, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, receipts in advance, other payables and accrued expenses, amounts due to shareholders, interest-bearing bank and other borrowings and finance lease payables.

Subsequent measurement

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

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 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 income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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:

- when 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, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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 income statement over the expected useful life of the relevant asset by equal annual instalments deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contract of services" below;

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

(d) rental income, on a time proportion basis over the lease terms; and

(e) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF 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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate 14.4% has been applied to the expenditure on the individual assets.

Dividend

Final dividend 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 arising on settlement or translation of monetary items 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.

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 described below.

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.

Allowance for obsolete and slow moving of 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. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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.

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 2011, the best estimate of the carrying amount of capitalised development costs was RMB14,392,668 (2010: RMB16,803,634).

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 – the sales of components mainly for the use in the IT products;

(b) the system integration service segment – the rendering of the IT consulting services;

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

(d) the training services segment – 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 as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets exclude cash and cash equivalents, amounts due from shareholders, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amounts due to shareholders, tax payables, deferred tax liabilities 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 rendering 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.

Group

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phones		Training services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Segment revenue:										
Sales to external customers	**360,822,270**	302,311,069	**93,509,102**	64,035,812	**11,118,386**	23,695,586	**10,516,974**	6,631,040	**475,966,732**	396,673,507
Segment results	**13,728,331**	11,210,589	**21,582,268**	15,262,369	**(817,341)**	1,609,575	**1,254,778**	5,212,705	**35,748,036**	33,295,238
Reconciliation:										
Other income and gains									**28,430,776**	25,913,742
Unallocated corporate expenses									**(14,945,926)**	(13,981,537)
Finance costs									**(11,630,005)**	(1,387,003)
Share of profits of associated companies									**35,928,663**	4,470,127
Profit before tax									**73,531,544**	48,310,567
Income tax expense									**(5,678,065)**	(6,277,694)
Profit for the year									**67,853,479**	42,032,873

4. OPERATING SEGMENT INFORMATION (Continued)

Group (Continued)

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phones		Training services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Segment assets	**240,803,682**	163,523,128	**159,094,298**	70,374,140	**8,180,292**	10,694,074	**7,846,848**	1,272,725	**415,925,120**	245,864,067
Reconciliation:										
Interests in associated companies									**72,745,158**	31,856,531
Unallocated assets									**290,643,243**	314,835,194
Total assets									**779,313,521**	592,555,792
Segment liabilities	**77,673,558**	69,332,668	**36,055,686**	24,552,916	**5,346**	4,038,105	**9,082**	21,304	**113,743,672**	97,944,993
Reconciliation:										
Unallocated liabilities									**293,023,160**	188,202,201
Total liabilities									**406,766,832**	286,147,194
Capital expenditure*	**3,034,197**	1,219,994	**4,728,968**	1,381,280	**19,292**	243,569	**46,406**	70,430	**7,828,863**	2,915,273
Unallocated capital expenditure									**23,076,479**	106,005,437
									30,905,342	108,920,710

* The capital expenditure included additions of property, plant and equipment, intangible assets and construction in progress.

4. OPERATING SEGMENT INFORMATION (Continued)

Group (Continued)

	Sales of computer hardware and software products		System integration service		Trading of IT related products and equipment, and mobile phones		Training services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Other segment information:										
Reversal of impairment loss on trade receivables, deposits and other receivables	**-**	–	**(5,780,561)**	(5,072,077)	**-**	–	**-**	–	**(5,780,561)**	(5,072,077)
Amortisation of intangible assets	**-**	–	**3,685,122**	1,887,923	**-**	–	**-**	–	**3,685,122**	1,887,923
Unallocated amortisation of intangible assets									**90,195**	10,008
									3,775,317	1,897,931
Depreciation of property, plant, and equipment	**1,713,234**	365,303	**1,447,316**	190,242	**156,852**	142,140	**399,562**	389,831	**3,716,964**	1,087,516
Unallocated depreciation of property, plant and equipment									**535,424**	645,673
									4,252,388	1,733,189

Information about a major customer

Revenue of approximately RMB27,150,900 (2010: RMB31,863,000) was delivered from sales by the sales of computer hardware and software products segment to a single 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 values of services rendered during the year.

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

	Group	
	2011	2010
	RMB	RMB
Revenue		
Sale of goods:		
Computer hardware and software products	**360,822,270**	302,311,069
Trading of IT related products and equipment, and mobile phones	**11,118,386**	23,695,586
Rendering of system integration services	**93,509,102**	64,035,812
Provision of IT training services	**10,516,974**	6,631,040
	475,966,732	396,673,507
Other income and gains		
Bank interest income	**181,538**	113,038
PRC value added tax refunded	**2,116,230**	1,318,343
Gain on disposal of subsidiaries	**–**	8,757,914
Gain on disposal of equity interest in an associated company	**14,231,492**	–
Gain on deemed disposal of equity interest in an associated company	**3,616,072**	5,991,524
Gain on bargain purchase (note 34)	**–**	202,695
Government grants received	**6,035,060**	18,258,096
Gross rental income	**1,737,711**	–
Gain on disposal of items of property, plant and equipment	**27,790**	148,124
Others	**484,883**	955,739
	28,430,776	35,745,473
	504,397,508	432,418,980

6. PROFIT BEFORE TAX

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

	Group	
	2011	2010
	RMB	RMB
Cost of sales:		
Cost of computer hardware and software sold	**312,042,737**	262,542,964
Cost of IT relate products and equipment, and mobile phones sold	**6,711,716**	17,922,786
Cost of services provided	**51,412,130**	40,395,228
Cost of provision of IT training services	**4,592,355**	3,838,529
	374,758,938	324,699,507
Depreciation of property, plant and equipment (note 14)	**4,252,388**	1,733,189
Amortisation of intangible assets* (note 16)	**3,775,317**	1,897,931
Research and development costs:		
Deferred expenditure amortised (note 16)	**2,964,194**	1,105,923
Current year expenditure	**3,890,451**	1,338,521
Less: Government grants released	**(6,447,500)**	(2,000,000)
	407,145	444,444
Amortisation of land lease payments (note 15)	**123,652**	–
Minimum lease payments under operating leases on office premises	**3,720,762**	3,915,157
Auditors' remuneration	**405,679**	338,598
Employee benefits expense (excluding directors' and supervisors' remuneration (note 8)):		
Salaries and allowances	**21,450,858**	18,922,470
Pension scheme contributions	**5,181,677**	2,062,597
	26,632,535	20,985,067
Foreign exchange differences, net	**110,624**	1,251,509
Reversal of impairment losses on trade receivables, deposits and other receivables	**(5,780,561)**	(5,072,077)
Gain on disposal of items of property, plant and equipment	**(27,790)**	(148,124)
Bank interest income	**(181,538)**	(113,038)

* The amortisation of intangible assets for the year are included in "Administrative expenses" and "Research and Development costs" in the consolidated income statement amounting RMB811,123 (2010: RMB792,008) and RMB2,964,194 (2010: RMB1,105,923), respectively.

7. FINANCE COSTS

	Group	
	2011	2010
	RMB	RMB
Interest on bank loans wholly repayable within five years	**13,160,475**	7,594,941
Bank charges	**1,671,681**	313,581
	14,832,156	7,908,522
Less: Interests capitalised	**(3,202,151)**	(6,521,519)
	11,630,005	1,387,003

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	
	2011	2010
	RMB	RMB
Directors' fees:		
Independent non-executive directors	**121,506**	31,836
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**809,118**	1,146,580
Non-executive directors	**119,658**	20,373
	928,776	1,166,953
	1,050,282	1,198,789
Supervisors' emoluments:		
Salaries, allowances and other benefits	**100,298**	48,680

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	
	2011	2010
	RMB	RMB
Mr. Xu Huan Liang (resigned on 10 June 2011)	**5,504**	10,612
Dr. Daxi Li	**40,502**	10,645
Ms. Xie Hong	**40,502**	10,579
Mr. Xie Man Lin (appointed on 10 June 2011)	**34,998**	–
	121,506	31,836

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors and non-executive directors

	Group			
	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB	**RMB**	**RMB**	**RMB**
2011				
Executive directors:				
Mr. Chen Zheng Rong	**–**	**108,248**	**–**	**108,248**
Mr. Pan Jian Xiang	**–**	**314,685**	**–**	**314,685**
Mr. Liu Jian (alias Liu Jian Bang)	**–**	**386,185**	**–**	**386,185**
	–	**809,118**	**–**	**809,118**
Non-executive directors:				
Mr. Liu Winson Wing Sun	**–**	**40,502**	**–**	**40,502**
Mr. Wong Wei Khin (appointed on 17 January 2011)	**–**	**39,578**	**–**	**39,578**
Mr. Li Cheng (appointed on 17 January 2011)	**–**	**39,578**	**–**	**39,578**
	–	**119,658**	**–**	**119,658**
	–	**928,776**	**–**	**928,776**

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

	Group			
	Fees RMB	Salaries, allowances and benefits in kind RMB	Pension scheme contributions RMB	Total remuneration RMB
2010				
Executive directors:				
Professor Xie Li (resigned on 12 November 2010)*	–	346,730	–	346,730
Mr. Chen Zheng Rong	–	113,050	–	113,050
Mr. Pan Jian Xiang	–	308,400	–	308,400
Mr. Liu Jian (alias Liu Jian Bang)	–	378,400	–	378,400
	–	1,146,580	–	1,146,580
Non-executive directors:				
Mr. Yuan Ren Wei (resigned on 12 November 2010)*	–	9,728	–	9,728
Mr. Liu Winson Wing Sun	–	10,645	–	10,645
	–	20,373	–	20,373
	–	1,166,953	–	1,166,953

* Professor Xie Li and Mr. Yuan Ren Wei resigned as executive directors in November 2010. Their emoluments up to the respective dates of their resignation as the executive directors were included as directors' remuneration for the year ended 31 December 2010. However, as they were employed by the Group after November 2010, their emoluments had been included in salaries and allowances under "Employee benefits expenses" in note 6 to the financial statements.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2010: 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 two (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	RMB	RMB
Salaries, allowances and other benefits	**1,006,900**	574,900
Pension scheme contributions	**–**	–
	1,006,900	574,900

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

	Number of employees	
	2011	2010
Nil to RMB1,000,000	**3**	2

10. INCOME TAX EXPENSE

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% is applicable to these PRC subsidiaries.

As one of the Company's subsidiaries is newly incorporated systems integration enterprise, after obtaining authorisation from respective tax authority, this subsidiary is 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 25% in the succeeding three years, commencing from 1 January 2011. Upon the expiry of the tax exemption, the usual corporate income tax rate of 25% is applicable to this PRC subsidiary.

No provision for Hong Kong profits tax has been provided as the Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the year (2010: No assessable profit arised).

10. INCOME TAX EXPENSE (Continued)

	Group	
	2011	2010
	RMB	RMB
Current – the PRC:		
Charge for the year	**4,610,674**	8,916,422
Underprovision in prior years	**144,284**	1,616,796
Deferred	**923,107**	(4,255,524)
Total tax charge for the year	**5,678,065**	6,277,694

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			
	2011		2010	
	RMB	**%**	RMB	%
Profit before tax	**73,531,544**		48,310,567	
Tax at the average tax rates applicable to profits in the countries concerned	**17,617,180**	**23.9**	11,201,956	23.2
Tax effect of share of results of associated companies	**(8,982,165)**	**(12.2)**	–	–
Tax effect of expenses not deductible	**1,162,287**	**1.6**	1,685,924	3.5
Tax effect of income not taxable	**(5,069,104)**	**(6.9)**	(1,427,794)	(3.0)
Underprovision in the prior years	**144,284**	**0.2**	1,616,797	3.4
Tax effect of tax losses not recognised	**2,948,836**	**4.0**	1,243,226	2.5
Tax losses utilised from previous years	**(104,545)**	**(0.1)**	(311,688)	(0.6)
Effect of concessionary tax rate	**(3,710,317)**	**(5.0)**	(3,264,921)	(6.8)
Deferred tax assets recognised	**923,107**	**1.2**	(4,255,524)	(8.8)
Others	**748,502**	**1.0**	(210,282)	(0.4)
Tax charge at the Group's effective tax rate	**5,678,065**	**7.7**	6,277,694	13.0

The share of tax attributable to associated companies of RMB8,982,165 (2010: Nil) is included in "Share of profits and losses of associated companies" on the face of the consolidated income statement.

10. INCOME TAX EXPENSE (Continued)

Deferred tax

Deferred tax liabilities

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Capitalisation of development costs:				
At 1 January	**2,520,545**	–	**2,520,545**	–
Deferred tax liabilities (credited)/ charged to consolidated income statement during the year	**(361,645)**	2,520,545	**(361,645)**	2,520,545
At 31 December	**2,158,900**	2,520,545	**2,158,900**	2,520,545

Deferred tax assets

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Provision of assets:				
At 1 January	**6,776,069**	–	**5,325,334**	–
Deferred tax assets (charged)/credited to consolidated income statement during the year	**(1,284,752)**	6,776,069	**(1,404,287)**	5,325,334
At 31 December	**5,491,317**	6,776,069	**3,921,047**	5,325,334

10. INCOME TAX EXPENSE (Continued)

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	Company	
	2011	2010
	RMB	RMB
Net deferred tax assets recognised in the statement of financial position	**3,921,047**	5,325,334
Net deferred tax liabilities recognised in the statement of financial position	**(2,158,900)**	(2,520,545)
At 31 December	**1,762,147**	2,804,789

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Tax losses	**9,620,441**	6,175,110	**–**	–
Deductible temporary differences	**1,917,274**	1,248,416	**–**	–
	11,537,715	7,423,526	**–**	–

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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of RMB11,720,051 (note 33(b)) (2010: RMB19,208,331) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

	2011	2010
	RMB	RMB
Proposed final – RMB0.8 cent (2010: RMB0.7 cent) per ordinary share	**8,832,000**	7,728,000

The proposed final dividend (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 RMB66,888,502 (2010: RMB42,905,987) and on the weighted average number of ordinary shares of 1,104,000,000 (2010: 990,666,667) in issue during the year.

Diluted earnings per share is not presented for the years ended 31 December 2011 and 2010 as the company had no potentially dilutive ordinary shares in issue during these years.

14. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings RMB	Leasehold improvements RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2011					
At 1 January 2011					
Cost	–	200,753	14,171,434	6,178,971	20,551,158
Accumulated depreciation	–	(200,753)	(9,128,995)	(3,702,093)	(13,031,841)
Net carrying amount	–	–	5,042,439	2,476,878	7,519,317
At 1 January 2011, net of accumulated depreciation	–	–	5,042,439	2,476,878	7,519,317
Additions	–	78,000	5,176,509	1,253,720	6,508,229
Transferred from construction in progress (note 21)	157,006,188	–	–	–	157,006,188
Depreciation provided during the year	(1,706,589)	(7,566)	(1,657,911)	(880,322)	(4,252,388)
Disposals	–	–	(230,756)	(128,316)	(359,072)
Exchange realignment	–	–	(19,066)	(9,754)	(28,820)
At 31 December 2011, net of accumulated depreciation	155,299,599	70,434	8,311,215	2,712,206	166,393,454
At 31 December 2011					
Cost	157,006,188	278,753	18,869,827	6,991,372	183,146,140
Accumulated depreciation	(1,706,589)	(208,319)	(10,558,612)	(4,279,166)	(16,752,686)
Net carrying amount	155,299,599	70,434	8,311,215	2,712,206	166,393,454

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group				
	Buildings RMB	Leasehold improvements RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2010					
At 1 January 2010					
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
At 1 January 2010, net of accumulated depreciation	–	–	3,946,987	1,450,375	5,397,362
Acquisition of a subsidiary (note 34)	–	–	329,386	–	329,386
Additions	–	–	1,895,597	1,662,786	3,558,383
Depreciation provided during the year	–	–	(1,099,377)	(633,812)	(1,733,189)
Disposals	–	–	(11,380)	(3,776)	(15,156)
Exchange realignment	–	–	(18,774)	1,305	(17,469)
At 31 December 2010, net of accumulated depreciation	–	–	5,042,439	2,476,878	7,519,317
At 31 December 2010					
Cost	–	200,753	14,171,434	6,178,971	20,551,158
Accumulated depreciation	–	(200,753)	(9,128,995)	(3,702,093)	(13,031,841)
Net carrying amount	–	–	5,042,439	2,476,878	7,519,317

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Buildings RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2011				
At 1 January 2011				
Cost	–	4,787,883	3,853,324	8,641,207
Accumulated depreciation	–	(3,882,491)	(2,083,967)	(5,966,458)
Net carrying amount	–	905,392	1,769,357	2,674,749
At 1 January 2011, net of accumulated depreciation	–	905,392	1,769,357	2,674,749
Additions	–	3,457,451	214,682	3,672,133
Transferred from construction in progress (note 21)	157,006,188	–	–	157,006,188
Depreciation provided during the year	(1,706,589)	(730,604)	(320,793)	(2,757,986)
Disposals	–	(145,670)	(3,471)	(149,141)
At 31 December 2011, net of accumulated depreciation	155,299,599	3,486,569	1,659,775	160,445,943
At 31 December 2011				
Cost	157,006,188	7,884,018	3,952,306	168,842,512
Accumulated depreciation	(1,706,589)	(4,397,449)	(2,292,531)	(8,396,569)
Net carrying amount	155,299,599	3,486,569	1,659,775	160,445,943

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Buildings RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2010				
At 1 January 2010				
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
At 1 January 2010, net of accumulated depreciation	–	636,946	1,127,714	1,764,660
Additions	–	389,465	1,106,904	1,496,369
Depreciation provided during the year	–	(109,639)	(463,011)	(572,650)
Disposals	–	(11,380)	(2,250)	(13,630)
At 31 December 2010, net of accumulated depreciation	–	905,392	1,769,357	2,674,749
At 31 December 2010				
Cost	–	4,787,883	3,853,324	8,641,207
Accumulated depreciation	–	(3,882,491)	(2,083,967)	(5,966,458)
Net carrying amount	–	905,392	1,769,357	2,674,749

The net carrying amount of the Group's fixed assets held under finance leases included in total amounts of motor vehicles at 31 December 2011 amounted to RMB178,393 (2010: RMB224,247).

15. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Cost at 1 January	**–**	8,193,873	**–**	–
Transfer from construction in progress (note 21)	**11,376,000**	–	**11,376,000**	–
Transfer to construction in progress (note 21)	**–**	(8,193,873)	**–**	–
Recognised during the year	**(123,652)**	–	**(123,652)**	–
Cost at 31 December	**11,252,348**	–	**11,252,348**	–

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

16. INTANGIBLE ASSETS

	Group			
	Deferred development costs	**Copy rights**	**Other intangible assets**	**Total**
	RMB	**RMB**	**RMB**	**RMB**
31 December 2011				
At 1 January 2011				
Cost	**37,910,520**	**6,019,022**	**5,820,420**	**49,749,962**
Accumulated amortisation	**(21,106,886)**	**(6,019,022)**	**(1,235,508)**	**(28,361,416)**
Net carrying value	**16,803,634**	**–**	**4,584,912**	**21,388,546**
At 1 January 2011, net of accumulated amortisation	**16,803,634**	**–**	**4,584,912**	**21,388,546**
Additions	**553,228**	**–**	**1,555,376**	**2,108,604**
Amortisation provided during the year	**(2,964,194)**	**–**	**(811,123)**	**(3,775,317)**
At 31 December 2011	**14,392,668**	**–**	**5,329,165**	**19,721,833**
At 31 December 2011				
Cost	**38,463,748**	**6,019,022**	**7,375,796**	**51,858,566**
Accumulated amortisation	**(24,071,080)**	**(6,019,022)**	**(2,046,631)**	**(32,136,733)**
Net carrying value	**14,392,668**	**–**	**5,329,165**	**19,721,833**

16. INTANGIBLE ASSETS (Continued)

	Group			
	Deferred development costs RMB	Copy rights RMB	Other intangible assets RMB	Total RMB
31 December 2010				
At 1 January 2010				
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
At 1 January 2010, net of accumulated amortisation	16,788,126	–	5,166,500	21,954,626
Additions	1,121,431	–	210,420	1,331,851
Amortisation provided during the year	(1,105,923)	–	(792,008)	(1,897,931)
At 31 December 2010	16,803,634	–	4,584,912	21,388,546
At 31 December 2010				
Cost	37,910,520	6,019,022	5,820,420	49,749,962
Accumulated amortisation	(21,106,886)	(6,019,022)	(1,235,508)	(28,361,416)
Net carrying value	16,803,634	–	4,584,912	21,388,546

16. INTANGIBLE ASSETS (Continued)

	Company			
	Deferred development costs RMB	Copy rights RMB	Other intangible assets RMB	Total RMB
31 December 2011				
At 1 January 2011				
Cost	37,910,520	6,019,022	200,940	44,130,482
Accumulated amortisation	(21,106,886)	(6,019,022)	(8,823)	(27,134,731)
Net carrying value	16,803,634	–	192,117	16,995,751
At 1 January 2011, net of accumulated amortisation	16,803,634	–	192,117	16,995,751
Additions	553,228	–	55,385	608,613
Amortisation provided during the year	(2,964,194)	–	(85,453)	(3,049,647)
At 31 December 2011	14,392,668	–	162,049	14,554,717
At 31 December 2011				
Cost	38,463,748	6,019,022	256,325	44,739,095
Accumulated amortisation	(24,071,080)	(6,019,022)	(94,276)	(30,184,378)
Net carrying value	14,392,668	–	162,049	14,554,717

16. INTANGIBLE ASSETS (Continued)

	Company			
	Deferred Development costs RMB	Copy rights RMB	Other intangible assets RMB	Total RMB
31 December 2010				
At 1 January 2010				
Cost	36,789,089	6,019,022	–	42,808,111
Accumulated amortisation	(20,000,963)	(6,019,022)	–	(26,019,985)
Net carrying value	16,788,126	–	–	16,788,126
At 1 January 2010, net of accumulated amortisation	16,788,126	–	–	16,788,126
Additions	1,121,431	–	200,940	1,322,371
Amortisation provided during the year	(1,105,923)	–	(8,823)	(1,114,746)
At 31 December 2010	16,803,634	–	192,117	16,995,751
At 31 December 2010				
Cost	37,910,520	6,019,022	200,940	44,130,482
Accumulated amortisation	(21,106,886)	(6,019,022)	(8,823)	(27,134,731)
Net carrying value	16,803,634	–	192,117	16,995,751

17. INTERESTS IN SUBSIDIARIES

	Company	
	2011 RMB	2010 RMB
Unlisted equity investments/shares, at cost	**97,497,823**	72,997,824
Less: Impairment	**(2,197,917)**	–
	95,299,906	72,997,824

17. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2011were 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
Changshu Soft Services Training Centre *#+	PRC	RMB1,000,000	70%	–	IT training Services
Jiangsu Fuyue Technology Co., Ltd.*#@	PRC	RMB5,000,000	60%	–	Sale of computer hardware products and equipment
Jiangsu Hanwin Technology Company Limited ("Hanwin") *#@	PRC	RMB20,000,000	–	79.81%	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	–	51% (2010: 100%)	Sale of computer hardware products and equipment
Jiangsu NandaSoft Communication Company Limited *#@	PRC	RMB5,000,000	51%	–	Sales of GPS products
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 Mailunsi Tech. Company Limited*#@	PRC	RMB5,000,000	–	47.88% ^	Rendering system Integration services

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	
Jiangsu NandaSoft Computer Fixtures Company Limited*#@	PRC	RMB10,000,000	51%	–	Sale of computer hardware products and equipment
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%	–	Provision of IT training services
Nanjing NandaSoft System Integration Company Limited *#@	PRC	RMB20,000,000	100%	–	Rendering system Integration services
Shenyang Soft Software Development Company Limited *#@	PRC	RMB10,000,000	70%	–	Investment holding
Shenzhen NandaSoft Network Technology Company Limited *#@	PRC	RMB5,000,000	–	100%	Sale of computer hardware products and equipment
Nandasoft Health Technology Company Limited *#@	PRC	RMB10,000,000	70%	–	Professional intelligent elderly care service

* Ascenda Cachet CPA Limited are not the statutory auditors of these companies.

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

\+ The subsidiary is registered as a private non-enterprise unit.

@ This subsidiary is registered as a limited liability companies established in the PRC.

^ 60% equity interest of this subsidiary is held by Hanwin, 79.81% equity interest of which is indirectly held by the Company. Therefore, the effective interest of this subsidiary held by the Company is 47.88%.

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	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Unlisted equity investments, at cost	**–**	–	**15,200,000**	13,000,000
Share of net assets	**72,745,158**	31,856,531	**–**	–
Less: Impairment	**–**	–	**(338,354)**	(338,354)
	72,745,158	31,856,531	**14,861,646**	12,661,646

Particulars of the principal associated companies as at 31 December 2011 were as follows:

Name of associated company	Place of establishment and operation	Paid up capital	Percentage of paid up capital held by the Company: Directly	Percentage of paid up capital held by the Company: Indirectly	Principal activity
Shenzhen Nanda Research Institute Company Limited #	PRC	RMB10,000,000	30%	–	Property investment (2010: not yet commenced business)
Promed Medical Technology (Suzhou) Company Limited (“ Promed Medical”) (note 1)	PRC	USD8,893,100 (2010: USD5,285,100)	– –	18.09% (2010: 22.87%)	Development of cardiovascular stent
Yantai Blue Innovation Co., Ltd.#	PRC	RMB10,000,000	20%	–	Development of system integration services
Nanjing King Wen Information Technology Limited #	PRC	RMB500,000	40%	–	Not yet commenced business
Jiangsu Fu Man Investment Limited #	PRC	RMB5,000,000	40%	–	Not yet commenced business
Huaian Jingxin Nandasoft Technology Company Limited #	PRC	RMB5,000,000	–	24.99%	Development of system integration services

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

18. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

Notes:

1) In March 2011, the paid-up capital of Promed Medical increased from USD5,285,100 to USD8,893,100 by issuing new capital to one of the existing shareholders with the gross proceeds of approximately RMB23 million and thus, the equity interests of Promed Medical held by the Group was diluted from 22.87% to 21.21%. In June and September 2011, the Group disposed of 1.73% and 1.39% equity interests in Promed Medical to one independent third party, as a result, the equity interests in Promed Medical held by the Group decreased from 21.21% to 18.09%. The Group still has a contractual voting right in Promed Medical even though holding less than 20% of the equity interest of Promed Medical. Therefore, the Group is in a position to exercise significant influence over Promed Medical.

The above associated companies were not audited by Ascenda Cachet CPA Limited.

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

	2011 **RMB**	2010 RMB
Total assets	**328,478,324**	174,921,837
Total liabilities	**(62,842,831)**	(67,771,159)
Net assets	**265,635,493**	107,150,678
Revenue	**34,870,263**	39,262,637
Profits for the year	**120,944,507**	16,923,521

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2011 **RMB**	2010 RMB	**2011** **RMB**	2010 RMB
Unlisted equity investments, at cost	**5,825,200**	2,662,199	**4,515,200**	2,372,199

Balance represents 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. NON-CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Unlisted equity investments, at carrying amount	**4,979,004**	4,979,004	**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 was classified as "Investments in associated companies" in prior years. On 16 October 2009, the Company entered into a sales and purchases agreement with an independent third party to dispose of the Investment at a consideration of RMB5,000,000. During the year 2010, the consideration was received and classified in Receipt in advance, other payables and accrued expenses (note 28a). 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 non-current assets held for sale.

21. CONSTRUCTION IN PROGRESS

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Cost at 1 January	**181,600,471**	69,705,508	**172,062,087**	69,705,508
Transfer from prepaid land lease payment (note 15)	**–**	8,193,873	**–**	–
Additions during the year	**22,288,509**	103,701,090	**15,266,752**	102,356,579
Transfer to property, plant and equipment (note 14)	**(157,006,188)**	–	**(157,006,188)**	–
Transfer to prepaid land lease payment (note 15)	**(11,376,000)**	–	**(11,376,000)**	–
Cost at 31 December	**35,506,792**	181,600,471	**18,946,651**	172,062,087

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 situated in the PRC.

During the year, the construction of the phase I of the buildings located in Nanjing was completed and being used by the Group in July 2011. The related costs were transferred to property, plant and equipment and prepaid land lease payment (note 14 and 15).

As at 31 December 2011, the Company and the Group had contracted but not provided commitments for the costs of contracting Phase II of the buildings located in Nanjing and the contracting project located in Shenyang of approximately RMB82,282,000 and RMB117,372,000, respectively (2010: RMB94,180,000 and Nil, respectively).

22. DEPOSITS PAID

		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		RMB	RMB	**RMB**	RMB
Unlisted equity investments:					
Vascore Medtech Medical (Suzhou) Company Limited ("Vascore")	(a)	**9,910,000**	9,910,000	**9,910,000**	9,910,000
Nanjing Nanda Pharmaceutical Company Limited ("Nanda Pharmaceutical")	(b)	**13,410,000**	–	**13,410,000**	–
		23,320,000	9,910,000	**23,320,000**	9,910,000

Notes:

a) On 28 August 2008, the Company entered into an agreement with an independent third party, Interbridge Global Limited, for the acquisition of a 30% of equity interest in Vascore at a consideration of US$1,450,000 (approximately RMB9,910,000), which has been settled by the Company in full during in 2008. As at 31 December 2011, 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. According to the agreement entered into between the Company and this independent third party, if the application for the change of equity holders and business licenses from the local authority has not completed by 31 December 2012, the investment cost will be fully repaid by this independent third party.

b) Reference was made to the announcement respectively dated on 26 August 2011 and 16 September 2011, the Company has entered into a contract with Nanjing University Asset Administration Company Limited ("Nanjing University"), which is one of the shareholders of the Company, in relation to the transfer of certain stated-owned assets (the "Connected Transaction"). The transaction constitutes a discloseable and connected transaction in accordance with the GEM Listing Rules.

The Company has entered into the Contract with Nanjing University whereby Nanjing University agreed to sell (i) the 52% of the equity interests in Nanjing Nanda Pharmaceutical Company Limited (the "Nanda Pharmaceutical") and (ii) the shareholder's loan provided by Nanjing University to the Nanda Pharmaceutical via an entrusting arrangement offered by the Nanjing Zhongshan sub-branch of China Construction Bank Corporation (the "Entrusted Loan"), to the Company and the consideration was RMB13,410,000, representing (i) the Entrusted Loan's outstanding principal amount of RMB10,000,000 with accrued interest of RMB2,901,371 as at 20 June 2011, and (ii) cash payment amounting to RMB508,629 for other assets and liabilities of the Nanda Pharmaceutical. Details of the terms and conditions of the Connected Transaction have been stated in the announcement of the Company dated 26 August 2011 and the circulars dated 4 October 2011.

The Connected Transaction was approved by the Company's shareholders at the Extraordinary General Meeting dated 4 November 2011. The consideration of RMB13,410,000 was paid during the year. The administrative works, such as the application for the "Certificate of Approval" from local business authorities and related statutory documents to verify the establishment and the legal status of the Nanda Pharmaceutical, have completed at January 2012.

23. INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Computer hardware products, equipment and software products, and mobile phones	**48,076,721**	57,623,294	**16,307,169**	15,155,634

At 31 December 2011, the inventories of the Group and the Company carrying at net realisable value amounted to Nil (2010: Nil).

24. TRADE RECEIVABLES

		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		RMB	RMB	**RMB**	RMB
Trade receivables		**182,443,666**	148,123,219	**83,491,795**	88,476,073
Impairment	(a)	**(24,566,630)**	(27,966,483)	**(16,270,355)**	(22,965,636)
Net carrying amount	(b)	**157,877,036**	120,156,736	**67,221,440**	65,510,437

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
At 1 January	**27,966,483**	41,861,481	**22,965,636**	42,238,428
Impairment losses reversed	**(3,399,853)**	(13,894,998)	**(6,695,281)**	(19,272,792)
At 31 December	**24,566,630**	27,966,483	**16,270,355**	22,965,636

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB17,963,357 (2010: RMB23,571,001) with a carrying amount before provision of RMB17,963,357 (2010: RMB23,571,001). 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	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
0-90 days	**105,832,777**	74,662,267	**33,735,329**	31,743,446
91-180 days	**14,816,883**	6,082,723	**5,073,919**	1,418,493
181-365 days	**18,683,161**	5,031,163	**11,963,886**	900,329
Over 365 days	**18,544,215**	34,380,583	**16,448,306**	31,448,169
	157,877,036	120,156,736	**67,221,440**	65,510,437

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Neither past due nor impaired	**105,832,777**	74,662,267	**33,735,329**	31,743,446
Less than 3 month past due	**14,816,883**	6,082,723	**5,073,919**	1,418,493
Over 3 month past due	**37,227,376**	39,411,746	**28,412,192**	32,348,498
	157,877,036	120,156,736	**67,221,440**	65,510,437

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 amount due from the subsidiaries of RMB10,628,403 (2010: RMB10,121,989), which are unsecured, interest-free and are repayable on demand.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group		Company	
		2011	2010	**2011**	2010
		RMB	RMB	**RMB**	RMB
Other receivables:					
Advances to suppliers	(a)	**33,494,094**	27,527,616	**24,990,425**	19,709,277
PetroChina Company Limited	(b)	**–**	2,690,000	**–**	–
Consideration receivable from an ex-venture partner	(c)	**2,000,000**	2,000,000	**–**	–
Others *		**108,962,306**	52,380,107	**86,399,581**	41,881,886
		144,456,400	84,597,723	**111,390,006**	61,591,163
Less: Impairment		**(15,559,565)**	(17,940,273)	**(9,869,961)**	(11,865,616)
Net carrying amount of other receivables	(d)	**128,896,835**	66,657,450	**101,520,045**	49,725,547
Prepayments		**976,980**	615,200	**–**	–
Deposits paid		**465,522**	264,243	**–**	–
Total prepayments, deposits and other receivables		**130,339,337**	67,536,893	**101,520,045**	49,725,547

* Included in other receivables, there were refundable deposits of RMB5,400,000 (2010: RMB3,800,000) (note 29c) paid to an independent third party as security for the guarantees provided by this independent third party for bank loans granted to the group.

(a) Included in the advances to suppliers is an aggregate amount of RMB4,877,699 (2010: 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 which included six bills of acceptance in an aggregate amount of RMB3,359,394. 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.

During the year 2011, an agreement was reached by the directors of the Company and the Company's bank to settle one of the bills of acceptance amounting to RMB500,000 out of court at a compensation of RMB100,000, and it was paid by the Company's bank during the year.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The directors of the Company, based on the advice from the Group's legal counsel, believed that the Company has a valid case, but after considering the business relationship with the bank and it was time consuming to handle the case, a full impairment was made for the remaining advances to the suppliers during the year 2011 accordingly.

(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 to revenue during that year.

For the another gas station, (the "Secord Station"), the Group contributed RMB2,690,000 in 2006 to purchase the related land use rights for Petro China for the construction of the Second Station. On 18 March 2011, the Group entered into an agreement with an independent third party (the "Buyer") to dispose of the Group's interests in the Secord Station for a consideration of RMB2,690,000. If the Buyer could settle the consideration before 30 April 2011, the consideration would be reduced to RMB2,000,000. On 2 April 2011, the Buyer settled the consideration of RMB2,000,000. A loss on disposal amounting to RMB690,000 was recognised in the income statement included in "Administrative expenses" during the year.

(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 from 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 Venture Partner is required to settle the outstanding balance within a prescribed period.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

On 22 February 2010, Jiangsu High People's Court (江蘇省高級人民法院) issued the summons and notice to Sheng Feng regarding the appeal made by Venture Partner and it was heard by the Jiangsu High People's Court on 18 March 2011 and the results had released by the Jiangsu High People's Court 22 November 2011 and ruled in favour of the Group. The Venture Partner is required to settle RMB1,500,000 plus interests within a prescribed period.

The directors of the Company, 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, the directors of the Company believed that the carrying value of seized properties is greater than RMB2,000,000. The settlement amount was closed to the carrying value of the outstanding receivable, no further provision for impairment was made.

(d) Included in the Company's other receivables are amounts due from the subsidiaries amounting to RMB33,017,556 (2010: RMB24,845,357), which are unsecured, interest-free and repayable on demand.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Cash at bank	**95,264,996**	73,428,454	**19,833,649**	31,542,778
Cash on hand	**156,288**	194,844	**8,264**	16,787
	95,421,284	73,623,298	**19,841,913**	31,559,565
Pledged deposits – bills payable	**(12,900,000)**	(4,971,000)	**–**	(2,421,000)
Cash and cash equivalents	**82,521,284**	68,652,298	**19,841,913**	29,138,565

At the end of the reporting period, the cash and bank balances was mainly denominated in Renminbi ("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.

The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
0-90 days	**55,105,614**	44,932,958	**10,722,890**	7,913,307
91-180 days	**20,224,768**	2,354,255	**1,948,409**	3,598,505
181-365 days	**2,794,303**	1,706,457	**1,545,977**	1,097,466
Over 365 days	**10,608,981**	9,583,859	**10,365,978**	9,744,362
	88,733,666	58,577,529	**24,583,254**	22,353,640

Included in the Company's trade and bill payables are amounts due to the subsidiaries of RMB8,360,831 (2010: RMB5,070,580), which are unsecured, interest-free and repayable on demand.

Bills payables are secured by the pledged bank deposits amounting to RMB12,900,000 (2010: RMB4,971,000) (note 26).

28. RECEIPTS IN ADVANCE, OTHER PAYABLES, ACCRUED EXPENSES AND DEPOSITS RECEIVED

		Group		Company	
	Notes	**2011**	2010	**2011**	2010
		RMB	RMB	**RMB**	RMB
Receipts in advance	a	**26,378,160**	10,023,032	**10,910,363**	12,717,972
Deposits received		**24,124,190**	24,124,190	**24,124,190**	24,124,190
Other payables	b, c	**37,828,723**	37,870,002	**110,757,313**	52,047,609
Accrued expenses		**1,716,137**	2,167,076	**2,316,137**	2,490,382
		90,047,210	74,184,300	**148,108,003**	91,380,153
Non-current portion					
– Deposits received	d	**(24,124,190)**	(24,124,190)	**(24,124,190)**	(24,124,190)
Current portion		**65,923,020**	50,060,110	**123,983,813**	67,255,963

a) Included in the Group's and Company's receipts in advance is amount RMB5,000,000 (2010: RMB5,000,000), which are the consideration received from the disposal of the non-current assets held for sales (note 20).

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

28. RECEIPTS IN ADVANCE, OTHER PAYABLES, ACCRUED EXPENSES AND DEPOSITS RECEIVED (Continued)

c) Included in the Company's other payables are amounts due to the subsidiaries of approximately RMB91,946,000 (2010: RMB24,920,000), which are unsecured and interest-free. The Company's subsidiaries have agreed not to demand repayment of the amount due to them until the Company is in a position to do so.

d) During the year 2010, the Company entered into sale and purchase agreements with two independent third parties and the majority shareholder of an available-for-sale investment of the Group (collectively the "Buyers"), pursuant to which, the Company will sell 3 flats of the building of the Company to the Buyers at a total consideration of RMB43,172,500. The transaction will be completed on 31 December 2013. Deposits of RMB24,124,190 were received by the Company during the year 2010.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2011			2010		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loan – secured (note a)	**5.94 to 6.25**	**2012 & 2019**	**99,400,000**	5.94	2019	78,400,000
Bank loans – unsecured	**5.81 to 15**	**2012**	**81,500,000**	5.31 to 6.37	2011	52,000,000
Other loan – unsecured	**10 to 14**	**2012**	**30,500,000**	10	2011	10,000,000
			211,400,000			140,400,000
Current portion			**(142,600,000)**			(66,000,000)
Non-current portion			**68,800,000**			74,400,000

	Company					
	2011			2010		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loan – secured	**5.94 to 6.25**	**2012 & 2019**	**99,400,000**	5.94	2019	78,400,000
Bank loan – unsecured	**–**	**–**	**–**	5.84	2011	18,000,000
Other loan – unsecured	**10 to 14**	**2012**	**30,500,000**	10	2011	10,000,000
			129,900,000			106,400,000
Current portion			**(61,100,000)**			(32,000,000)
Non-current portion			**68,800,000**			74,400,000

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**112,100,000**	56,000,000	**30,600,000**	22,000,000
In the second year	**8,000,000**	5,600,000	**8,000,000**	5,600,000
In the third to fifth years, inclusive	**27,200,000**	24,000,000	**27,200,000**	24,000,000
Beyond five years	**33,600,000**	44,800,000	**33,600,000**	44,800,000
	180,900,000	130,400,000	**99,400,000**	96,400,000
Other loans repayable:				
Within one year	**30,500,000**	10,000,000	**30,500,000**	10,000,000
	211,400,000	140,400,000	**129,900,000**	106,400,000

Notes

a) The Group's bank loan are secured by the mortgages over the Group's construction-in-progress and prepaid land lease payments situated in the PRC, which had an aggregated carrying value at the end of reporting period of approximately RMB19,568,000 and RMB11,252,000, respectively (2010: RMB22,750,000 and Nil, respectively).

In addition, guarantees were given by certain directors of the Company and an independent third party for the bank loan granted to the Group.

b) The Company has guaranteed certain of the bank loans of its subsidiaries up to RMB54,500,000 (2010:RMB34,000,000) as at the end of the reporting period.

c) An independent third party has guaranteed certain of the bank loans of the Group up to RMB18,000,000 (2010: RMB19,000,000) as at the end of the reporting period. Refundable deposits of RMB5,400,000 (2010: RMB3,800,000) (note 25) were paid to this independent third party, which was classified as "Prepayments, deposits and other receivables" in consolidated statement of financial position, as security for the guarantees provided. Also, cross-guarantees were provided to this independent third party by the Company and certain subsidiaries of the Group in relation to the guarantees provided by this independent third party.

30. FINANCE LEASE PAYABLES

The Group leases a motor vehicle during the year. The lease is classified as finance leases and has remaining lease terms of 4 years.

At 31 December 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2011	Minimum lease payments 2010	**Present value of minimum lease payments 2011**	Present value of minimum lease payments 2010
Amounts payable:				
Within one year	**57,152**	67,993	**46,857**	57,254
In the second year	**57,152**	67,993	**46,857**	57,254
In the third to fifth years, inclusive	**80,965**	130,318	**66,382**	109,739
Total minimum finance lease payments	**195,269**	266,304	**160,096**	224,247
Future finance charges	**(35,173)**	(42,057)		
Total net finance lease payables	**160,096**	224,247		
Portion classified as current liabilities	**(46,857)**	(57,254)		
Non-current portion	**113,239**	166,993		

31. SHARE CAPITAL

	2011 RMB	2010 RMB
Registered, issued and fully paid:		
683,000,000 (2010: 683,000,000) domestic shares ("Domestic Shares") of RMB0.10 each	**68,300,000**	68,300,000
421,000,000 (2010: 421,000,000) overseas listed foreign invested shares ("H Shares") of RMB0.10 each	**42,100,000**	42,100,000
	110,400,000	110,400,000

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

Pursuant to a resolution passed in an extraordinary general meeting (the "EGM") and the Class Meetings on 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 Shares, but in any event, the issue price per new H Shares 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.

On 19 August 2010, the Company entered into a placing agreement with KGI Capital Asia Limited (the "Placing Agent"), pursuant to which the Placing Agent has agreed, on a best effort basis, to place an aggregate of up to 187,000,000 new H shares of the Company (the "Placing Shares") at a price of HK$0.355 per Placing Share to not less than six placees. The Placing Shares comprise (i) up to 170,000,000 new H shares to be allotted and issued by the Company and (ii) up to 17,000,000 H Shares to be converted from the same number of existing Domestic Shares transferred from each of the holders of stated-owned Domestic Shares of the Company.

Following the completion of the aforesaid placing on 31 August 2010, the number of the total issued Domestic Shares decreased from 700,000,000 to 683,000,000, while, the number of total issued H Shares increased from 234,000,000 to 421,000,000. Details of the aforesaid transactions had been disclosed in the Company's announcements dated 20 August 2010 and 31 August 2010.

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

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

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 38.

Basis of appropriation to reserves

The transfers to statutory surplus reserve are based on the net profit in the financial statements of the Company and it's subsidiaries are prepared under the PRC accounting standards.

Share premium account

The Company's share premium account arose from the issuance of share at prices in excess of their par value, and may be distributed in the form of fully paid bonus shares.

Capital reserve

Capital reserve arose from the gain/(loss) on partial disposal of Company's subsidiaries without loss control and the Group's share of excess of capital injection from non-controlling interests into one of the Company's subsidiaries. The Company's capital reserve account cannot be distributed 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.

33. RESERVES (Continued)

(a) Group (Continued)

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 profits of RMB40,182,868 (2010: RMB4,254,205) retained by the associated companies of the Group.

(b) Company

	Share premium account RMB	Statutory surplus reserve RMB	Retained profits RMB	Proposed final dividend RMB	Total RMB
At 1 January 2010	48,868,818	5,898,681	34,126,949	4,670,000	93,564,448
Appropriations	–	1,811,908	(1,811,908)	–	–
Total comprehensive income for the year	–	–	19,208,331	–	19,208,331
Final 2009 dividend declared	–	–	–	(4,670,000)	(4,670,000)
Issue of shares, net of legal expenses	29,765,596	–	–	–	29,765,596
Proposed final dividend (note 12)	–	–	(7,728,000)	7,728,000	–
At 1 January 2011	78,634,414	7,710,589	43,795,372	7,728,000	137,868,375
Appropriations	–	3,896,132	(3,896,132)	–	–
Total comprehensive income for the year (note 11)	–	–	11,720,051	–	11,720,051
Final 2010 dividend declared	–	–	–	(7,728,000)	(7,728,000)
Proposed final dividend (note 12)	–	–	(8,832,000)	8,832,000	–
At 31 December 2011	78,634,414	11,606,721	42,787,291	8,832,000	141,860,426

34. BUSINESS COMBINATION

On 1 December 2010, the Group acquired a 70% interest in Nanjing BoTong Technology Company Limited ("Nanjing BoTong") from an independent third party. Nanjing BoTong is engaged in rendering of system integration services. The purchase consideration for the acquisition was in the form of cash of RMB 1,400,000 and paid at the acquisition date.

The Group has elected to measure the non-controlling interest in Nanjing BoTong at the non-controlling interest's proportionate share of Nanjing BoTong's identifiable net assets.

The fair values of the identifiable assets and liabilities of Nanjing BoTong as at the date of acquisition were as follows:

	Notes	2010 Fair value recognised on acquisition RMB
Property, plant and equipment	14	329,386
Cash and bank balances		27,238
Trade receivables		1,585,100
Prepayments and other receivables		1,873,563
Inventories		453,852
Trade payables		(995,890)
Accruals and other payables		(983,685)
Total identifiable net assets at fair value		2,289,564
Non-controlling interests		(686,869)
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(202,695)
Satisfied by cash		1, 400,000

The fair values and the gross contractual amounts of the trade receivables, and other receivables as at the date of acquisition amounted to RMB1,585,100 and RMB1,873,563, respectively.

34. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	2010 RMB
Cash consideration	(1,400,000)
Cash and bank balances acquired	27,238
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,372,762)

Since its acquisition, Nanjing BoTong Technology Company Limited contributed RMB678,639 to the Group's turnover and RMB14,825 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the year of 2010, the revenue of the Group and the profit of the Group for the year 2010 would have been RMB398,460,487 and RMB42,351,268, respectively.

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary

	Group	
	2011	2010
	RMB	RMB
Net liabilities disposed of:		
Cash and bank balances	**–**	406
Prepayments, deposits and other receivables	**–**	8,766
Receipts in advance, other payables and accrued expenses	**–**	(70,195)
Available-for-sales investment	**–**	2,404,703
Due to the ultimate holding company	**–**	(2,360,744)
	–	(17,064)
Waiver of the amount due to the ultimate holding company	**–**	2,360,744
Net assets value	**–**	2,343,680
Non controlling interest	**–**	2,710
	–	2,346,390
Translation reserve released upon disposal of subsidiaries	**–**	(45,674)
Gain on disposal of subsidiaries	**–**	8,757,914
	–	11,058,630
Satisfied by:		
Cash	**–**	9,906,348
Interests in associated companies	**–**	1,152,282
	–	11,058,630

35. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of a subsidiary (Continued)

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

	Group	
	2011	2010
	RMB	RMB
Cash consideration received	–	9,906,348
Cash and bank balances disposed	–	(406)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	9,905,942

(b) Partial disposal of a subsidiary without a loss of control

During the year, the Group disposed of 49% equity interests in Jiangsu NandaSoft Xin Yi Technology Software Company Limited ("Xin Yi") to an independent third party and the majority shareholder of an available-for-sale investment of the Group (collectively the "Buyers") at a total consideration of RMB573,300. Accordingly, the equity interests in Xin Yi held by the Company decreased from 100% to 51% and a gain on partial disposal of Xin Yi of RMB221,083 is recognised in capital reserve.

During the year of 2010, the Company disposed of 30% equity interests in Changshu Soft Services Training Centre ("Changshu") to two independent third parties at a total consideration of RMB300,000. Accordingly, the equity interests in Changshu held by the Company decreased from 100% to 70% and a loss on partial disposal of Changshu of RMB738,740 is recognised in capital reserve.

(c) Deemed disposal of subsidiaries without a loss of control

During the year of 2010, the paid up capital of Jiangsu Hanwin Technology Company Limited ("Jiangsu Hanwin"), one of the Group's subsidiaries, was increased from RMB12,100,000 to RMB20,000,000. In December 2010, Jiangsu Hanwin issued new capital to two new shareholders for gross proceeds of RMB7,900,000, and, therefore, the equity interests of Jiangsu Hanwin held by the Group was diluted from 85.22% to 79.81% and a gain on deemed disposal of these subsidiaries is RMB5,336,749 is recognised in capital reserve.

36. COMMITMENTS

a) Operating lease commitments

As lessor

The Group leases certain of its properties (note 14) under operating lease arrangements. The lease is negotiated for the terms of three years. The terms of the lease requires the tenants to pay rental deposits.

As at 31 December 2011, the Group and the Company had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Within one year	**830,088**	–	**830,088**	–
In the second to fifth years, inclusive	**1,061,424**	–	**1,061,424**	–
	1,891,512	–	**1,891,512**	–

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.

As at 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	RMB	RMB
Within one year	**1,904,208**	1,910,945
In the second to fifth years, inclusive	**283,558**	–
	2,187,766	1,910,945

36. COMMITMENTS (Continued)

b) Capital commitments

Save as disclosed in notes 21 and 22a to the financial statements, the Group and the Company had no other significant capital commitments at the end of the reporting period.

c) Other commitments

Save as disclosed in notes 28(d) to the financial statements, the Group and the Company had no other significant other commitments at the end of the reporting period.

37. CONTINGENT LIABILITIES

The contingent liabilities of the Group and the Company at the end of the reporting period are as follows:

Financial guarantees to the extent of RMB9,000,000 (the "Financial Guarantees") given to financial institutions in respect of borrowings and other banking facilities granted by this financial institutions to Promed Medical (Suzhou) Company Limited which is one of the Group's associated companies ("Promed Medical"). The banking facilities were not utilised by Promed Medical as at 31 December 2011. In the opinion of the directors of the Company, the liability under the Financial Guarantees given by the Company was minimal.

At the end of the reporting period, the Company had contingent liabilities regarding the corporate guarantees for banking facilities granted to certain subsidiaries in the aggregate amount of RMB54,500,000 (2010: RMB34,000,000). At the end of the reporting period, such facilities were utilised by the subsidiaries in an aggregate amount of RMB54,500,000 (2010: RMB34,000,000).

38. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of transactions	Relationship	Group and Company 2011 RMB	Group and Company 2010 RMB
Nanjing University	Development cost paid (note i)	Shareholder of the Company	–	(58,503)
Nanjing University	System integration services income received (note ii)	Shareholder of the Company	**597,265**	850,000

Notes:

(i) During the year, no development cost was paid by the Group (2010: RMB58,503) to Nanjing University for the joint development of software products. These transactions were conducted in accordance with the terms agreed between the Group and the related party.

(ii) For the year of 2011, the Group received income from providing system integration services in an aggregate of RMB597,265 (2010: RMB850,000) from Nanjing University according to the published prices and conditions offered to the major customers of the Group.

38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties:

	Group		Company	
	2011	2010	**2011**	2010
	RMB	RMB	**RMB**	RMB
Due from shareholders				
Nanjing University	**–**	3,743,315	**–**	3,743,315
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	**2,150**	818,232	**2,150**	818,232
	2,364,037	6,923,434	**2,364,037**	6,923,434
Due to shareholders				
Nanjing University	**(1,821,819)**	–	**(1,821,819)**	–
Jiangsu Co-Creation	**(243,754)**	(962,334)	**(115,297)**	(115,297)
	(2,065,573)	(962,334)	**(1,937,116)**	(115,297)

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

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

	Group	
	2011	2010
	RMB	RMB
Short term employee benefits	**1,150,580**	1,247,469
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**1,150,580**	1,247,469

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

39. 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 2011
Financial assets

	Loans and receivables RMB	Available-for-sale financial assets RMB	Total RMB
Trade receivables	157,877,036	–	157,877,036
Financial assets included in prepayments, deposits and other receivables	129,362,357	–	129,362,357
Available-for-sale investments	–	5,825,200	5,825,200
Deposits paid	23,320,000	–	23,320,000
Due from shareholders	2,364,037	–	2,364,037
Pledged deposits	12,900,000	–	12,900,000
Cash and cash equivalents	82,521,284	–	82,521,284
	408,344,714	5,825,200	414,169,914

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	88,733,666
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	50,806,236
Finance lease payables	160,096
Interest-bearing bank and other borrowings	211,400,000
Due to shareholders	2,065,573
Dividend payables	5,927,788
Deposits received	24,124,190
	383,217,549

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group

31 December 2010

Financial assets

	Loans and receivables RMB	Available-for-sale financial assets RMB	Total RMB
Trade receivables	120,156,736	–	120,156,736
Financial assets included in prepayments, deposits and other receivables	66,921,693	–	66,921,693
Available-for-sale investments	–	2,662,199	2,662,199
Deposits paid	9,910,000	–	9,910,000
Due from shareholders	6,923,434	–	6,923,434
Pledged deposits	4,971,000	–	4,971,000
Cash and cash equivalents	68,652,298	–	68,652,298
	277,535,161	2,662,199	280,197,360

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	58,577,529
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	40,037,078
Finance lease payables	224,247
Interest-bearing bank and other borrowings	140,400,000
Due to shareholders	962,334
Dividend payables	1,095,414
Deposits received	24,124,190
	265,420,792

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company
31 December 2011
Financial assets

	Loans and receivables RMB	Available-for-sale financial assets RMB	Total RMB
Trade receivables	67,221,440	–	67,221,440
Financial assets included in Prepayments, deposits and other receivables	101,520,045	–	101,520,045
Available-for-sale investments	–	4,515,200	4,515,200
Deposits paid	23,320,000	–	23,320,000
Due from shareholders	2,364,037	–	2,364,037
Dividend receivables	8,177,189	–	8,177,189
Cash and cash equivalents	19,841,913	–	19,841,913
	222,444,624	4,515,200	226,959,824

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	24,583,254
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	113,073,450
Dividend payables	5,383,650
Interest-bearing bank and other borrowings included in current liabilities	129,900,000
Due to shareholders	1,937,116
Deposits received	24,124,190
	299,001,660

39. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

31 December 2010

Financial assets

	Loans and receivables RMB	Available-for-sale financial assets RMB	Total RMB
Trade receivables	65,510,437	–	65,510,437
Financial assets included in Prepayments, deposits and other receivables	49,725,547	–	49,725,547
Available-for-sale investments	–	2,372,199	2,372,199
Deposits paid	9,910,000	–	9,910,000
Due from shareholders	6,923,434	–	6,923,434
Dividend receivables	8,177,189	–	8,177,189
Pledged deposit	2,421,000	–	2,421,000
Cash and cash equivalents	29,138,565	–	29,138,565
	171,806,172	2,372,199	174,178,371

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	22,353,640
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	54,537,991
Dividend payables	551,276
Interest-bearing bank and other borrowings included in current liabilities	106,400,000
Due to shareholders	115,297
Deposits received	24,124,190
	208,082,394

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 and bills 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's exposure to the risk of the changes in market interest rates relates primarily to the Group's long term debt with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax RMB**	**Increase/ (decrease) in equity* RMB**	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in equity* RMB**
2011					
Renminbi	**0.5%**	**(904,500)**	**–**	**0.5%**	**–**
	(0.5%)	**904,500**	**–**	**(0.5%)**	**–**
2010					
Renminbi	0.5%	(652,000)	–	0.5%	–
	(0.5%)	652,000	–	(0.5%)	–

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases of the Group in Hong Kong dollars ("HK$"), Japanese Yen ("JPY") and United States dollars ("US$"). Approximately 1% (2010: 4%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, and almost Nil (2010: 3%) of costs are denominated in currencies other than the units' functional currency.

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

The following table demonstrates the sensitivity at the end of reporting period 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 RMB**	**Increase/ (decrease) in equity* RMB**
31 December 2011			
If RMB weakens against HK$	**5%**	**(1,427,087)**	**–**
If RMB strengthens against HK$	**(5%)**	**1,427,087**	**–**
If RMB weakens against US$	**5%**	**(615,585)**	**–**
If RMB strengthens against US$	**(5%)**	**615,585**	**–**
If RMB weakens against JPY	**–**	**–**	**–**
If RMB strengthens against JPY	**–**	**–**	**–**
31 December 2010			
If RMB weakens against HK$	5%	(1,090,651)	–
If RMB strengthens against HK$	(5%)	1,090,651	–
If RMB weakens against US$	5%	(251,776)	–
If RMB strengthens against US$	(5%)	251,776	–
If RMB weakens against JPY	5%	(40,700)	–
If RMB strengthens against JPY	(5%)	40,700	–

* 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 addition, receivables 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, other receivables and amounts due from shareholders 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 industry sector. There are no significant concentrations of credit risk within the Group.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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, and finance leases.

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:

31 December 2011

	Group					
	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	–	24,700,000	117,900,000	35,200,000	33,600,000	211,400,000
Trade and bills payables	81,233,666	7,500,000	–	–	–	88,733,666
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	49,166,236	1,640,000	–	–	–	50,806,236
Finance lease payables	–	11,714	35,143	113,239	–	160,096
Due to shareholders	2,065,573	–	–	–	–	2,065,573
Dividend payables	5,927,788	–	–	–	–	5,927,788
Deposits received	–	–	–	24,124,190	–	24,124,190
	138,393,263	33,853,723	117,941,167	59,429,396	33,600,000	383,217,549

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

31 December 2010

	Group					
	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	–	–	66,000,000	29,600,000	44,800,000	140,400,000
Trade and bills payables	58,577,529	–	–	–	–	58,577,529
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	40,037,078	–	–	–	–	40,037,078
Finance lease payables	–	14,313	42,941	166,993	–	224,247
Due to shareholders	962,334	–	–	–	–	962,334
Dividend payables	1,095,414	–	–	–	–	1,095,414
Deposits received	–	–	–	24,124,190	–	24,124,190
	100,672,355	14,313	66,042,941	53,891,183	44,800,000	265,420,792

31 December 2011

	Company					
	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	**–**	**–**	**61,100,000**	**35,200,000**	**33,600,000**	**129,900,000**
Trade payables	**24,583,254**	**–**	**–**	**–**	**–**	**24,583,254**
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	**113,073,450**	**–**	**–**	**–**	**–**	**113,073,450**
Dividend payables	**5,383,650**	**–**	**–**	**–**	**–**	**5,383,650**
Due to shareholders	**1,937,116**	**–**	**–**	**–**	**–**	**1,937,116**
Deposits received	**–**	**–**	**–**	**24,124,190**	**–**	**24,124,190**
	144,977,470	**–**	**61,100,000**	**59,324,190**	**33,600,000**	**299,001,660**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

31 December 2010

	Company					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Interest-bearing bank and other borrowings	–	–	32,000,000	29,600,000	44,800,000	106,400,000
Trade payables	22,353,640	–	–	–	–	22,353,640
Financial liabilities included in receipts in advance, other payables, accrued expenses and deposits received	54,537,991	–	–	–	–	54,537,991
Dividend payables	551,276	–	–	–	–	551,276
Due to shareholders	115,297	–	–	–	–	115,297
Deposits received	–	–	–	24,124,190	–	24,124,190
	77,558,204	–	32,000,000	53,724,190	44,800,000	208,082,394

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 2011 and 31 December 2010.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, receipts in advance, other payables and accrued expenses and deposits received, dividend payables, deposits received, financial lease payables 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	
	2011	2010
	RMB	RMB
Interest-bearing bank and other borrowings	**211,400,000**	140,400,000
Trade and bills payables	**88,733,666**	58,577,529
Receipts in advance, other payables, accrued expenses and deposits received	**65,923,020**	50,060,110
Dividend payables	**5,927,788**	1,095,414
Deposits received	**24,124,190**	24,124,190
Finance lease payables	**160,096**	224,247
Due to shareholders	**2,065,573**	962,334
Less: Cash and cash equivalents	**(95,421,284)**	(73,623,298)
Net debt	**302,913,049**	201,820,526
Equity attributable to owners	**342,492,592**	283,671,695
Capital and net debt	**645,405,641**	485,492,221
Gearing ratio	**47%**	42%

41. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in notes 22(b) to the financial statements, the Group and the Company had no significant events occurred after the end of the reporting period.

42. COMPARATIVE AMOUNTS

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

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2012.

FIVE YEAR FINANCIAL SUMMARY

31 December 2011

A summary of the results and of the assets, liabilities and non-controlling 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.

	2011 **RMB**	2010 RMB	2009 RMB	2008 RMB	2007 RMB
RESULTS					
REVENUE	**475,966,732**	396,673,507	329,989,675	260,480,104	305,728,452
Cost of sales	**(374,758,938)**	(324,699,507)	(257,608,012)	(214,904,230)	(274,012,677)
Gross profit	**101,207,794**	71,974,000	72,381,663	45,575,874	31,715,775
Other income and gains	**28,430,776**	35,745,473	11,441,509	12,924,187	28,190,308
Selling and distribution costs	**(28,374,424)**	(24,276,046)	(20,794,228)	(18,460,067)	(19,704,573)
Research and development costs	**(407,145)**	(444,444)	(1,274,204)	(204,669)	(906,946)
Administrative expenses	**(51,624,115)**	(37,771,540)	(36,536,714)	(26,587,380)	(29,911,347)
Finance costs	**(11,630,005)**	(1,387,003)	(841,101)	(643,503)	(2,596,425)
Share of profits/(losses) of associated companies	**35,928,663**	4,470,127	(139,039)	(41,281)	(244,581)
PROFIT BEFORE TAX	**73,531,544**	48,310,567	24,237,886	12,563,161	6,542,211
Income tax expense	**(5,678,065)**	(6,277,694)	(1,966,528)	(715,372)	(351,402)
PROFIT FOR THE YEAR	**67,853,479**	42,032,873	22,271,358	11,847,789	6,190,809
Attributable to:					
Owners of the Company	**66,888,502**	42,905,987	21,097,413	10,904,457	6,445,375
Non-controlling interests	**964,977**	(873,114)	1,173,945	943,332	(254,566)
	67,853,479	42,032,873	22,271,358	11,847,789	6,190,809
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**779,313,521**	592,555,792	344,752,561	268,073,944	272,017,645
TOTAL LIABILITIES	**(406,766,832)**	(286,147,194)	(133,478,129)	(83,483,915)	(100,149,739)
NON-CONTROLLING INTERESTS	**(30,054,097)**	(22,736,903)	(17,254,447)	(12,865,611)	(10,542,414)
	342,492,592	283,671,695	194,019,985	171,724,418	161,325,492