ANNUAL REPORT 2012

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.

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

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CORPORATE INFORMATION

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Liu Jian *(Chairman)*
(alias, Liu Jian Bang)
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
Mr. Ng Sau Lai, Derek

SUPERVISORS

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

COMPANY SECRETARY

Ms. Tong Sze Wan, *HKICPA, ACCA*

AUDIT COMMITTEE

Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin
Mr. Ng Sau Lai, Derek

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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Kowloon, Hong Kong

STOCK CODE

8045

CHAIRMAN'S STATEMENT

Mr. Liu Jiang 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 2012 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft" or the "Company", together with its subsidiaries, the "Group") to the shareholders for their review.

As a promoter for business transformation and upgrade, whether it is debt crisis, inflation or slow-down of economic growth, they have not hindered the growing pace of software industry in the world. In 2012, it was mentioned in the report of the 18th CCP Congress about the development requirement of "Four Modernizations", that is the synchronous development of new industrialization, informatization, urbanization, and agricultural modernization. The development of the four modernizations has to be secured by software. NandaSoft, a company which focuses on software and services, is facing three challenges, which are change of IT structure, IT industry chain restructuring and business model innovation.

After years of operations, the Company has integrated software and service into an important means to enhance the Company's core competitiveness. At the same time, the Company will continue to exert the advantages of scientific research, experts and technology of Nanjing University, to strengthen the research and development of new generation technologies such as Internet of Things, Cloud Computing and mobile internet, so as to improve the ability of IT integrated services.

In 2012, the Company successfully acquired Jiangsu Changtian Zhi Yuan Transportation Company Limited, a company which engages in intelligent transportation. The Company expects that through such acquisition, the Company's strength in intelligent transportation industry could be enhanced, which laid an industrial foundation for the Company in intelligent city construction in the future.

BUSINESS RESULTS

During the financial year of 2012, turnover of the Group was approximately 643,001,000, representing an increase of 35.1% when compared with the same period in 2011 and the profit attributable to the shareholders of the Group amounted to RMB28,090,000, represent a decrease of 58.0% when compared with the same period in 2011. The Board recommends to distribute final dividend of RMB0.8 cent for the year ended 31 December 2012.

Technology comes from market

As a flagship for technological achievements transformation of Nanjing University, NandaSoft has always been pursuing market-oriented technology applications.

As for IT structure transformation, the Company integrated mobile internet, Cloud Computering and Internet of Things, which are now popular in the market, with the intelligent elderly care system launched by the Company. Through intercommunication, integration, interpretation, analysis and value mining of data, we strive to create an upgrade of elderly care services in intelligent city.

In 2012, the Group established Jiangsu Intelligent Cultural Engineering Technology Research Centre, which focuses on strengthening the protection of world's cultural heritage through scientific technology. Hanwin Technology, the supporting unit of Jiangsu Intelligent Cultural Engineering Technology Research Centre, has provided information technology business consultation, software development and maintenance services for cultural protection units such as Suzhou Classical Gardens, Hangzhou West Lake Cultural Landscape, Inner Mongolia Yuanshangdu Yizhi, the Grand Canal and Jiayuguan Great Wall etc. It has accumulated extensive experience in applying IT to heritage preservation. On such basis, Hanwin Technology developed dynamic information and monitoring and early warning management software for world's cultural heritage, to provide a better information technology solutions for the protection of cultural relics, which is becoming a new profit point.

Growth established by services

As for innovation of business model, NandaSoft has set IT services as the basis of earnings growth for the Group. At the same time, the Group focused on the development of IT services in respect of the education, government and intelligent transportation sectors.

In 2012, for education modernization projects, the Company undertook contracts of some cities and counties such as Lianyungang and Huai'an, with total contract amount over RMB 100 million. This enabled the Company to enjoy a leading position in IT services of the education sector of Jiangsu.

As for IT services of government and intelligent transportation industry, the Company entered into IT service contracts with certain units such as Administration of Industry and Commence of Jiangsu Province, Quality and Technical Supervision Bureau of Jiangsu Province and Jiangsu Expressway Network Centre.

Chairman's Statement

In the future, the Company will continue to strengthen the ability of IT integrated services, improve users' satisfaction, promoting technical innovation and profitability growth by services.

Looking forward, the Company understands that there will be a lot challenges and changes in IT industry. NandaSoft will build sustainable development capacity for the future by using strategies such as new business model, globalization strategy and efficient operation of enterprises. The Company will grasp the opportunity of intelligent city construction, so as to explore IT services in intelligent elderly care, intelligent transportation, intelligent construction, intelligent education and intelligent culture etc., to lay a solid growth for the Company. The Company is confident that we will continue to grow under challenges and changes, and bring satisfactory return for all shareholders.

Mr. Liu Jian Bang
Chairman

Nanjing, PRC
21 March 2013

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2012 was approximately RMB643,001,000, which represents an increase of approximately 35.1% when compared with 2011, the increase in turnover was mainly due to the acquisition of Jiangsu Changtian Zhi Yuan Transportation Company Limited which contributed approximately RMB87 million turnover for the Group. Nanjing Nanda Pharmaceutical Company Limited (the "Nanda Pharmaceutical") was commenced business in January 2012 and the Company disposed of 70% equity interest of its immediate holding company, Sheng Feng Medical Company Limited (the "Sheng Feng Medical") which hold 52% equity interest of Nanda Pharmaceutical, to independent third parties in October 2012, thereafter is classified as an associated Company. The business of Nanda Pharmaceutical was disclosed under discontinued operation for the year ended 2012 which contributed approximately RMB5,113,000 profit to the Group. Nanda Pharmaceutical was disposed since additional cashflow required for expanding the scale of its existing manufacturing plant which would affect the Company's cashflow burden.

The audited profit of the Group attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB28,090,000, representing a decrease of approximately 58.0% when compared with 2011. Taking out the effect of RMB35,557,000 net gain from revaluation of the property owned by one of the associated companies of the Group recognised in 2011, the 2011 audited profit of the Group attributable to owners of the Company would be RMB31,332,000, which would be approximately the same level as that of last year.

During the year, the Group acquired 2 major subsidiaries which resulted in the increase of administrative expenses by 11.2% and it was in line with the increase in turnover for the year.

Financial resources and liquidity

As at 31 December 2012, current assets amounted to approximately RMB660,487,000, of which approximately RMB76,732,000 were cash and bank deposits and approximately RMB276,345,000 were trade and bills receivables which increased by approximately 75.0% when compared with the same period of 2011. Such increment was mainly attributable to slower repayment from customers who require us to provide additional configurations and integrations. Nevertheless, the amount of trade and bills receivable past due for more than 90 days as a percentage of total net trade receivable decreased to approximately 29.5% (2011: 33.0%) as at 31 December 2012. As a precautionary and continuous monitoring process, the Group has sent our people and paid visit to our customers to update the project status and followed up directly with customers in respect of overdue payment on a regular basis.

Management Discussion and Analysis

The Group had non-current liabilities of RMB133,473,000 and its current liabilities amounted to approximately RMB615,609,000, comprising mainly the trade and bills payables, receipts in advance, other payables, accrued expenses and deposits received, interest-bearing bank and other borrowings. The Group expresses its gearing ratio as a percentage of bank borrowing and long term debts over total assets. As at 31 December 2012, the Group had a gearing ratio of 21.8% and the Group has interest-bearing bank and other borrowings of RMB264,300,000.

The net asset value of the Group as at 31 December 2012 stood at approximately RMB416,614,000 (2011: 342,493,000), which was approximately 21.6% higher than that of 2011. The net assets value per share as at 31 December 2012 was approximately RMB0.38 (2011: RMB0.31).

Charge on group assets

As at 31 December 2012, 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 RMB88.8 million interest-bearing bank borrowings granted to the Group (2011: RMB96.9 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

On 21 September 2012, the Company acquired 51% equity interest of Jiangsu Changtian Zhi Yuan Transportation Company Limited (the "Changtian") for a total consideration of RMB46,283,116.

In January 2012, the Company acquired the 52% equity interests in Nanda Pharmaceutical, which were subsequently transferred by the Company to Sheng Feng Medical, a then wholly-owned subsidiary of the Group, for a consideration of RMB508,629 on 14 August 2012. On the same date, the Company assigned the debts amounting to RMB16,058,956 owing by Nanda Pharmaceutical to Sheng Feng Medical at the same value.

In October 2012, the Group disposed of the controlling interest of Nanda Pharmaceutical through the disposal of 70% equity interests in its holding company, Sheng Fung Medical, for the consideration of RMB7,000,000.

Save as disclosed above, 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 2012.

Capital commitments

As at 31 December 2012, the Group had contracted but not provided for capital commitments for the construction costs of approximately RMB193,871,000 (2011: RMB199,654,000).

Contingent liabilities

As at 31 December 2012, the Company entered into a services contract (the "Contract") with an independent third party for providing the medical testing services to that independent third party. However, the independent third party has applied to Hunan Province Changsha Intermediate People's Court to demand for the refund from the Company the down payment received of RMB3,000,000 and a damage of RMB950,000. The independent third party claimed that the Company has not fulfilled the services terms as stated in the Contract and certain bank balances of the Company amounting to RMB3,950,000 was frozen by the Court.

Save as disclosed above and note 43 to the financial statements, the Group had no material contingent liabilities.

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB29,826,000 (2011: RMB27,783,000), including the directors' and supervisors' emoluments of approximately RMB1,309,000 (2011: RMB1,050,000) and RMB213,000 (2011: RMB100,000), respectively for the year ended 31 December 2012.

The number of employees for the year had increased from 649 to 790. The increase in employees remuneration was a result of the increase in number of staff for 21.7% and increase in salaries and contribution of pension fund during the year.

BUSINESS REVIEW

Information Technology and R&D Products

During the year, the Company set up the Mobile Communication Division to conduct R&D of electronic government procurement system based on android tablets. The system will enable mobile processing of over the original procurement procedures, providing more personalized services to both the buyer and the supplier.

During the year, to complement the intelligent elderly care project, the Company proceeded with the construction of the cloud-based healthcare platform, the development of electronic health record and electronic medical record system and the development of chronic diseases information management system of the community and relevant community health application system.

The Company undertook the research and development on the secured electronic document management system based on domestically produced hardware and software and research and development and industrialization of mobile terminal operating system, and preliminary developed related products, of which the secured electronic document is expected to be on pilot testing in certain cities of Jiangsu Province.

During the Period, the Company conducted the research and development of Smart Home based on the Internet of Things, aiming at the expeditious introduction of the Internet of Things of household appliances platform software, mainly to achieve the control of household appliances through client terminals of PC, mobile phone or iPAD.

IT Services

The Company continued the profit model which incorporated IT services into the industry in 2012, and introduced IT services which focused on expressway industry, government and education sectors.

In 2012, the Company successfully acquired Jiangsu Changtian Zhi Yuan Transportation Company Limited, a company which focused on providing intelligent system solutions for transportation industry. This greatly increased share of the Company in the IT services of the transportation industry. During the year, the Company won various projects of highway toll technology services for expressways of Suzhou Sujiahang (蘇州蘇嘉杭), Su Huai Yan (宿淮鹽), Nanjing-Hangzhou (寧杭), Lianyungang-Xuzhou (連徐) and Yanjiang (沿江), as well as the Internet safety project for the Jiangsu Expressway Network Centre. At the same time, the Company signed service contracts with various authorities including the DELL server maintenance for ICAB of Jiangsu, maintenance of provincial network system and 12365 for Jiangsu Bureau of Quality and Technical Supervision and facilities maintenance for Commodity Inspection Provincial Bureau of Jiangsu. The signing of these contracts will facilitate the Company's further development of providing IT services to the government sector.

As for education industry, the Company entered into certain education modernization projects with some cities and counties such as Lianyungang and Huai'an, with total contract amount over RMB100 million dollars.

Internet of Things business

The Intelligent Elderly Care Project which the Company established in the Internet of Things business obtained product registration certificates of NandaSoft health expert remote diagnosis system software (蘇富特健康專家遠程診斷系統軟件), NandaSoft emergency tracking systems software (蘇富特急救全程跟蹤系統軟件), NandaSoft chronic diseases remote management system software (蘇富特慢病遠程管理系統軟件) and NandaSoft health management system software (蘇富特健康管理系統軟件) during the year. At the same time, the Company developed a health management system to be used in smartphone application, Aiande (愛安德), which enables instant monitoring of the health status of elderly parents by their children and instant on-line consultation by health practitioners.

The Company established a demonstration base for intelligent elderly care at Quan Ye Road, Gulou District of Nanjing for Intelligent Elderly Care Project. The Company also entered into a remote health equipment contract with Landseed Hospital Management (Shanghai) Co. Ltd. (聯新醫院管理(上海)有限公司). The Company entered into Strategic Cooperation Agreement with National Committee on Aging Information Center in December, and continued to promote intelligent elderly care services in the elderly care industry of China.

Management Discussion and Analysis

Training for Outsourcing Service Staff

Nandasoft made further exploration in the mode of training for outsourcing service staff, it used the same method as in establishing Nandasoft Education Centre, and cooperated with some universities to train practical staff. The Company entered into an agreement for the establishment of Nandasoft Education Centre with Anhui Province Huainan Normal University, Anhui Province Suzhou University, Anhui University of Technology, Suqian College and Nanjing Normal University Taizhou College, which laid a foundation for the coorporation in training in the future.

Future Prospects

Intelligent city construction has been fully launched in the whole country in 2012. According to the disclosed information at the end of June 2012, three major operators have cooperated with 320 cities of the throughout country to construct intelligent cities, with direct investment of over RMB300 billion. During the "12th Five-year" period, the investment amount which will be directly used in the construction of "intelligent cities" may reach RMB500 billion. The construction of such intelligent cities will bring business opportunities reaching RMB2 trillion.

In the future, Nandasoft will grasp the intelligent city construction, through new business opportunity arising thereby, whether it is intelligent elderly care, intelligent transport, intelligent construction, intelligent university or intelligent culture, Nandasoft will integrate service capabilities through practical technology integration, and in turn to provide a better support for innovative social management through intelligent city construction.

Mr. Liu Jian Bang
Chairman

Nanjing, PRC
21 March 2013

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

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 consultation services, 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 20 and 21 to the financial statements, respectively.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 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 133.

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 134.

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 15 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 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 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution amounted to approximately RMB57,402,000, 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 16.8% of the total sales for the year and sales to the largest customer included therein amounted to 5.6%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	37.3%
The five largest supplier	52.4%

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
Mr. Li Cheng

Independent Non-executive Directors:

Dr. Daxi Li
Ms. Xie Hong
Mr. Xie Man Lin
Mr. Ng Sau Lai Derek (appointed on 14 March 2013)

Supervisors:

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

The Company has received annual confirmations of independence from Dr. Daxi Li, Ms. Xie Hong, Mr. Xie Man Lin and Mr. Ng Sau Lai, Derek 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, 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Interests	Type of Interest	Shares held directly or indirectly Directly	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
Directors							
Liu Winson Wing Sun	*(Note 1)*	–	–	6,558,000	–	1.56%	0.59%
Wong Wei Khin	*(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 2012, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited *(Note 1)*	Beneficial Owner	127,848,097	18.72%	–	–	127,848,097	11.58%
Beijing Chang Tian Guosheng Investment Co., Ltd.	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 2)*	Interest of a controlled corporation	84,159,944	12.32%	–	–	84,159,944	7.62%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	8.05%	–	–	55,000,000	4.98%
Guangzhou DingXiang Trade Co., Ltd	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 & 2)*	Beneficial Owner	84,159,944	12.32%	–	–	84,159,944	7.62%
Yap Siew Chin *(Note 3)*	Beneficial Owner	–	–	35,000,000	8.31%	35,000,000	3.17%

Notes:

(1) On 31st August 2010, 187,000,000 H shares (the “New H Shares”) has been issued and allotted which comprise of 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) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1st 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.

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

Save as disclosed above, as at 31 December 2012, 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

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

(1) Reference to the Company acquired 52% equity interests of Nanda Pharmaceutical, the transaction details are described in note 38 to the financial statements.

(2) In March 2012, the Company entered into the contract to grant the guarantee to the bank in respect of the facility to be provided by the bank to Nanda Pharmaceutical, a connected person of the Company, with the amount of RMB15,000,000.

(3) In November 2012, the Company and Mr. Pan Jian Xiang entered into the contract with a bank to grant the guarantee in respect of the indebtedness to be owed by an indirectly-owned subsidiary, Yan Cheng NandaSoft Software Technology Company Limited (the “Yan Cheng”), amounting to RMB3,000,000. The immediate holding company of Yan Cheng was in turn owned as to 70% by the Company and 12% by Dr Fu Tao who is the supervisor of the Company, this constitute a connected transaction.

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

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
21 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

Jiangsu NandaSoft Technology Company Limited is committed to upholding good corporate governance. This year considerable efforts were made to identify and formalise the best practices according to international standards. The Company has complied with the provisions set out in Appendix 15 of the Code of Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM. The Board has adopted the Corporate Governance Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believe our commitment to the highest standards of governance will translate into long-term value and ultimately maximise returns to shareholders and stakeholders. Management's commitment to build up 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 2012.

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 nonexecutive directors are considered to be independent.

As at 31 December 2012, 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. Since 14 March 2013, the Board comprises ten Directors since Mr. Ng Sau Lai, Derek was appointed as the Independent Non-Executive Director. 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	3/4
Mr. Liu Winson Wing Sun	3/4
Mr. Wong Wei Khin	4/4
Mr. Li Cheng	3/4
Dr. Daxi Li	4/4
Ms. Xie Hong	4/4
Ms. Xie Man Lin	4/4

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

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

The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company. 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 the contribution of 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 otherwise 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 that such arrangements are determined 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 fulfilment and annual performance of such directors and senior management against the operational target fulfillment of the Company; and

(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.

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
Dr. Daxi Li	2/2
Ms. Xie Hong	2/2
Ms. Xie Man Lin	2/2

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
Dr. Daxi Li	2/2
Ms. Xie Hong	2/2
Ms. Xie Man Lin	2/2

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. As at 14 March 2013, Mr Ng Sau Lai, Derek was appointed. 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 2012 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 2012 and among two 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 15 June 2012. Audit fees in respect of annual audit service amounted to RMB600,000. Apart from that, Ascenda Cachet provided other assurance services to the Company by providing the agreed-upon procedures for the review for our newly acquired subsidiary’s financial statements which the service amounted to RMB80,000. 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 2012, 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 2012, 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 2012, 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
21 March 2013

DIRECTORS

Executive Directors

Mr. Liu Jian (alias Liu Jian Bang),（劉建，又名劉建邦）, aged 57, 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. Pan Jian Xiang,（潘健翔）, aged 50, graduated from the Electrical Engineering Department of Dalian Maritime College and obtained a master degree in Engineering from the City College of New York in the United States.

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

Mr. Chen Zheng Rong,（陳崢嶸）, aged 57, 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 36, 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.

Directors, Supervisors and Senior Management

Mr. Li Cheng, (李成), aged 55, 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 44, 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 63, 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 45, 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 49, 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. Ng Sau Lai, Derek, (伍守禮), aged 46, is currently the Director (Head of Beijing Office) of TMF Group Limited. He obtained an Executive MBA degree from Beijing University and a Bachelor of Business Administration degree from the University of Massachusetts with a major in accounting and a minor in economics. Mr. Ng is also acting as financial advisor to various high profile companies including Intac International Inc., Asia, Fergas AB Asia and Remark Media Inc. (being a company listed on the NASDAQ stock exchange). Mr. Ng is, amongst others, experienced in promoting sales and business development, overseeing operation and administration activities and managing financial and accounting functions of large-scale companies.

He had previously held other high profile positions in various companies listed in the United States of America and the United Kingdom, namely he was the Vice President of Finance in China for HSW International, Inc. (NASDAQ stock code: HSWI), Group Financial Controller of INTAC International, Inc. (NASDAQ stock code: INTN) and the Senior Investment Manager of Guangdong Development Fund Limited (London stock code: GDF). Mr. Ng's experience and expertise would be valuable to the Company. He would help ensure that the Company is even more closely monitored and would then help further strengthen the Company's corporate governance.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Zhang Xu Yu, (張序余), aged 48, 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.

Directors, Supervisors and Senior Management

Mr. Xu Ke Jian,(徐克儉), aged 58, 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(熊猫電子系統工程公司)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.

Ms. Ma Qing Ling,(馬慶玲), aged 39, 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.

Dr. Fu Tao,(傅濤), aged 32, 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 70, 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.

Dr. Lu Lin Hai,(呂林海), aged 49, 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 49, 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. Lu Xiao Zhong,（陸小忠）, aged 42, 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 55, 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.

Mr. Zhang Jian Yuan,（張建源）, aged 48, graduated from Guangzhou Jinan University, obtained Bachelor's degree in Accounting. Mr. Zhang studied in America in 1987, and obtained master degree in Economics from the City University of New York. Mr. Zhang has worked in Citibank from 1994 to 1998. Besides, he worked in Charles Schwab, the largest U.S. retail brokerage from 1994 to 1998. He worked as Vice president of Merrill Lynch Investment from 1998 to 2005. Mr. Zhang is the Chief executive director of the American Tenuo Fund from 2005 up to present. Currently, he is also vice president of the Chinese General Chamber of Commerce of New York.

Mr. Gao Jie,（高杰）, aged 47. Mr. Gao graduated from China Pharmaceutical University in Department of Pharmacy with a Bachelor's degree. Mr. Gao was president of student association. Mr. Gao worked as drug analysis engineer in Jiangsu Province Institute of Pharmaceutical Industry analysis room from 1988 to 2000, worked as a licensed pharmacist, the quality of the attorney, Deputy General Manager in Liye Pharmaceutical Co. Ltd. from 2001 to 2011, worked as quality person-in-charge in Leayue. From 2012 till now, Mr. Gao has been the general manager of Medical and health division of Jiangsu NandaSoft Technology Company Limited.

Ms. Tong Sze Wan,（唐詩韻）, aged 40, is the 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 133, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 of the Group as at 31 December 2012, 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
21March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB	2011 RMB
CONTINUING OPERATIONS			
REVENUE	5	**643,001,427**	475,966,732
Cost of sales	6	**(523,156,836)**	(374,758,938)
Gross profit		**119,844,591**	101,207,794
Other income and gains	5	**17,135,272**	28,430,776
Selling and distribution expenses		**(27,247,158)**	(28,374,424)
Research and development costs	6	**(5,222,011)**	(407,145)
Administrative expenses		**(57,421,602)**	(51,624,115)
Finance costs	7	**(10,586,360)**	(11,630,005)
Share of (losses)/profits of associated companies		**(1,200,930)**	35,928,663
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**35,301,802**	73,531,544
Income tax expense	10	**(4,000,002)**	(5,678,065)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**31,301,800**	67,853,479
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	12	**5,113,474**	–
PROFIT FOR THE YEAR		**36,415,274**	67,853,479
Profit attributable to:			
Owners of the Company	11	**28,089,862**	66,888,502
Non-controlling interests		**8,325,412**	964,977
		36,415,274	67,853,479
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic – For profit for the year		**2.54 cents**	6.06 cents
– For profit from continuing operations		**2.30 cents**	6.06 cents
Diluted – For profit for the year		**2.54 cents**	6.06 cents
– For profit from continuing operations		**2.30 cents**	6.06 cents

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012 RMB	2011 RMB
PROFIT FOR THE YEAR	**36,415,274**	67,853,479
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(225,098)**	(560,688)
Gain on property revaluation upon transfer from property, plant and equipment to investment properties	**73,451,966**	–
Income tax effect	**(18,362,992)**	–
Other comprehensive income for the year, net of tax	**54,863,876**	(560,688)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**91,279,150**	67,292,791
Total comprehensive income attributable to:		
Owners of the Company	**82,953,738**	66,327,814
Non-controlling interests	**8,325,412**	964,977
	91,279,150	67,292,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB	2011 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	15	**66,635,602**	166,393,454
Investment properties	16	**186,450,000**	–
Prepaid land lease payments	17	**4,151,593**	11,252,348
Goodwill	18	**22,877,035**	–
Intangible assets	19	**21,150,198**	19,721,833
Interests in associated companies	21	**81,207,073**	72,745,158
Available-for-sale investments	22	**7,804,310**	5,825,200
Construction in progress	24	**140,238,855**	35,506,792
Deposits paid	25	**13,410,000**	23,320,000
Deferred tax assets	10	**7,067,728**	5,491,317
Total non-current assets		**550,992,394**	340,256,102
CURRENT ASSETS			
Inventories	26	**79,618,482**	48,076,721
Trade and bills receivables	27	**276,345,048**	157,877,036
Prepayments, deposits and other receivables	28	**173,269,957**	130,339,337
Due from shareholders	42(b)	**5,542,218**	2,364,037
Financial assets at fair value through profit or loss	29	**27,000,000**	–
Pledged deposits	30	**17,000,000**	12,900,000
Restricted bank balances	30	**3,950,000**	–
Cash and cash equivalents	30	**72,781,833**	82,521,284
		655,507,538	434,078,415
Non-current assets held for sale	23	**4,979,004**	4,979,004
Total current assets		**660,486,542**	439,057,419
CURRENT LIABILITIES			
Trade and bills payables	31	**252,071,892**	88,733,666
Receipts in advance, other payables, accruals and deposits received	32	**142,442,730**	66,467,158
Due to shareholders	42(b)	**115,297**	2,065,573
Dividend payables		**6,069,557**	5,383,650
Interest-bearing bank and other borrowings	33	**203,500,000**	142,600,000
Finance lease payables	34	**54,295**	46,857
Tax payables		**11,355,658**	6,273,599
Total current liabilities		**615,609,429**	311,570,503
NET CURRENT ASSETS		**44,877,113**	127,486,916

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB	2011 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**595,869,507**	467,743,018
NON-CURRENT LIABILITIES			
Deposits received	32	**24,124,190**	24,124,190
Long term payables	32	**26,397,257**	–
Interest-bearing bank and other borrowings	33	**60,800,000**	68,800,000
Finance lease payables	34	**49,771**	113,239
Deferred tax liabilities	10	**22,101,533**	2,158,900
Total non-current liabilities		**133,472,751**	95,196,329
Net assets		**462,396,756**	372,546,689
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	**110,400,000**	110,400,000
Reserves	37(a)	**297,382,330**	223,260,592
Proposed final dividend	13	**8,832,000**	8,832,000
		416,614,330	342,492,592
Non-controlling interests		**45,782,426**	30,054,097
Total equity		**462,396,756**	372,546,689

Liu Jian Bang
Director

Pan Jian Xiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the Company											
	Issued shares RMB (note 35)	Share premium account RMB (note 37(a))	Capital reserve RMB (note 37(a))	Property revaluation reserve RMB	Statutory surplus reserve RMB (note 37(a))	Discretionary surplus reserve RMB (note 37(a))	Translation reserve RMB	Retained profits RMB	Proposed final dividend RMB	Total RMB	Non-controlling interests RMB	Total RMB
At 1 January 2012	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
Total comprehensive income for the year	-	-	-	55,088,974	-	-	(225,098)	28,089,862	-	82,953,738	8,325,412	91,279,150
Appropriations to reserves	-	-	-	-	5,805,503	-	-	(5,805,503)	-	-	-	-
Final 2011 dividend declared	-	-	-	-	-	-	-	-	(8,832,000)	(8,832,000)	-	(8,832,000)
Acquisition of subsidiaries (note 38)	-	-	-	-	-	-	-	-	-	-	4,602,429	4,602,429
Disposal of subsidiaries (note 39)	-	-	738,740	-	-	-	-	(738,740)	-	-	3,459,487	3,459,487
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(658,999)	(658,999)
Proposed final 2012 dividend	-	-	-	-	-	-	-	(8,832,000)	8,832,000	-	-	-
At 31 December 2012	110,400,000	78,634,414*	6,756,332*	55,088,974*	17,819,589*	277,000*	(919,738)*	139,725,759*	8,832,000	416,614,330	45,782,426	462,396,756

	Attributable to owners of the Company										
	Issued shares RMB (note 35)	Share premium account RMB (note 37(a))	Capital reserve RMB (note 37(a))	Statutory surplus reserve RMB (note 37(a))	Discretionary surplus reserve RMB (note 37(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
Total comprehensive income for the year	–	–	–	–	–	(560,688)	66,888,502	–	66,327,814	964,977	67,292,791
Appropriations to reserves	–	–	–	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 loss of control (note 39(b))	–	–	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 RMB297,382,330 (2011: RMB223,260,592) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB	2011 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**35,301,802**	73,531,544
From a discontinued operation		**5,113,474**	–
Adjustments for:			
Interest expenses	7	**10,091,071**	9,958,324
Share of losses/(profits) of associated companies		**1,200,930**	(35,928,663)
Interest income	5	**(564,566)**	(181,538)
Gain on deemed disposal of equity interests in an associated company	5	**–**	(3,616,072)
Changes in fair value of investment properties	5	**(2,900,000)**	–
Loss on disposal of subsidiaries	6	**1,367,666**	–
Gain on disposal of equity interests in an associated company	5	**–**	(14,231,492)
Impairment loss/(reversal of impairment losses) on trade receivables, deposits and other receivables	6	**4,299,383**	(5,780,561)
Gain on disposal of items of property, plant and equipment	5	**–**	(27,790)
Depreciation of property, plant and equipment	15	**7,076,620**	4,252,388
Amortisation of intangible assets	19	**3,342,557**	3,775,317
Amortisation of land lease payments	17	**195,933**	123,652
		64,524,870	31,875,109
(Increase)/decrease in inventories		**(21,642,866)**	9,546,573
Increase in trade and bills receivables		**(71,445,788)**	(34,114,777)
Increase in prepayments, deposits paid and other receivables		**(37,849,638)**	(60,421,736)
Increase in trade and bills payables		**81,426,996**	30,156,137
Increase in receipt in advance, other payables, accruals and deposits received		**71,248,136**	15,862,910
Cash flows from/(used in) operations		**86,261,710**	(7,095,784)
Interest received		**564,566**	181,538
Interest paid		**(10,091,071)**	(9,958,324)
PRC income tax received/(paid)		**898,980**	(6,664,184)
Net cash flows used in operating activities		**77,634,185**	(23,536,754)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB	2011 RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(4,921,106)**	(6,508,229)
Proceeds from disposal of property, plant and equipment		**297,062**	386,862
Additions of intangible assets	19	**(4,770,922)**	(2,108,604)
Payment for acquisition of an associated company		**(5,302,650)**	(4,650,196)
Payment for acquisition of an available-for-sale investment		**(1,000,000)**	(3,163,001)
Acquisition of subsidiaries	38	**(3,591,092)**	–
Disposal of subsidiaries	39(a)	**4,950,895**	–
Payment of financial assets at fair value through profit or loss		**(25,000,000)**	–
Disposal of associated company		**–**	17,206,199
Disposal of subsidiary without a loss control	39(b)	**–**	573,300
(Advances to)/repayment from shareholders		**(3,178,181)**	4,559,397
Decrease/(increase) in deposits paid		**9,910,000**	(13,410,000)
Increase in construction in progress	24	**(104,732,063)**	(22,288,509)
Increase in pledged deposits		**(4,100,000)**	(7,929,000)
Net cash flows used in investing activities		**(141,438,057)**	(37,331,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(46,857)**	(57,254)
Capital contribution by non-controlling interests of subsidiaries		**–**	6,000,000
New bank loans		**185,500,000**	148,000,000
Repayment of bank loans		**(116,100,000)**	(77,000,000)
Dividends paid to shareholders		**(8,491,488)**	(2,895,626)
(Repayment to)/advance from shareholders		**(1,950,276)**	1,103,239
Dividends paid to non-controlling interests		**(658,999)**	–
Net cash flows from financing activities		**58,252,380**	75,150,359
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(5,551,492)**	14,281,824
Cash and cash equivalents at beginning of year		**82,521,284**	68,652,298
Effect of foreign exchange rate changes, net		**(237,959)**	(412,838)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**76,731,833**	82,521,284
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash balance	30	**72,781,833**	82,521,284
Restricted bank deposits	30	**3,950,000**	–
		76,731,833	82,521,284

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB	2011 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	15	**59,337,907**	160,445,943
Investment properties	16	**181,100,000**	–
Prepaid land lease payments	17	**4,151,593**	11,252,348
Intangible assets	19	**15,306,352**	14,554,717
Interests in subsidiaries	20	**128,922,892**	95,299,906
Investments in associated companies	21	**22,161,646**	14,861,646
Available-for-sale investments	22	**5,515,200**	4,515,200
Construction in progress	24	**90,245,539**	18,946,651
Deposits paid	25	**9,910,000**	23,320,000
Deferred tax assets	10	**–**	1,762,147
Total non-current assets		**516,651,129**	344,958,558
CURRENT ASSETS			
Inventories	26	**24,787,174**	16,307,169
Trade and bills receivables	27	**68,961,783**	67,221,440
Prepayments, deposits and other receivables	28	**118,510,366**	101,520,045
Due from shareholders	42(b)	**5,542,218**	2,364,037
Dividend receivable		**1,335,573**	8,177,189
Restricted bank balances	30	**3,950,000**	–
Cash and cash equivalents	30	**25,979,749**	19,841,913
		249,066,863	215,431,793
Non-current assets held for sale	23	**4,979,004**	4,979,004
Total current assets		**254,045,867**	220,410,797
CURRENT LIABILITIES			
Trade payables	31	**49,657,480**	24,583,254
Receipts in advance, other payables, accrued expenses and deposits received	32	**56,603,670**	123,983,813
Due to shareholders	42(b)	**115,297**	1,937,116
Interest-bearing bank and other borrowings	33	**85,000,000**	61,100,000
Dividend payables		**6,069,557**	5,383,650
Tax payables		**3,516,624**	3,196,906
Total current liabilities		**200,962,628**	220,184,739
NET CURRENT ASSETS		**53,083,239**	226,058

Statement of Financial Position

31 December 2012

	Notes	2012 RMB	2011 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**569,734,368**	345,184,616
NON-CURRENT LIABILITIES			
Deposits received	32	**24,124,190**	24,124,190
Long term payables	32	**26,397,257**	–
Deferred tax liabilities	10	**16,942,175**	–
Due to subsidiaries	20	**123,416,373**	–
Interest-bearing bank and other borrowings	33	**60,800,000**	68,800,000
Total non-current liabilities		**251,679,995**	92,924,190
Net assets		**318,054,373**	252,260,426
EQUITY			
Issued capital	35	**110,400,000**	110,400,000
Reserves	37(b)	**198,822,373**	133,028,426
Proposed final dividend	13	**8,832,000**	8,832,000
Total equity		**318,054,373**	252,260,426

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. During the year, the Group was engaged in the sales of computer hardware and software products, trading of IT related products and equipment and mobile phones, and provision of IT training services, and continued to develop, manufacture and market network security software, Internet application software, education software and business application software, and provision of systems integration services which include the provision of information technology consultation services. In addition, the Group commenced and engaged in the development and trading of pharmaceutical products through the acquisition of a subsidiary, the 70% equity interest in which were subsequently disposed of in October 2012.

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, except for investments properties and financial assets at fair value through profit or loss classified as current assets which have been measured at fair value. These consolidated 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 2012. 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 it 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 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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The adoption of the revised HKFRSs has had no significant financial effect on these consolidated financial statements.

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 – Government Loans [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interest in Other Entities [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance [2]
HKFRS 10, HKFRS 12 and HKFRS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) – Investment Entities [3]
HKFRS 13	Fair Value Measurement [2]
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements Presentation of items of Other Comprehensive Income [1]
HKAS 19 (2011)	Employee Benefits [2]
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]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

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

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 associated company, 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 to measure 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation 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 an 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 including 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.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use. Any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation, the revaluation surplus is credited to properties revaluation reserve, while the revaluation deficit is charged to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Intangible assets (other than goodwill)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 costs 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs 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.

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 them. 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 other income and gains 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 is reported as interest income and is recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 or 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;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

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 9% has been applied to the expenditure on the individual assets.

Dividends

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing 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. Differences arising on settlement or translation of monetary items are recognised in 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 gain or loss arising from translation of a non-monetary item measured of fair value is dealt with in the recognition of the gain or loss on changes in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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 prevailing 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was RMB22,877,035 (2011: Nil). Further details are given in note 18.

Estimation of fair value of investment properties

The Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2012 was RMB186,450,000 (2011: Nil).

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Allowance for obsolete and slow moving of inventories

The management of the Group reviews an aging analysis of inventories 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 (other than goodwill)

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.

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 2012, the best estimate of the carrying amount of capitalised development costs was RMB15,091,874 (2011: RMB14,392,668).

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 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.

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 liabilities 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 of services in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by reportable segments based on geographical segment were made.

Notes to the Financial Statements

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

	Sales of computer hardware and software products		System integration services		IT related products and equipment, and mobile phones		Training services		Total	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB	2012 RMB	2011 RMB	2012 RMB	2011 RMB	2012 RMB	2011 RMB
Segment revenue:										
Sales to external customers	587,735,926	392,781,619	49,033,818	61,549,753	3,569,519	11,118,386	2,662,164	10,516,974	643,001,427	475,966,732
Segment results	44,136,714	14,516,629	23,359,491	20,793,970	624,139	(817,341)	(581,489)	1,254,778	67,538,855	35,748,036
Reconciliation:										
Interest income									564,566	181,538
Other income and gains	7,318,053	2,116,230	-	6,447,500	-	–	1,150,000	3,667,565	8,468,053	12,231,295
Unallocated other income and gains									8,102,653	16,017,943
Corporate and other unallocated expenses									(37,585,035)	(14,945,926)
Finance costs									(10,586,360)	(11,630,005)
Share of (losses)/profits of associated companies									(1,200,930)	35,928,663
Profit before tax from continuing operations									35,301,802	73,531,544
Income tax expenses									(4,000,002)	(5,678,065)
Profit for the year from continuing operations									31,301,800	67,853,479
Segment assets:	551,426,400	251,764,919	76,928,657	148,133,061	6,632,528	8,180,292	2,502,312	7,846,848	637,489,897	415,925,120
Reconciliation:										
Interests in associated companies									81,207,073	72,745,158
Unallocated assets									492,781,966	290,643,243
Total assets									1,211,478,936	779,313,521
Segment liabilities	206,588,119	77,673,558	30,673,645	36,055,686	-	5,346	238,578	9,082	237,500,342	113,743,672
Reconciliation:										
Unallocated liabilities									511,581,838	293,023,160
Total liabilities									749,082,180	406,766,832
Capital expenditure *	8,093,961	3,034,197	4,915,766	4,728,968	-	19,292	11,640	46,406	13,021,367	7,828,863
Unallocated capital expenditure									108,213,720	23,076,479
									121,235,087	30,905,342

* The capital expenditure included additions of property, plant and equipment, investment properties, intangible assets and construction in progress including assets from acquisitions of a subsidiary.

The information of discountinued operation in respect of the development and sales of pharmacentical product is disclosed in note 12 to the financial statements.

4. OPERATING SEGMENT INFORMATION (Continued)

	Sales of computer hardware and software products		System integration services		IT related products and equipment, and mobile phones		Training services		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Other segment information:										
Impairment loss/(reversal of impairment loss) on trade receivables, deposits and other receivables	**-**	–	**4,299,383**	(5,780,561)	**-**	–	**-**	–	**4,299,383**	(5,780,561)
Amortisation of intangible assets	**-**	–	**3,238,229**	3,685,122	**-**	–	**-**	–	**3,238,229**	3,685,122
Unallocated amortisation of intangible assets									**104,328**	90,195
									3,342,557	3,775,317
Depreciation of property, plant and equipment	**4,040,571**	1,713,234	**743,909**	1,447,316	**112,528**	156,852	**399,547**	399,562	**5,296,555**	3,716,964
Unallocated depreciation of property, plant and equipment									**1,780,065**	535,424
									7,076,620	4,252,388

Information about a major customer

No single customer has accounted for revenue larger than 10% of the Group's total revenue during the year (2011: Nil).

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:

	2012	2011
	RMB	RMB
Revenue		
Sale of goods:		
Computer hardware and software products	**587,735,926**	392,781,619
IT related products and equipment, and mobile phones	**3,569,519**	11,118,386
Rendering of system integration services	**49,033,818**	61,549,753
Provision of IT training services	**2,662,164**	10,516,974
	643,001,427	475,966,732
Other income and gains		
Bank interest income	**564,566**	181,538
PRC value added tax refunded	**2,942,968**	2,116,230
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
Government grants	**7,185,085**	6,035,060
Gross rental income	**1,650,474**	1,737,711
Gain on disposal of items of property, plant and equipment	**–**	27,790
Changes in fair value of investment properties (note 16)	**2,900,000**	–
Others	**1,892,179**	484,883
	17,135,272	28,430,776
	660,136,699	504,397,508

6. PROFIT BEFORE TAX

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

	2012 RMB	2011 RMB
Cost of sales:		
Cost of computer hardware and software products sold	**503,257,305**	312,042,737
Cost of IT relate products and equipment, and mobile phones sold	**851,137**	6,711,716
Cost of services provided	**18,409,806**	51,412,130
Cost of provision of IT training services	**638,588**	4,592,355
	523,156,836	374,758,938
Depreciation of property, plant and equipment (note 15)	**7,076,620**	4,252,388
Amortisation of intangible assets * (note 19)	**3,342,557**	3,775,317
Research and development costs:		
Deferred expenditure amortised (note 19)	**2,478,024**	2,964,194
Current year expenditure	**3,243,987**	3,890,451
Less: Government grants released **	**(500,000)**	(6,447,500)
	5,222,011	407,145
Amortisation of land lease payments (note 17)	**195,933**	123,652
Minimum lease payments under operating leases on office premises	**1,234,469**	3,720,762
Auditors' remuneration	**600,000**	405,679
Loss on disposal of subsidiaries (note 39)	**1,367,666**	–
Write off of other receivables (note 28a)	**800,000**	–
Employee benefits expense (excluding directors' and supervisors' remuneration (note 8)):		
Salaries and allowances	**23,481,442**	21,450,858
Pension scheme contributions	**4,822,452**	5,181,677
	28,303,894	26,632,535
Foreign exchange differences, net	**661,260**	110,624
Impairment loss/(reversal of impairment loss) on trade receivables, deposits and other receivables	**4,299,383**	(5,780,561)
Gain on disposal of items of property, plant and equipment	**–**	(27,790)
Bank interest income	**(564,566)**	(181,538)
Net rental income	**(1,209,815)**	(1,620,736)
Changes in fair value of investment properties (note 16)	**(2,900,000)**	–

* The amortisation of intangible assets for the year are included in "administrative expenses" and "research and development costs" in the consolidated income statement amounting RMB864,533 (2011: RMB811,123) and RMB2,478,024 (2011: RMB2,964,194), respectively.

** Various government grants have been received for the Group's research and development activities. The government grants released have been deducted for the research and development costs to which they related. All the government grants received has no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Group	
	2012	2011
	RMB	RMB
Interest on bank loans wholly repayable within five years	**18,258,082**	13,160,475
Bank charges	**495,289**	1,671,681
	18,753,371	14,832,156
Less: Interest capitalised (note 24)	**(8,167,011)**	(3,202,151)
	10,586,360	11,630,005

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	
	2012	2011
	RMB	RMB
Directors' fees:		
Independent non-executive directors	**227,565**	121,506
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**853,894**	809,118
Non-executive directors	**227,565**	119,658
	1,081,459	928,776
	1,309,024	1,050,282
Supervisors' emoluments:		
Salaries, allowances and other benefits	**213,325**	100,298

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	
	2012	2011
	RMB	RMB
Mr. Xu Huan Liang (resigned on 10 June 2011)	**–**	5,504
Dr. Daxi Li	**75,855**	40,502
Ms. Xie Hong	**75,855**	40,502
Mr. Xie Man Lin (appointed on 10 June 2011)	**75,855**	34,998
	227,565	121,506

There were no other emoluments payable to the independent non-executive directors during the year (2011: 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**
2012				
Executive directors:				
Mr. Chen Zheng Rong	–	100,024	–	100,024
Mr. Pan Jian Xiang	–	343,685	–	343,685
Mr. Liu Jian (alias Liu Jian Bang)	–	410,185	–	410,185
	–	853,894	–	853,894
Non-executive directors:				
Mr. Liu Winson Wing Sun	–	75,855	–	75,855
Mr. Wong Wei Khin	–	75,855	–	75,855
Mr. Li Cheng	–	75,855	–	75,855
	–	227,565	–	227,565
	–	1,081,459	–	1,081,459

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

	Group			
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB	RMB	RMB	RMB
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

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2011: 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 (2011: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2011: three) non-director, highest paid employees for the year are as follows:

	Group	
	2012	2011
	RMB	RMB
Salaries, allowances and other benefits	**1,086,000**	1,006,900
Pension scheme contributions	**–**	–
	1,086,000	1,006,900

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

	Number of employees	
	2012	2011
Nil to RMB1,000,000	**3**	3

10. INCOME TAX

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

As certain of the Company's subsidiaries are foreign investment enterprises, after obtaining authorisation from respective tax authorities, these subsidiaries are subject to a full corporate income tax exemption for the first two years and a 50% relief from the state corporate income tax rates of either 15% and 25 % in the succeeding three years (the "Tax Holiday"), commencing from 1 January 2008. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% is applicable to these PRC subsidiaries.

As one of the Company's subsidiaries is a 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 made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

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10. INCOME TAX (Continued)

	Group	
	2012	2011
	RMB	RMB
Current – the PRC:		
Charge for the year	**3,854,536**	4,610,674
Underprovision in prior years	**328,543**	144,284
Deferred	**(183,077)**	923,107
Total tax charge for the year	**4,000,002**	5,678,065

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			
	2012		2011	
	RMB	**%**	RMB	%
Profit before tax	**35,301,802**		73,531,544	
Tax at the average tax rates applicable to profits in the countries concerned	**8,688,983**	**24.6**	17,617,180	23.9
Tax effect of share of results of associated companies	**121,627**	**0.3**	(8,892,165)	(12.2)
Tax effect of expenses not deductible	**2,768,760**	**7.8**	1,162,287	1.6
Tax effect of income not taxable	**(3,394,758)**	**(9.6)**	(5,069,104)	(6.9)
Underprovision in the prior years	**328,543**	**0.9**	144,284	0.2
Tax effect of tax losses not recognised	**2,259,610**	**6.4**	2,948,836	4.0
Tax losses utilised from previous years	**(743,606)**	**(2.1)**	(104,545)	(0.1)
Effect of concessionary tax rate	**(5,477,227)**	**(15.5)**	(3,710,317)	(5.0)
Deferred tax recognised	**(183,077)**	**(0.5)**	923,107	1.2
Others	**(368,853)**	**(1.0)**	748,502	1.0
Tax charge at the Group's effective tax rate	**4,000,002**	**11.3**	5,768,065	7.7

The share of tax attributable to associated companies of RMB121,627 (2011: RMB8,982,165) is included in "Share of profits and losses of associated companies" on the face of the consolidated income statement.

10. INCOME TAX (Continued)

Deferred tax

Deferred tax liabilities

	Group					
	2012			2011		
	Capitalisation of development costs RMB	**Revaluation of assets RMB**	**Total RMB**	Capitalisation of development costs RMB	Revaluation of assets RMB	Total RMB
Capitalisation of development costs: At 1 January	**2,158,900**	**–**	**2,158,900**	2,520,545	–	2,520,545
Acquisition of subsidiaries (note 38)	**–**	**723,126**	**723,126**	–	–	–
Deferred tax (credited)/charged to the income statement during the year	**(158,485)**	**1,015,000**	**856,515**	(361,645)	–	(361,645)
Deferred tax charged to other comprehensive income during the year	**–**	**18,362,992**	**18,362,992**	–	–	–
At 31 December	**2,000,415**	**20,101,118**	**22,101,533**	2,158,900	–	2,158,900

	Company					
	2012			2011		
	Capitalisation of development costs RMB	**Revaluation of assets RMB**	**Total RMB**	Capitalisation of development costs RMB	Revaluation of assets RMB	Total RMB
Capitalisation of development costs: At 1 January	**2,158,900**	**–**	**2,158,900**	2,520,545	–	2,520,545
Deferred tax (credited)/charged to the income statement during the year	**(158,485)**	**1,015,000**	**856,515**	(361,645)	–	(361,645)
Deferred tax charged to other comprehensive income during the year	**–**	**18,362,992**	**18,362,992**	–	–	–
At 31 December	**2,000,415**	**19,377,992**	**21,378,407**	2,158,900	–	2,158,900

Deferred tax assets

	Group		Company	
	2012 RMB	2011 RMB	**2012 RMB**	2011 RMB
Provision for impairment of assets:				
At 1 January	**5,491,317**	6,776,069	**3,921,047**	5,325,334
Acquisition of subsidiaries (note 38)	**536,819**	–	**–**	–
Deferred tax (charged)/credited to the income statement during the year	**1,039,592**	(1,284,752)	**515,185**	(1,404,287)
At 31 December	**7,067,728**	5,491,317	**4,436,232**	3,921,047

10. INCOME TAX (Continued)

Deferred tax (Continued)

Deferred tax assets/(liabilities) (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	
	2012	2011
	RMB	RMB
Net deferred tax assets recognised in the statement of financial position	**4,436,232**	3,921,047
Net deferred tax liabilities recognised in the statement of financial position	**(21,378,407)**	(2,158,900)
At 31 December	**(16,942,175)**	1,762,147

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Tax losses	**11,136,445**	9,620,441	**–**	–
Deductible temporary differences	**1,116,497**	1,917,274	**–**	–
	12,252,942	11,537,715	**–**	–

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 2012 includes a profit of RMB19,536,973 (note 37(b)) (2011: RMB11,720,051) which has been dealt with in the financial statements of the Company.

12. DISCONTINUED OPERATION

Reference was made to the Company's announcements dated 26 August 2011 and 16 September 2011, the Company entered into a contract with Nanjing University Asset Administration Company Limited ("Nanjing University"), which is one of shareholders of the Company (the "Connected Transaction"), in relation to acquiring (i) the 52% of the equity interests in Nanjing Nanda Pharmaceutical Company Limited (the "Nanda Pharmaceutical") for a consideration of RMB508,629 and (ii) the shareholder's loan provided by Nanjing University to the Nanda Pharmaceutical via an entrusting arrangement offered by a bank (the "Entrusted Loan") with a principal amount of RMB10,000,000 and interest accrued up to 20 June 2011 amounting to RMB2,901,371. Nanda Pharmaceutical is engaged in the development and sales of pharmaceutical products. The aggregate consideration amounted to RMB13,410,000. Details of the terms and conditions of the Connected Transaction have been stated in an announcement of the Company dated 26 August 2011 and the circulars dated 4 October 2011.

The transaction constituted a discloseable and connected transaction in accordance with the GEM Listing Rules (the "Connected Transaction") and was approved by the Company's shareholders at EGM on 4 November 2011. The consideration of RMB13,410,000 was paid during the year ended 31 December 2011. The administrative works, for example, 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 was completed in January 2012.

Reference was made to the Company's announcement dated on 14 August 2012, the Company entered into an agreement with Jiangsu Sheng Feng Medical Company Limited ("Sheng Feng Medical", a wholly-owned subsidiary of the Company, together with its subsidiaries, the "Sheng Feng Group") whereby the Company agreed to dispose of the equity interest of Nanda Pharmaceutical to Sheng Feng Medical for a consideration of RMB508,629. On the same date, the Company, Sheng Feng Medical and Nanda Pharmaceutical further entered into an agreement for the assignment from the Company to Sheng Feng Medical of the debts owing by Nanda Pharmaceutical to the Company amounting to RMB16,058,956 for a consideration of the same amount.

Reference was made to the Company's announcements respectively dated on 30 October 2012 and 1 November 2012, the Company entered into the agreements with two independent third parties (the Purchasers") in October 2012, whereby the Company agreed to dispose of 70% equity interest of Sheng Feng Medical to certain independent third parties for a total consideration of RMB7,000,000. After disposing of the equity interest of Sheng Feng Medical, the Company still has a contractual voting right in Sheng Feng Group. Therefore, the Company is in a position to exercise significant influence over Sheng Feng Group.

12. DISCONTINUED OPERATION (Continued)

The results of Sheng Feng Group for the year are presented below:

	2012 RMB	2011 RMB
Revenue	**86,939,902**	–
Expenses	**(79,533,776)**	–
Finance costs	**(2,292,652)**	–
Profit for the year from discontinued operation	**5,113,474**	–
Profit attributable to:		
Owners of the Company	**2,741,578**	–
Non-controlling interests	**2,371,896**	–
Profit for the year from discontinued operation	**5,113,474**	–
The net cash flow incurred by Sheng Feng Group are as follows:		
Operating activities	**(3,949,872)**	–
Investing activities	**1,954,042**	–
Financing activities	**2,713,587**	–
Net cash inflow	**717,757**	–
Earnings per share:		
Basic, from the discontinued operation	**0.25 cent**	–
Diluted, from the discontinued operation	**0.25 cent**	–

13. DIVIDEND

	2012 RMB	2011 RMB
Proposed final – RMB0.8 cent (2011: RMB0.8 cent) per ordinary share	**8,832,000**	8,832,000

The proposed final dividend (including tax) for the year is subject to the shareholders approval at the forthcoming annual general meeting.

14. 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 RMB28,089,862 (2011: RMB66,888,502) and on the weighted average number of ordinary shares of 1,104,000,000 (2011: 1,104,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

15. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Buildings RMB	Leasehold improvements RMB	Furniture, fixtures and equipment RMB	Motor vehicles* RMB	Total RMB
31 December 2012					
At 1 January 2012					
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
At 1 January 2012, net of accumulated depreciation	155,299,599	70,434	8,311,215	2,712,206	166,393,454
Additions	–	1,100,000	1,934,589	1,886,517	4,921,106
Acquisition of subsidiaries (note 38)	12,978,148	–	2,966,976	1,017,598	16,962,722
Surplus on revaluation**	12,390,144	–	–	–	12,390,144
Transfer to investment properties (note 16)	(110,233,356)	–	–	–	(110,233,356)
Depreciation provided during the year	(3,027,632)	(158,528)	(2,914,177)	(976,283)	(7,076,620)
Disposals of subsidiaries (note 39a)	(12,680,289)	–	(3,378,471)	(360,321)	(16,419,081)
Disposals	–	–	(250,804)	(46,258)	(297,062)
Exchange realignment	–	–	(3,772)	(1,933)	(5,705)
At 31 December 2012, net of accumulated depreciation	54,726,614	1,011,906	6,665,556	4,231,526	66,635,602
At 31 December 2012					
Cost	56,616,870	1,178,000	17,813,241	9,775,474	85,383,585
Accumulated depreciation	(1,890,256)	(166,094)	(11,147,685)	(5,543,948)	(18,747,983)
Net carrying amount	54,726,614	1,011,906	6,665,556	4,231,526	66,635,602

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

			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
Transfer from construction in progress (note 24)	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

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Building RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2012				
At 1 January 2012				
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
At 1 January 2012, net of accumulated depreciation	155,299,599	3,486,569	1,659,775	160,445,943
Additions	–	454,279	81,607	535,886
Surplus on revaluation **	12,390,144	–	–	12,390,144
Transfer to investment properties (note 16)	(110,233,356)	–	–	(110,233,356)
Depreciation provided during the year	(2,685,719)	(454,232)	(543,822)	(3,683,773)
Disposals	–	(70,679)	(46,258)	(116,937)
At 31 December 2012, net of accumulated depreciation	54,770,668	3,415,937	1,151,302	59,337,907
At 31 December 2012				
Cost	56,616,870	8,214,848	3,855,074	68,686,792
Accumulated depreciation	(1,846,202)	(4,798,911)	(2,703,772)	(9,348,885)
Net carrying amount	54,770,668	3,415,937	1,151,302	59,337,907

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Building 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
Transfer from construction in progress (note 24)	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

Notes:

* The net carrying amount of the Group's fixed assets held under finance leases included in total amount of motor vehicles at 31 December 2012 amounted to RMB128,952 (2011: RMB178,393).

** In August 2012, the Group transferred a portion of the Phase 1 buildings (the "Nanjing Buildings 1"), together with related prepaid land lease payments located in Nanjing, the PRC, to investment properties. The Nanjing Buildings 1 and the related prepaid land lease payments was revaluated at the date of change in use by Asset Appraisal Limited, an independent professionally qualified valuers, at RMB110,233,356 and RMB67,966,644, respectively on opening market, existing use basis (the "Fair Value 1"). The revaluation surplus of RMB73,451,966 (Nanjing Buildings 1 of RMB12,390,144 and the related prepaid land lease payments of RMB61,061,822) resulting from the above valuation has been credited to other comprehensive income. The Fair Value 1 was the deemed cost for subsequent accounting for Nanjing Buildings 1 as investment properties.

16. INVESTMENT PROPERTIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Carrying amount at 1 January	**–**	–	**–**	–
Acquisition of subsidiaries (note 38)	**5,350,000**	–	**–**	–
Transfer from owner-occupied properties (note 15)	**110,233,356**	–	**110,233,356**	–
Transfer from prepaid land leases payments (note 17)	**67,966,644**	–	**67,966,644**	–
Net gain from a fair value adjustment	**2,900,000**	–	**2,900,000**	–
Carrying amount at 31 December	**186,450,000**	–	**181,100,000**	–

The Group's investment properties are situated in the PRC and are held under the following lease terms:

	RMB
Medium term leases	186,450,000

As disclosed in notes 15 and 17 to the financial statements, the Company's transferred Nanjing Buildings 1 and related prepaid land lease payments to investment properties at deemed cost of RMB178,200,000.

The Group's investment properties were revalued on 31 December 2012 by Asset Appraisal Limited, independent professionally qualified valuers, at RMB186,450,000 on an open market, existing use basis.

At 31 December 2012, the Company's investment properties with a carrying value of RMB181,100,000 (2011: Nil) were pledged to secure general banking facilities granted to the Group (note 33).

17. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Cost at 1 January	**11,252,348**	–	**11,252,348**	–
Transfer from construction in progress (note 24)	**–**	11,376,000	**–**	11,376,000
Surplus on revaluation	**61,061,822**	–	**61,061,822**	–
Transfer to investment properties (note 16)	**(67,966,644)**	–	**(67,966,644)**	–
Recognised during the year	**(195,933)**	(123,652)	**(195,933)**	(123,652)
Cost at 31 December	**4,151,593**	11,252,348	**4,151,593**	11,252,348

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

As disclosed in notes 15 and 16 to the financial statements, the Company's transferred Nanjing Buildings 1 and related prepaid land lease payments to investment properties at total deemed cost of RMB178,200,000.

18. GOODWILL

Group

	RMB
At 1 January 2012	
Acquisition of subsidiaries (note 38)	37,672,022
Disposal of subsidiaries (note 39)	(14,794,987)
Cost and net carrying amount at 31 December 2012	22,877,035
At 31 December 2012	
Cost	22,877,035
Accumulated impairment	–
Net carrying amount	22,877,035

18. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing as follows:

	2012	2011
	RMB	RMB
Systems integration services cash generation unit	**22,877,035**	–

The recoverable amount of the IT systems integration services business in Jiangsu Changtian Zhi Yuan Transportation Company Limited ("Changtian") has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% and cash flows beyond the five-year period are extrapolated using a growth rate which does not exceed the long term average growth rate of the IT systems integration industry.

Key assumptions were used in the value in use calculation of the IT systems integration service business in Changtian for 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2012
	%
Gross margin	**13**
Growth rate	**27**
Discount rate	**16**

During the year ended 31 December 2012, no impairment loss was provided on goodwill due to an expected increase in both the gross margin and the growth rate in Changtian cash generating units resulting in a higher recoverable amount.

Management determined the budgeted gross-margin based on past performance and its expectation for market development. The weighted average growth rates used are based on the industry research. The discount rates used are pre-tax that reflected the risks specific risks relating to the relevant business.

The values assigned to the key assumptions on IT systems integration services and discount rates are consistent with external information sources.

19. INTANGIBLE ASSETS

	Group			
	Deferred development costs RMB	Copy rights RMB	Other intangible assets RMB	Total RMB
31 December 2012				
At 1 January 2012				
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
At 1 January 2012, net of accumulated amortisation	14,392,668	–	5,329,165	19,721,833
Additions	3,177,230	–	1,593,692	4,770,922
Acquisition of subsidiaries (note 38)	–	–	28,275,582	28,275,582
Disposal of subsidiaries (note 39)	–	–	(28,275,582)	(28,275,582)
Amortisation provided during the year	(2,478,024)	–	(864,533)	(3,342,557)
At 31 December 2012	15,091,874	–	6,058,324	21,150,198
At 31 December 2012				
Cost	41,640,978	6,019,022	8,969,488	56,629,488
Accumulated amortisation	(26,549,104)	(6,019,022)	(2,911,164)	(35,479,290)
Net carrying value	15,091,874	–	6,058,324	21,150,198

19. INTANGIBLE ASSETS (Continued)

	Group			
	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	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

19. INTANGIBLE ASSETS (Continued)

	Company			
	Deferred Development costs RMB	Copy rights RMB	Other intangible assets RMB	Total RMB
31 December 2012				
At 1 January 2012				
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
At 1 January 2012, net of accumulated amortisation	14,392,668	–	162,049	14,554,717
Additions	3,177,230	–	153,202	3,330,432
Amortisation provided during the year	(2,478,024)	–	(100,773)	(2,578,797)
At 31 December 2012	15,091,874	–	214,478	15,306,352
At 31 December 2012				
Cost	41,640,978	6,019,022	409,527	48,069,527
Accumulated amortisation	(26,549,104)	(6,019,022)	(195,049)	(32,763,175)
Net carrying value	15,091,874	–	214,478	15,306,352

19. 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

20. INTERESTS IN SUBSIDIARIES

	Company	
	2012 RMB	2011 RMB
Unlisted equity investments/shares, at cost	**131,120,809**	97,497,823
Less: impairment	**(2,197,917)**	(2,197,917)
	128,922,892	95,299,906

The amounts due to subsidiaries included in the Company's non-current liabilities of RMB123,416,373 (2011: Nil) are unsecured, interest-free and have no fixed terms of repayment. In addition, the subsidiaries have agreed not to demand for repayment of the amounts due to them until the Company is in a position to do so.

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2012 were as follows:

Name of subsidiary	Place of establishment/ incorporation and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company		Principal activities
			Directly	Indirectly	
Beijing NandaSoft Digital Technology Company Limited *#@	PRC	RMB2,000,000	80%	–	Sale of computer hardware products and equipment
Jiangsu Changtian Zhi Yuan Transportation Company Limited ("Changtian") *#@	PRC	RMB10,280,000	51% (2011: Nil)	–	Rendering of intelligence communication control system
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 and software 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%	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	100% (2011:95%)	– (2011:5%)	Investment holding
NandaSoft Telecommunication Technology (Hong Kong) Company Limited	HK	HK$1,000,000	–	100%	Repairing of mobile phone service

20. 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	
Nanjing Mak Lung Sze Tech. Company Limited*#@	PRC	RMB5,000,000	–	47.88% ^	Rendering of system Integration services
Jiangsu NandaSoft Computer Fixtures Company Limited *#@	PRC	RMB10,000,000	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 of 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

* 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 the 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.

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Unlisted equity investments, at cost	**–**	–	**22,500,000**	15,200,000
Share of net assets	**81,207,073**	72,745,158	**–**	–
Less: Impairment	**–**	–	**(338,354)**	(338,354)
	81,207,073	72,745,158	**22,161,646**	14,861,646

Particulars of the principal associated companies as at 31 December 2012 were as follows:

Name of associated company	Place of establishment and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company		Principal activity
			Directly	Indirectly	
Shenzhen Nanda Research Institute Company Limited #	PRC	RMB10,000,000	30%	–	Property investment
Promed Medical Technology (Suzhou) Company Limited (“ Promed Medical”) (note a)	PRC	USD8,893,100	–	18.09%	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
Changshu Fu Man Services Training Centre# (formerly Changshu Soft Services Training Centre)	PRC	RMB1,000,000	–	28%	Rendering of IT training services
NandaSoft Health Technology Company Limited #	PRC	RMB10,000,000	30%	–	Rendering of professional intelligent elderly care services

21. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

Name of associated company	Place of establishment and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company		Principal activity
			Directly	Indirectly	
Jiangsu Sheng Fung Medical Technology Company Limited # ("Sheng Fung Medical") (note b)	PRC	RMB10,000,000	30%	–	Investment holding
Nanjing Nanda Pharmaceutical Company Limited# ("Nanda Pharmaceutical") (note b)	PRC	RMB90,000,000	–	15.6%	Development and trading of pharmaceutical products
Cyber Think Limited	BVI	USD100	–	30%	Investment holdings
Allied Bright Technology Limited	HK	HK$10,000	–	30%	Investment holdings
Unified Data Solutions (Nanjing) Limited	PRC	HK$6,160,000	–	30%	Information Technology development and consultancy
Smartful Ventures Holdings Limited	BVI	USD100	–	40%	Investment holdings
Vast Rich Asia Limited	HK	HK$10,000	–	40%	Investment holdings
Staterich Technology (Jiangsu) Company Limited	PRC	HK$6,100,000	–	40%	Software outsourcing and development

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

Notes to the Financial Statements

31 December 2012

21. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

Notes:

a. 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 an 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.

b. Save as disclosed in note 38 in the financial statement and reference was made to the Company's announcement dated on 14 August 2012, the Company entered into an agreement with Sheng Feng Medical, whereby the Company agreed to transfer the equity interest of Nanda Pharmaceutical to Sheng Feng Medical for a consideration of RMB508,629. On the same date, the Company, Sheng Feng Medical and Nanda Pharmaceutical further entered into an agreement for the assignment from the Company to Sheng Feng Medical of the debts owing by Nanda Pharmaceutical to the Company amounting to RMB16,058,956 for a consideration of the same amount.

   Reference was made to the announcement respectively dated 30 October 2012 and 1 November 2012, the Company entered into the agreements with two independent third parties (the Purchasers") in October 2012, whereby the Company agreed to transfer 70% equity interest of Sheng Feng Medical to certain independent third parties for a total consideration of RMB7,000,000. Therefore, the equity interests of Nanda Pharmaceutical held by the Group decreased from 52% to 15.6%. The Group still has a contractual voting right in Nanda Pharmaceutical even though holding less than 20% of the equity interest of Nanda Pharmaceutical. Therefore, the Group is in a position to exercise significant influence over Nanda Pharmaceutical.

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:

	2012 **RMB**	2011 RMB
Total assets	**529,161,771**	328,478,324
Total liabilities	**(239,658,468)**	(62,842,831)
Net assets	**289,503,303**	265,635,493
Revenue	**47,050,093**	34,870,263
(Loss)/Profit for the year	**(4,581,514)**	120,944,507

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Unlisted equity investments, at cost	**7,804,310**	5,825,200	**5,515,200**	4,515,200

The 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 and funds securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

23. NON-CURRENT ASSETS HELD FOR SALE

	Group		Company	
	2012	2011	**2012**	2011
	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 ended 31 December 2010, the consideration was received and classified as "Receipt in advance, other payables and accruals" (note 32a). At the reporting date, the investee company was still in the course of applying for approval for the change of equity holders and business licenses from the local authorities, and accordingly, the investment was classified as non-current assets held for sale.

24. CONSTRUCTION IN PROGRESS

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Cost at 1 January	**35,506,792**	181,600,471	**18,946,651**	172,062,087
Additions	**96,565,052**	19,086,358	**64,689,932**	12,064,601
Interest capitalised (note 7)	**8,167,011**	3,202,151	**6,608,956**	3,202,151
Transfer to property, plant and equipment (note 15)	**–**	(157,006,188)	**–**	(157,006,188)
Transfer to prepaid land lease payment (note 17)	**–**	(11,376,000)	**–**	(11,376,000)
Cost at 31 December	**140,238,855**	35,506,792	**90,245,539**	18,946,651

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 2011, 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 (notes 15 and 17).

As at 31 December 2012, 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 RMB52,483,000 and RMB127,375,000, respectively (2011: RMB82,282,000 and RMB117,372,000, respectively).

25. DEPOSITS PAID

	Notes	Group 2012 RMB	Group 2011 RMB	Company 2012 RMB	Company 2011 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")	(38)	**–**	13,410,000	**–**	13,410,000
		9,910,000	23,320,000	**9,910,000**	23,320,000
Acquisition of prepaid land lease payments	(b)	**3,500,000**	–	**–**	–
Total		**13,410,000**	23,320,000	**9,910,000**	23,320,000

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 in 2008. As at 31 December 2012, the investee company was still in the course of applying for approval for the change of equity holders and business licenses from the local authorities.

Certain of the Company's bank loans of RMB30,000,000 are secured by the land and building owned by Vascore, in the opinion of the directors of the Company, the carrying value of the secured land and building is higher than the bank loans balances. Therefore, no further provision for impairment was considered as necessary.

b) During the year ended 31 December 2012, the Group entered into an agreement with the PRC's government for the acquisition of a parcel of land located in Wuxi at a consideration of RMB17,513,000, which has been partially settled by the Group amounting to RMB3,500,000 during the year. As at 31 December 2012, the Group was still in the course of applying for approval for the change of ownership from the local authorities.

26. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Computer hardware products, equipment and software products, and mobile phones	**79,618,482**	48,076,721	**24,787,174**	16,307,169

At 31 December 2012, the inventories of the Group and the Company carrying at net realisable value amounted to Nil (2011: Nil).

27. TRADE AND BILLS RECEIVABLES

		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		RMB	RMB	**RMB**	RMB
Trade and bills receivables		**306,882,257**	182,443,666	**88,666,708**	83,491,795
Impairment	(a)	**(30,537,209)**	(24,566,630)	**(19,704,925)**	(16,270,355)
Net carrying amount	(b)	**276,345,048**	157,877,036	**68,961,783**	67,221,440

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
At 1 January	**24,566,630**	27,966,483	**16,270,355**	22,965,636
Acquisition of subsidiary	**1,671,196**	–	**–**	–
Impairment losses recognised/ (reversed)	**4,299,383**	(3,399,853)	**3,434,570**	(6,695,281)
At 31 December	**30,537,209**	24,566,630	**19,704,925**	16,270,355

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB30,537,209 (2011: RMB24,566,630) with a carrying amount before provision of RMB112,049,394 (2011: RMB76,610,889). The Group does not hold any collateral or other credit enhancements over these balances.

27. TRADE AND BILLS 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 and bills 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 and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Within 90 days	**194,832,863**	105,832,777	**29,893,805**	33,735,329
91-180 days	**23,532,433**	14,816,883	**9,638,160**	5,073,919
181-365 days	**21,751,953**	18,683,161	**6,100,480**	11,963,886
Over 365 days	**36,227,799**	18,544,215	**23,329,338**	16,448,306
	276,345,048	157,877,036	**68,961,783**	67,221,440

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Neither past due nor impaired	**194,832,863**	105,832,777	**29,893,805**	33,735,329
Less than 3 months past due	**23,532,433**	14,816,883	**9,638,160**	5,073,919
Over 3 months past due	**57,979,752**	37,227,376	**29,429,818**	28,412,192
	276,345,048	157,877,036	**68,961,783**	67,221,440

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.

27. TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Included in the Group's trade and bills receivables are amount due from the associated companies of RMB138,012 (2011: RMB Nil), which are unsecured, interest-free and have no fixed terms of repayment.

(d) Included in the Company's trade and bills receivables are amount due from the subsidiaries and associated companies of RMB7,156,739 (2011: RMB10,628,403) and RMB71,741 (2011: RMB Nil), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		RMB	RMB	**RMB**	RMB
Other receivables:					
Advances to suppliers		**80,731,377**	33,494,094	**33,280,718**	24,990,425
Consideration receivable from an ex-venture partner	(a)	**–**	2,000,000	**–**	–
Others *		**99,737,650**	108,962,306	**93,454,731**	86,399,581
		180,469,027	144,456,400	**126,735,449**	111,390,006
Less: Impairment**		**(16,035,645)**	(15,559,565)	**(9,869,961)**	(9,869,961)
Net carrying amount of other receivables	(b) & (c)	**164,433,382**	128,896,835	**116,865,488**	101,520,045
Prepayments		**8,537,684**	976,980	**1,644,878**	–
Deposits paid		**298,891**	465,522	**–**	–
Total prepayments, deposits and other receivables		**173,269,957**	130,339,337	**118,510,366**	101,520,045

* Included in other receivables as at 31 December 2011 were non refundable deposits of RMB5,400,000 (note 33) paid to an independent third party as security for the guarantees provided by this independent third party for bank loans granted to the Group.

** Impairment amount included the amount brought forward from last year of RMB15,559,565 and the amount from acquisition of a subsidiary of RMB476,080.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) 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 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 2009, the Venture Partner made an appeal and the Nanjing Intermediate People's Court ruled in favour of the Group. The Venture Partner is required to settle the outstanding balance within a prescribed period.

On 22 February 2010, Jiangsu High People's Court issued the summons and notice to Sheng Feng regarding the appeal made by the 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 prescribe period.

During the year 2012, the Group agreed with the Venture Partner to settle the case of RMB1,200,000 received from the Venture Partner. An impairment loss of RMB800,000 was recognised in the income statement during the year.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Included in the Group's other receivables are amounts due from the associated companies of to RMB2,775,455 (2011: RMB569,750), which are unsecured, interest-free and have no fixed terms of repayment.

(c) Included in the Company's other receivables are amounts due from the subsidiaries of RMB46,336,414 (2011: RMB33,017,556), which are unsecured, interest-free and have no fixed terms of repayment.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	2012 RMB	2011 RMB
Unlisted funds at fair value	**27,000,000**	–

The balance represents unlisted funds issued by an authorised financial institution incorporated in the PRC. They are measured at fair value at the end of reporting period.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012 RMB	2011 RMB	**2012 RMB**	2011 RMB
Cash at bank	**93,628,694**	95,264,996	**29,920,846**	19,833,649
Cash on hand	**103,139**	156,288	**8,903**	8,264
	93,731,833	95,421,284	**29,929,749**	19,841,913
Pledged deposits (note 31)	**(17,000,000)**	(12,900,000)	**–**	–
Restricted bank balances	**(3,950,000)**	–	**(3,950,000)**	–
Cash and cash equivalents	**72,781,833**	82,521,284	**25,979,749**	19,841,913

The restricted bank balances as at 31 December 2012 of RMB3,950,000 represented the bank balances frozen by Hunan Province Changsha Intermediate People's Court during the year for a legal case involved by the Company (note 43).

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.

31. 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	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
0-90 days	**211,907,352**	55,105,614	**33,710,214**	10,722,890
91-180 days	**14,112,015**	20,224,768	**4,202,219**	1,948,409
181-365 days	**7,836,998**	2,794,303	**2,122,563**	1,545,977
Over 365 days	**18,215,527**	10,608,981	**9,622,484**	10,365,978
	252,071,892	88,733,666	**49,657,480**	24,583,254

Included in the Group's trade and bills payables are amounts due to the associated companies of RMB6,633,119 (2011: 1,428,000) which are unsecured, interest-free and have no fixed terms of repayment.

Included in the Company's trade and bills payables are amounts due to the subsidiaries and the associated companies of RMB2,122,187 (2011: RMB8,360,831) and RMB4,253,417 (2011: Nil), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Bills payables are secured by the pledged bank deposits amounting to RMB17,000,000 (2011: RMB12,900,000) (note 30) and corporate guarantees given by the Company and the majority shareholder of one of the Company's subsidiaries.

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

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB**	RMB	**RMB**	RMB
Receipts in advance	a, c	**21,580,765**	16,025,775	**13,457,612**	10,910,363
Deposit received		**50,521,447**	24,124,190	**50,521,447**	24,124,190
Other payables	b, d	**116,322,328**	48,725,246	**38,006,421**	110,757,313
Accruals		**4,539,637**	1,716,137	**5,139,637**	2,316,137
		192,964,177	90,591,348	**107,125,117**	148,108,003
Non-current portion					
– Deposit received	e	**(24,124,190)**	(24,124,190)	**(24,124,190)**	(24,124,190)
Long term payables		**(26,397,257)**	–	**(26,397,257)**	–
Current portion		**142,442,730**	66,467,158	**56,603,670**	123,983,813

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

a) Included in the Group's and Company's receipts in advance is RMB5,000,000 (2011: RMB5,000,000), which are the consideration received from the disposal of the non-current assets held for sales (note 23).

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

c) Included in the Company's receipts in advance are amounts due to subsidiaries of RMB1,755,593 (2011: RMB Nil), which are unsecured and interest-free. The Company's subsidiaries have agreed not to demand for repayment of the amounts due to them until the Company is in a position to do so.

d) Included in the Group's other payables are amounts due to the associated companies of RMB22,851,239 (2011: RMB14,168,242), which are unsecured and interest-free. The Group's associated companies have agreed not to demand for repayment of the amounts due to them until the Company is in a position to do so.

Included in the Company's other payables are amounts due to subsidiaries and associated companies of RMB9,082,026 (2011: RMB91,946,000) and RMB20,180,939 (2011: RMB13,400,000), respectively, which are unsecured and interest-free. The Company's subsidiaries and associated companies have agreed not to demand for repayment of the amounts due to them until the Company is in a position to do so.

e) During the year ended 31 December 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 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 ended 31 December 2010.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loans – secured (note a)	**6 to 8.2**		**143,800,000**	5.94 to 6.25	2012 & 2019	99,400,000
Bank loans – unsecured (note b)	**6 to 7.9**		**71,000,000**	5.81 to 15	2012	81,500,000
Other loans – unsecured	**15 to 18**		**49,500,000**	10 to 14	2012	30,500,000
			264,300,000			211,400,000
Current portion			**(203,500,000)**			(142,600,000)
Non-current portion			**60,800,000**			68,800,000

	Company					
	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loans – secured (note a)	**6 to 8.2**		**128,800,000**	5.94 to 6.25	2012 & 2019	99,400,000
Bank loan – unsecured (note b)	**–**		**–**	–	–	–
Other loans – unsecured	**15 to 18**		**17,000,000**	10 to 14	2012	30,500,000
			145,800,000			129,900,000
Current portion			**(85,000,000)**			(61,100,000)
Non-current portion			**60,800,000**			68,800,000

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**154,000,000**	112,100,000	**68,000,000**	30,600,000
In the second year	**8,000,000**	8,000,000	**8,000,000**	8,000,000
In the third to fifth years, inclusive	**31,200,000**	27,200,000	**31,200,000**	27,200,000
Beyond five years	**21,600,000**	33,600,000	**21,600,000**	33,600,000
	214,800,000	180,900,000	**128,800,000**	99,400,000
Other loans repayable:				
Within one year	**49,500,000**	30,500,000	**17,000,000**	30,500,000
	264,300,000	211,400,000	**145,800,000**	129,900,000

As at 31 December 2012, the bank loans of the Group are secured by:

a) the mortgages over the Group's construction-in-progress and prepaid land lease payments situated in the PRC with carrying value of RMB19,568,000 and RMB11,005,000, respectively (2011: RMB19,568,000 and RMB11,252,000, respectively).

b) the pledge of the land and the property situated in the PRC owned by certain independent third parties.

c) guarantees given by certain directors of the Company and certain independent third parties.

The Company's bank loans are secured by the pledged of the land and the property situated in the PRC owned by certain independent third parties.

In addition, the Company has guaranteed certain of the bank loans of its subsidiaries up to RMB69,500,000 (2011: RMB54,500,000) as at the end of the reporting period.

An independent third party has guaranteed certain of the bank loans of the Group up to RMB40,000,000 (2011: RMB18,000,000) as at the end of the reporting period. Non refundable deposits (2011: RMB5,400,000) (note 28) were paid to this independent third party 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.

34. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles during the year. The lease is classified as finance leases and has remaining lease terms of 2 years.

At 31 December 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2012	Minimum lease payments 2011	**Present value of minimum lease payments 2012**	Present value of minimum lease payments 2011
Amounts payable:				
Within one year	**67,134**	57,152	**54,295**	46,857
In the second year	**61,541**	57,152	**49,771**	46,857
In the third to fifth years, inclusive	**–**	80,965	**–**	66,382
Total minimum finance lease payments	**128,675**	195,269	**104,066**	160,096
Future finance charges	**(24,609)**	(35,173)		
Total net finance lease payables	**104,066**	160,096		
Portion classified as current liabilities	**(54,295)**	(46,857)		
Non-current portion	**49,771**	113,239		

35. SHARE CAPITAL

	2012 RMB	2011 RMB
Registered, issued and fully paid:		
683,000,000 domestic shares (“Domestic Shares”) of RMB0.10 each	**68,300,000**	68,300,000
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

35. SHARE CAPITAL (Continued)

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

36. 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.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38.

Basis of appropriation to reserves

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

Share premium account

The Company's share premium account 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.

37. 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 retained profits of RMB38,981,938 (2011: RMB40,182,868) retained by the associated companies of the Group.

(b) Company

	Share premium account	Property revaluation reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total
	RMB	RMB	RMB	RMB	RMB	RMB
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 13)	–	–	–	(8,832,000)	8,832,000	–
At 1 January 2012	78,634,414	–	11,606,721	42,787,291	8,832,000	141,860,426
Appropriations	–	–	4,922,682	(4,922,682)	–	–
Total comprehensive income for the year (note 11)	–	55,088,974	–	19,536,973	–	74,625,947
Final 2011 dividend declared	–	–	–	–	(8,832,000)	(8,832,000)
Proposed final dividend (note 13)	–	–	–	(8,832,000)	8,832,000	–
At 31 December 2012	78,634,414	55,088,974	16,529,403	48,569,582	8,832,000	207,654,373

38. BUSINESS COMBINATION

Reference was made to the Company's announcements dated 26 August 2011 and 16 September 2011, the Company entered into a contract with Nanjing University Asset Administration Company Limited ("Nanjing University"), which is one of shareholders of the Company (the "Connected Transaction"), in relation to acquiring (i) the 52% of the equity interests in Nanjing Nanda Pharmaceutical Company Limited (the "Nanda Pharmaceutical") for a consideration of RMB508,629 and (ii) the shareholder's loan provided by Nanjing University to the Nanda Pharmaceutical via an entrusting arrangement offered by a bank (the "Entrusted Loan") with a principal amount of RMB10,000,000 and interest accrued up to 20 June 2011 amounting to RMB2,901,371. Nanda Pharmaceutical is engaged in the development and sales of pharmaceutical products. The aggregate consideration amounted to RMB13,410,000. Details of the terms and conditions of the Connected Transaction have been stated in an announcement of the Company dated 26 August 2011 and the circulars dated 4 October 2011.

The transaction constituted a discloseable and connected transaction in accordance with the GEM Listing Rules (the "Connected Transaction") and was approved by the Company's shareholders at EGM on 4 November 2011. The consideration of RMB13,410,000 was paid during the year ended 31 December 2011. The administrative works, for example, 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 was completed in January 2012.

Reference was made to the Company's announcement dated 21 September 2012, the Company entered into an agreement with five independent third parties (the "Vendors") to acquire 51% equity interests in Jiangsu Changtian Technology Company Limited ("Changtian") from the Vendors. Changtian is engaged in the development, manufacturing and marketing of network security software, internet application software, educational software and business application software. Changtian also provides systems integration services, including information technology consultation, sale of computer hardware products and trading of information technology related equipment. The purchase consideration for the acquisition was RMB46,283,116, which was to be settled by cash, of which RMB14,995,730 was settled during the year and the balance was RMB31,287,386 will be settled by three equal installments and payables on 31 January 2014, 2015 and 2016.

The Group has elected to measure the non-controlling interests in Nanda Pharmaceutical and Changtian at the non-controlling interest's proportionate share of both Nanda Pharmaceutical's and Changtian's identifiable net assets.

38. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of both Nanda Pharmaceutical and Changtian as at the respective date of acquisition were as follows:

	Changtian	Nanda Pharmaceutical	Total
	RMB	RMB	RMB
Available-for-sales investments	979,110	–	979,110
Property, plant and equipment	971,898	15,990,824	16,962,722
Investment properties	5,350,000	–	5,350,000
Deferred tax assets	536,819	–	536,819
Intangible assets	–	28,275,582	28,275,582
Inventories	13,947,975	18,621,142	32,569,117
Trade receivables	70,618,653	10,416,396	81,035,049
Prepayments and other receivables	33,560,539	–	33,560,539
Financial assets at fair value through profit or loss	2,000,000	–	2,000,000
Cash and bank balances	11,835,951	77,315	11,913,266
Interest-bearing bank borrowing	–	(10,000,000)	(10,000,000)
Trade payables	(78,583,570)	(21,731,556)	(100,315,126)
Receipts in advance, other payables and accruals	(23,843,066)	(69,123,469)	(92,966,535)
Dividend payables	(345,395)	–	(345,395)
Deferred tax liabilties	(723,126)	–	(723,126)
Total identifiable net assets/(liabilities) at fair value	36,305,788	(27,473,766)	8,832,022
Non-controlling interests	(17,789,837)	13,187,408	(4,602,429)
Goodwill	22,877,035	14,794,987	37,672,022
	41,392,986	508,629	41,901,615

The fair values and the gross contractual amounts of the trade receivables, and other receivables as at the date of acquisition amounted to RMB83,187,640 and RMB36,936,119, respectively.

38. BUSINESS COMBINATION (Continued)

Analyses of the cash flows in respect of the acquisition of subsidiaries are as follows:

	Changtian	Nanda Pharmaceutical	Total
	RMB	RMB	RMB
Cash consideration	(41,392,986)*	(508,629)	(41,901,615)
Long term payables – consideration by installments (note 32)	26,397,257	–	26,397,257
Cash and bank balances acquired	11,835,951	77,315	11,913,266
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,159,778)	(431,314)	(3,591,092)

** The amount of 41,392,986 represents the fair value of the purchases consideration for the acquisition was RMB46,283,116 as at 31 December 2012 assuming an effective interest rate of 9.9%.

Since its acquisition, Nanda Pharmaceutical and Changtian contributed RMB Nil and RMB101,096,176, respectively, to the Group's turnover and RMB5,113,474 and RMB7,135,874, respectively, to the consolidated profit for the year ended 31 December 2012.

Had the acquisition of Changtian taken place at the beginning of the year ended 31 December 2012, the revenue of the Group and the profit of the Group for the year ended 31 December 2012 would have been RMB746,869,872 and RMB37,591,096, respectively.

The Group disposed of the controlling equity interests of Nanda Pharmaceutical during the year ended 31 December 2012 (note 39).

39. DISPOSAL OF SUBSIDIARIES

During the year 2012, the Company disposed of certain equity interests of subsidiaries as follows:

The Company entered into an agreement with an independent third party to dispose of 51% equity interests in Nanjing NandaSoft Computer Engineering Computer Limited ("NandaSoft Computer Engineering") held by the Company at the consideration of RMB3,570,000.

The Company entered into an agreement with Jiangsu Fu Man Investment Limited ("Jiangsu Fu Man", a 40% equity interest assoicated companies of the Company) to dispose of 70% equity interests in Changshu Fu Man Services Training Centre (formely Changshu Soft Services Training Centre) ("Changshu Fu Man") held by the Company at a consideration of RMB2,700,000. As a result, the equity interests in Changshu Fu Man held by the Company decreased from 70% to 28% and was treated as assoicated companies.

The Company entered into an agreement with an independent third party to partially dispose of the 40% equity interests in NandaSoft Health Technology Company Limited ("NandaSoft Health") held by the Company at a consideration of RMB4,000,000. As a result, the equity interests in NandaSoft Health held by the Company decreased from 70% to 30% and was treated as assoicated company.

39. DISPOSAL OF SUBSIDIARIES (Continued)

Save as disclosed in notes 21(b) and 38 in the financial statements, the Company disposed of 70% equity interests of Sheng Feng Medical (together with its subsidiaries, the "Sheng Feng Group") to certain independent third parties at a total consideration of RMB7,000,000.

(a) Disposal of subsidiaries

	2012					2011
	NandaSoft Computer Engineering RMB	Changshu Fu Man RMB	NandaSoft Health RMB	Sheng Feng Medical Group RMB	Total RMB	Total RMB
Cash & bank	1,711,397	2,237,398	28,569	1,677,841	5,655,205	–
Inventories	8,898,077	–	2,753,327	11,018,818	22,670,222	–
Trade and bill receivables	17,754,732	–	1,715,000	10,253,103	29,722,835	–
Other receivables	6,772,774	3,357,900	8,173,457	16,839,326	35,143,457	–
Goodwill	–	–	–	14,794,987	14,794,987	–
Investment in an associated company	2,442,641	–	–	–	2,442,641	–
Property, plant and equipment	213,786	11,304	1,041,129	15,152,862	16,419,081	–
Intangible assets	–	–	–	28,275,582	28,275,582	–
Trade payables	(7,481,140)	(800,000)	(100,641)	(10,022,115)	(18,403,896)	–
Receipts in advance, other payables and accruals	(18,639,261)	(4,761)	(803,863)	(68,791,214)	(88,239,099)	–
Interest-bearing bank borrowings	(5,000,000)	–	(4,000,000)	(17,500,000)	(26,500,000)	–
Net Assets	6,673,006	4,801,841	8,806,978	1,699,190	21,981,015	–
Non controlling interests	(3,273,379)	(1,440,552)	(2,642,093)	10,815,511	3,459,487	–
	3,399,627	3,361,289	6,164,885	12,514,701	25,440,502	–
Gains/(Losses) on disposal of subsidiaries	170,373	(400,281)	477,209	(1,614,967)	(1,367,666)	–
	3,570,000	2,961,008	6,642,094	10,899,734	24,072,836	–
Satisfied by:						
Cash	3,570,000	2,700,000	4,000,000	7,000,000	17,270,000	–
Investments in associated companies	–	261,008	2,642,094	3,899,734	6,802,836	–
	3,570,000	2,961,008	6,642,094	10,899,734	24,072,836	–

39. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of subsidiaries (continued)

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

	Group	
	2012	2011
	RMB	RMB
Cash consideration	**17,270,000**	–
Consideration not yet received	**(6,663,900)**	–
Cash and bank balances disposed	**(5,655,205)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4,950,895**	–

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

During the year ended 31 December 2011, 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.

40. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases certain of its properties (note 15) under operating lease arrangements. The lease is negotiated for terms of three years. The terms of the lease also requires the tenants to pay a security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, 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	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Within one year	**1,010,815**	830,088	**850,815**	830,088
In the second to fifth years, inclusive	**560,093**	1,061,424	**240,093**	1,061,424
	1,570,908	1,891,512	**1,090,908**	1,891,512

40. COMMITMENTS (Continued)

(a) Operating lease commitments (continued)

As lessee

The Group leases certain office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	RMB	RMB
Within one year	**2,487,323**	1,904,208
In the second to fifth years, inclusive	**2,633,746**	283,558
	5,121,069	2,187,766

(b) Capital commitments

Save as disclosed in notes 24 and 25(b) 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 32(e) to the financial statements, the Group and the Company had no other significant other commitments at the end of the reporting period.

41. CONTINGENT LIABILITIES

The details of the Group's and the Company's litigations are disclosed in note 43 to the financial statements.

The Group had no significant contingent liabilities at the end of the reporting period.

The Company's contingent liabilities at the end of the reporting period were as follows:

(a) The Company had contingent liabilities in respect of corporate guarantees given for banking facilities granted to certain subsidiaries in the aggregate amount of RMB69,500,000 (2011: RMB54,500,000). At the end of the reporting period, such facilities were utilised by the subsidiaries in an aggregate amount of RMB69,500,000 (2011: RMB54,500,000).

41. CONTINGENT LIABILITIES (Continued)

(b) As at 31 December 2011 and 2012, the Company had contingent liabilities in respect of financial guarantees to the extent of RMB9,000,000 (the "Financial Guarantees I") 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 I given by the Company was minimal.

(c) As at 31 December 2012, the Company had contingent liabilities in respect of financial guarantees to the extent of totally RMB17,500,000 (the "Financial Guarantees II") given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Jiangsu Sheng Fung Medical Technology Company Limited and Nanjing Nanda Pharmaceutical Company Limited, which are the Group's associated companies. The banking facilities were fully utilised by both Group's associated companies as at 31 December 2012. In the opinion of the directors of the Company, the liability under the Financial Guarantees II given by the Company was minimal.

42. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to note 38 and other transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related party during the year:

			Group and Company	
Name of related party	**Nature of transactions**	**Relationship**	**2012**	2011
			RMB	RMB
Nanjing University	System integration services income received (note i)	Shareholder of the Company	**–**	597,265

Notes:

(i) For the year ended 31 December 2011, system integration services provided by the Group to Nanjing University was in accordance with the published prices and conditions offered to the major customers of the Group.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties:

	Group		Company	
	2012	2011	**2012**	2011
	RMB	RMB	**RMB**	RMB
Due from shareholders				
Nanjing University	**3,180,331**	–	**3,180,331**	–
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	**–**	2,150
	5,542,218	2,364,037	**5,542,218**	2,364,037
Due to shareholders				
Nanjing University	**–**	(1,821,819)	**–**	(1,821,819)
Jiangsu Co-Creation	**(115,297)**	(243,754)	**(115,297)**	(115,297)
	(115,297)	(2,065,573)	**(115,297)**	(1,937,116)

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

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

	Group	
	2012	2011
	RMB	RMB
Short term employee benefits	**1,522,349**	1,150,580
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**1,522,349**	1,150,580

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

43. LITIGATION

During the year ended 31 December 2012, the Company entered into a services contract (the "Contract") with an independent third party for providing the medical testing services to that independent third party. However, during the same year, the independent third party has applied to Hunan Province Changsha Intermediate People's Court to demand for the refund from the Company the down payment received of RMB3,000,000 and a damage of RMB950,000. The independent third party claimed that the Company has not fulfilled the services terms as stated in the Contract and certain bank balances of the Company amounting to RMB3,950,000 was frozen by the Court during the year. The down payment of RMB3,000,000 was included in receipts in advance in the statement of financial position as at 31 December 2012.

The directors of the Company, based on the advices from the Group's legal counsel, believe that the Company has a valid ground in this case. Therefore, no provision for loss arising from the litigation was considered as necessary (note 32).

44. 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 2012
Financial assets

	Financial assets at fair value through profit or loss – held for trading RMB	Loans and receivables RMB	Available for-sale financial assets RMB	Total RMB
Trade receivables	–	276,345,048	–	276,345,048
Financial assets included in prepayments, deposits and other receivables	–	164,732,273	–	164,732,273
Available-for-sale investments	–	–	7,804,310	7,804,310
Deposits paid	–	13,410,000	–	13,410,000
Financial assets at fair value through profit or loss	27,000,000	–	–	27,000,000
Due from shareholders	–	5,542,218	–	5,542,218
Pledged deposits	–	17,000,000	–	17,000,000
Cash and cash equivalents	–	76,731,833	–	76,731,833
	27,000,000	553,761,372	7,804,310	588,565,682

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	**252,071,892**
Financial liabilities included in receipt in advance, other payables and accrued expenses	**142,442,730**
Finance lease payables	**104,066**
Interest-bearing bank and other borrowings	**264,300,000**
Due to shareholders	**115,297**
Dividend payables	**6,069,557**
Deposits received	**24,124,190**
Long term payables	**26,397,257**
	715,624,989

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

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	88,733,666
Financial liabilities included in receipt in advance, other payables and accrued expenses	66,467,158
Finance lease payables	160,096
Interest-bearing bank and other borrowings	211,400,000
Due to shareholders	2,065,573
Dividend payables	5,383,650
Deposits received	24,124,190
	398,334,333

Company
31 December 2012
Financial assets

	Loans and receivables RMB	Available for-sale financial assets RMB	Total RMB
Trade receivables	68,961,783	–	68,961,783
Financial assets included in Prepayments, deposits and other receivables	118,510,366	–	118,510,366
Available-for-sale investments	–	5,515,200	5,515,200
Deposits paid	9,910,000	–	9,910,000
Due from shareholders	5,542,218	–	5,542,218
Cash and cash equivalents	29,929,749	–	29,929,749
Dividend receivable	1,335,573	–	1,335,573
	234,189,689	5,515,200	239,704,889

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade payables	**49,657,480**
Financial liabilities included in receipt in advance, other payables and accrued expenses	**56,603,670**
Dividend payables	**6,069,557**
Interest-bearing bank and other borrowings included in current liabilities	**145,800,000**
Due to shareholders	**115,297**
Deposits received	**24,124,190**
Long term payables	**26,397,257**
Due to subsidiaries	**123,416,373**
	432,183,824

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

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade payables	24,583,254
Financial liabilities included in receipt in advance, other payables and accruals	123,983,813
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
	309,912,023

45. 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 of directors 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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
2012					
Renminbi	**0.5%**	**(1,321,500)**	**–**	**0.5%**	**–**
	(0.5%)	**1,321,500**	**–**	**(0.5%)**	**–**
2011					
Renminbi	0.5%	(1,057,000)	–	0.5%	–
	(0.5%)	1,057,000	–	(0.5%)	–

* Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 1% (2011: 1%) of the Group's sales were denominated in currencies other than the functional currency of the operating units making the sale, whilst approximately Nil% (2011: Nil%) of costs were denominated in currencies other than the units' functional currencies.

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the exchange rate of HK$ 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 2012			
If RMB weakens against HK$	**5%**	**(315,098)**	**–**
If RMB strengthens against HK$	**(5%)**	**315,098**	**–**
If RMB weakens against US$	**5%**	**(735,254)**	**–**
If RMB strengthens against US$	**(5%)**	**735,254**	**–**
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	–

* Excluding retained profits

Credit risk

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

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.

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:

	Group					
31 December 2012	**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	–	22,000,000	181,500,000	–	60,800,000	264,300,000
Trade and bills payables	215,071,892	–	37,000,000	–	–	252,071,892
Financial liabilities included in receipts in advance, other payables and accruals	142,442,730	–	–	–	–	142,442,730
Finance lease payables	–	13,574	40,722	49,770	–	104,066
Due to shareholders	115,297	–	–	–	–	115,297
Dividend payables	6,069,557	–	–	–	–	6,069,557
Deposits received	–	–	–	24,124,190	–	24,124,190
Long term payables	–	–	–	26,397,257	–	26,397,257
	363,699,476	22,013,574	218,540,722	50,571,217	60,800,000	715,624,989

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group

31 December 2011

	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 and accruals	64,827,158	1,640,000	–	–	–	66,467,158
Finance lease payables	–	11,714	35,143	113,239	–	160,096
Due to shareholders	2,065,573	–	–	–	–	2,065,573
Dividend payables	5,383,650	–	–	–	–	5,383,650
Deposit received	–	–	–	24,124,190	–	24,124,190
	153,510,047	33,851,714	117,935,143	59,437,429	33,600,000	398,334,333

Company

31 December 2012

	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	**–**	**10,000,000**	**75,000,000**	**–**	**60,800,000**	**145,800,000**
Trade payables	**49,657,480**	**–**	**–**	**–**	**–**	**49,657,480**
Financial liabilities included in receipts in advance, other payables and accruals	**56,603,670**	**–**	**–**	**–**	**–**	**56,603,670**
Dividend payables	**6,069,557**	**–**	**–**	**–**	**–**	**6,069,557**
Due to shareholders	**115,297**	**–**	**–**	**–**	**–**	**115,297**
Deposits received	**–**	**–**	**–**	**24,124,190**	**–**	**24,124,190**
Long term payables	**–**	**–**	**–**	**26,397,257**	**–**	**26,397,257**
Due to subsidiaries	**123,416,373**	**–**	**–**	**–**	**–**	**123,416,373**
	235,862,377	**10,000,000**	**75,000,000**	**50,521,447**	**60,800,000**	**432,183,824**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 othser 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 and accruals	123,983,813	–	–	–	–	123,983,813
Dividend payables	5,383,650	–	–	–	–	5,383,650
Due to shareholders	1,937,116	–	–	–	–	1,937,116
Deposit received	–	–		24,124,190	–	24,124,190
	155,887,833	–	61,100,000	59,324,190	33,600,000	309,912,023

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 31December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, receipts in advance, other payables and accrued expenses, 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:

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Group	
	2012	2011
	RMB	RMB
Interest-bearing bank and other borrowings	**264,300,000**	211,400,000
Trade payables	**252,071,892**	88,733,666
Receipts in advance, other payables and accruals	**142,442,730**	66,467,158
Dividend payables	**6,069,557**	5,383,650
Deposit received	**24,124,190**	24,124,190
Long term payables	**26,397,257**	–
Finance lease payables	**104,066**	160,096
Due to shareholders	**115,297**	2,065,573
Less: Cash and bank balances	**(93,731,833)**	(95,421,284)
Net debt	**621,893,156**	302,913,049
Equity attributable to owners	**416,614,330**	342,492,592
Capital and net debt	**1,038,507,486**	645,405,641
Gearing ratio	**60%**	47%

46. COMPARATIVE AMOUNTS

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

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2013.

FIVE YEAR FINANCIAL SUMMARY

31 December 2012

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.

	2012 RMB	2011 RMB	2010 RMB	2009 RMB	2008 RMB
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**643,001,427**	475,966,732	396,673,507	329,989,675	260,480,104
Cost of sales	**(523,156,836)**	(374,758,938)	(324,699,507)	(257,608,012)	(214,904,320)
Gross profit	**119,844,591**	101,207,794	71,974,000	72,381,663	45,575,874
Other income and gains	**17,135,272**	28,430,776	35,745,473	11,441,509	12,924,187
Selling and distribution costs	**(27,247,158)**	(28,374,424)	(24,276,046)	(20,794,228)	(18,460,067)
Research and development costs	**(5,222,011)**	(407,145)	(444,444)	(1,274,204)	(204,669)
Administrative expenses	**(57,421,602)**	(51,624,115)	(37,771,540)	(33,536,714)	(26,587,380)
Finance costs	**(10,586,360)**	(11,630,005)	(1,387,003)	(841,101)	(643,503)
Share of profits/(losses) of associated companies	**(1,200,930)**	35,928,663	4,470,127	(139,039)	(41,281)
PROFIT BEFORE TAX	**35,301,802**	73,531,544	48,310,567	27,237,886	12,563,161
Income tax expense	**(4,000,002)**	(5,678,065)	(6,277,694)	(1,966,528)	(715,372)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**31,301,800**	67,853,479	42,032,873	25,271,358	11,847,789
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**5,113,474**	–	–	–	–
PROFIT FOR THE YEAR	**36,415,274**	67,853,479	42,032,873	25,271,358	11,847,789
Attributable to:					
Owners of the Company	**28,089,862**	66,888,502	42,905,987	24,097,413	10,904,457
Non-controlling interests	**8,325,412**	964,977	(873,114)	1,173,945	943,332
	36,415,274	67,853,479	42,032,873	25,271,358	11,847,789
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**1,211,478,936**	779,313,521	592,555,792	351,292,561	268,073,944
TOTAL LIABILITIES	**(749,082,180)**	(406,766,832)	(286,147,194)	(137,018,129)	(83,483,915)
NON-CONTROLLING INTERESTS	**(45,782,426)**	(30,054,097)	(22,736,903)	(16,102,947)	(12,865,611)
	416,614,330	342,492,592	283,671,695	198,171,485	171,724,418