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)

ANNUAL REPORT 2013

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

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

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

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DIRECTORS OF THE COMPANY

Executive Directors

Mr. Liu Jian (alias, Liu Jian Bang)	*(Chairman)*
Mr. Pan Jian Xiang	*(Chief Executive Officer)*
Mr. Liu Winson Wing Sun	

Non-executive Directors

Mr. Chen Zheng Rong
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
Mr. Shaw Yong Lei
Dr. Lu Lin Hai
Ms. Chen Jian Hong
Ms. Gu Yin Ping

COMPANY SECRETARY

Ms. Lee Man Yin

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. Lee Man Yin

AUDITORS

Ascenda Cachet CPA Limited

LEGAL ADVISORS

King & Wood Mallesons
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,
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Postal code: 210008

PRINCIPAL PLACE OF BUSINESS IN CHINA

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

STOCK CODE

8045

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report for the year ended 31 December 2013 of Jiangsu NandaSoft Technology Company Limited ("NandaSoft" or the "Company", together with its subsidiaries, the "Group") to the shareholders for their review.

Since 2013, as China's macroeconomic growth continued to slow down, various segments in the IT market have been facing unprecedented challenges, which have also exerted negative impact to the Group's operation. Amid the unfavorable market environment, the Group took the initiative to adjust its business structure by strengthening software services to foster new areas of business growth in the emerging field. While focusing on customers' needs and technology development in its corporate operation, the Group has been devoted to enhance its independent innovation capability by building an innovative R&D base which is market-oriented as well as profit-driven. With a strong R&D base on Internet of Things and Cloud Computing under a focused high-end branding framework, the Group was given full support in the development of major corporate technical areas, customers' branding as well as businesses development, dedicatedly promoting the transformation and upgrading of corporate businesses.

In 2013, the Company passed the CMM3 Identification and achieved security Level 1 Qualification issued by the Ministry of Construction. Jiangsu Hanwin Technology Company, an associated Company of the Group, was successfully listed on the New OTC Board of the Shenzhen Stock Exchange on 24 January 2014.

BUSINESS RESULTS

During the financial year of 2013, turnover of the Group was approximately RMB602,525,000, and the profit attributable to the shareholders of the Group amounted to RMB2,176,000. The Board does not recommend the distribution of a final dividend for the year ended 31 December 2013.

Strategic adjustments in response to market downturn

In the downturn of the IT market, the Company proactively adjusted its strategy to bias on proprietary innovation. This year, the Company increased investment on R&D, particularly with key input on the project of "Research and development and industrialization of software system and solutions for secured electronic documents based on domestic software and hardware". As the relevant pilot project has been completed in Changzhou City, it is expected that project promotion will be launched in market across the country in the future.

Regarding the construction of intelligent city, we have put our focus on the development of intelligent transportation industry which is considered to be the most promising market segment enjoying the most policy preferences at the moment. Jiangsu Changtian Zhi Yuan Transportation Company, a subsidiary of the Company, has always maintained a leading market advantage in the intelligent transportation industry. In 2013, Jiangsu Changtian Zhi Yuan Transportation Company further expanded its market beyond Jiangsu Province by successfully undertaking a number of projects outside the province, such as Phase II of Ningxia ETC construction project and the pilot project of automatic card issuance system, the mechanical and electrical engineering construction project of Xianyang-Xunyi Expressway of Shaanxi Province, the software development project of Network Monitoring Center of Guizhou Expressway Group, and the reconstruction project of the monitoring system of Sichuan Provincial Expressway Network. In the intelligent transportation industry, we will strengthen our sustainable profitability by further increasing the ratio of software services among our businesses.

Services reinforcement for better customers' satisfaction

The Company has unceasingly committed itself to the provision of IT services in the government, education, transportation and financial industries, with a view to enhance corporate profitability and sustainability.

During the period, maintaining its competitive edge as an IT services provider for expressway, industrial and commercial as well as education sectors, the Company successfully entered into various service projects, including project for Administration of Industry and Commence of Jiangsu Province and Jiangsu Province Expressway Network Center, and the educational modernization projects for Yizheng city and Dantu district. Regarding exploration for new customers, the Company has added a number of new IT services customers, namely Suining County Government, Nanjing Human Resources and Social Council as well as the Nanjing Museum.

Regarding service contents, we achieved higher customers' satisfaction by means of service updating and improvement in the speed of services, while achieving a win-win outcome with customers by raising users' value through IT services.

Chairman's Statement

Looking ahead, we believe that the era of electronic investment has arrived, Cloud Computing and Big Data will play an important role in the construction of an intelligent city. In response, we will further strengthen our R&D work on Cloud Computing and Big Data so as to bring satisfactory return for our staff, customers and shareholders through persistent innovations under the ever-changing market environment in the future.

Mr. Liu Jian Bang
Chairman

Nanjing, PRC
28 March 2014

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2013 was approximately RMB602,525,000, which represents a decrease of approximately 6.3% or RMB40,476,000 when compared with 2012 and this was mainly due to the economic downturn in the industry of Information Technology (the "IT") and disposing of the subsidiaries.

The audited profit of the Group attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB2,176,000, representing a decrease of approximately 92.2% when compared with 2012. The significant decline in audited profit of the Group attributable to owners of the Company was due to prolonged market competition in existing IT products which led to lower gross profit margin and the impairment loss on trade receivables, other receivables and deposits paid with and aggregate amount of approximately RMB31,085,000.

During the year, the construction of the phase 2 of the buildings located in Jiangdong Software City of Gulou District, Nanjing was completed and except for certain floors that are for own-use of the Group, the Group intends to lease and/or sell the remaining portion of the buildings. Accordingly, upon completion of phase 2 of the buildings, the costs recorded in constructions in progress were reclassified to property, plant and equipment and investment properties by approximately RMB46,781,000 and approximately RMB191,727,000, respectively. Phase 2 of the buildings was revalued on transfer from construction-in-progress on completion. This together with the revaluation of the investment properties as at 31 December 2013 generated a total revaluation gain of approximately RMB62,213,000 to which a deferred taxation of RMB15,553,000 was provided for.

Financial resources and liquidity

As at 31 December 2013, current assets amounted to approximately RMB564,356,000, of which approximately RMB81,055,000 were cash and bank deposits and approximately RMB217,832,000 were trade and bills receivables which decreased by approximately 21.2% when compared with the same period of 2012. Such decline was mainly due to the additional impairment for the trade receivables.

Nevertheless, the amount of trade receivables past due for more than 90 days as a percentage of total net trade receivable decreased to approximately 25.2% (2012: 29.6%) as at 31 December 2013. The Group would maintain a strict control over its outstanding receivables. As a precautionary and continuous monitoring process, the Group has sent 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.

The Group had non-current liabilities of RMB164,389,000 and its current liabilities amounting to approximately RMB787,819,000, comprising mainly the trade and bills payables, receipts in advance, the construction cost payables included in other payables, accrued expenses and deposits received, interest-bearing bank and other borrowings. The current liabilities increased by approximately 28% when compared with 2012 and it was mainly due to the increase of payable of the construction cost for Phase 2 of the buildings located in Jiangdong Software City of Gulou District, Nanjing.

The Group expresses its gearing ratio as a percentage of bank borrowing and long term debts over total assets. As at 31 December 2013, the Group had a gearing ratio of 15.5% and the Group has interest-bearing bank and other borrowings of approximately RMB216,250,000.

The net asset value of the Group as at 31 December 2013 stood at approximately RMB401,957,000 (2012: RMB416,614,000), which was approximately 3.5% lower than that of 2012. The net assets value per share as at 31 December 2013 was approximately RMB0.36 (2012: RMB0.38).

Charge on group assets

As at 31 December 2013, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City and Shenyang City of approximately RMB24 million (2012: approximately RMB24 million) were pledged as security for approximately RMB79 million (2012: approximately RMB88.8 million) interest-bearing bank borrowings granted to the Group. Besides, the bank deposits of approximately RMB24 million (2012: approximately RMB17 million) were pledged as security for approximately RMB23.9 million (2012: approximately 17 million) bills payables.

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

The Company's wholly-owned subsidiary, Nanjing NandaSoft System Integration Company Limited ("Nanjing Nandasoft"), entered into an agreement with Suzhou Industry Zone Yihanyuan Information Technology Company Limited ("1st Purchaser") on 15 April 2013 whereby Nanjing Nandasoft sold 21% equity interest in Jiangsu Hanwin Technology Company Limited ("Target Company") to the 1st Purchaser for a consideration of RMB5,052,600 payable in cash. On 10 July 2013, another wholly-owned subsidiary of the Company, Jiangsu Sheng Feng Investment Company Limited ("Sheng Feng"), sold an additional 23% equity interest in the Target Company by way of two agreements in which 13% was sold to the 1st Purchaser for a consideration of RMB3,623,043 payable in cash and 10% was sold to Suzhou Industry Zone Kaihe Technology Company Limited for a consideration of RMB2,786,957 payable in cash.

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 2013.

Capital commitments

As at 31 December 2013, the Group had contracted but not provided for capital commitments for the construction costs of approximately RMB70,848,000 (2012: RMB193,871,000).

Contingent liabilities

On 31 December 2011, one of the Group's associates – Jiangsu Meditec System Inc ("Jiangsu Meditec") entered into a services contract (the "Contract") with an independent third party for providing the medical testing services to that independent third party (the "Customer"). Based on a cancel and transfer agreement (the "Transfer Agreement") purportedly entered into by Jiangsu Meditec on 18 June 2012 with the Customer and another services provider (the "Services Provider"), would Jiangsu Meditec would not further provide the services to the Customer and transfer the Contract to another Services Provider. However, on 21 October 2013, the Services Provider has applied to Jiangxi Province Nanchang Intermediate People's Court to demand for the transfer from the Company the down payment received of RMB1,200,000 and a damage of RMB2,400,000 together with certain legal expenses of RMB50,000. The Services Provider claimed that the Company has not transferred the services deposits to them as required in the Transfer Agreement. Certain bank balances of the Company of RMB3,650,000 were frozen by the Court during the year.

The directors of the Company, based on the advices from the Group's legal counsel, consider that the Company has a valid ground to challenge the authenticity of the Transfer Agreement and will vigorously defend itself in this case. Therefore, the directors of the Company consider that no provision for loss arising from this litigation is necessary.

Save as disclosed above, the Group had no significant contingent liabilities.

Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB25,623,000 (2012: RMB29,826,000), including the directors' and supervisors' emoluments of approximately RMB1,362,000 (2012: RMB1,309,000) and RMB230,000 (2012: RMB213,000), respectively for the year ended 31 December 2013.

The number of employees for the year had decreased from 790 to 455. The decrease in employees remuneration was a result of the reducing in number of staff after disposing of the subsidiaries during the year.

BUSINESS REVIEW

R&D of Information Technology and Products

During the period, the Company conducted research and development project on “Research and development and industrialization of software system and solutions for secured electronic documents based on domestic software and hardware”, the successful implementation of which can promote the application and promotion of domestic software systems and solutions for secured electronic documents, increase the market share of domestic system software and security for electronic document users, and enhance the competitiveness of domestic proprietary software industry.

In the year, the Company secured the project of “Research and development and industrialization of information security management platform based on intelligent analysis” of Electronic Information Industry Development Fund under the Ministry of Industry and Information Technology.

During the year, the Company obtained software product registration certificate of “NandaSoft’s system reinforcement mobile computing system based on security kernel v1.0”.

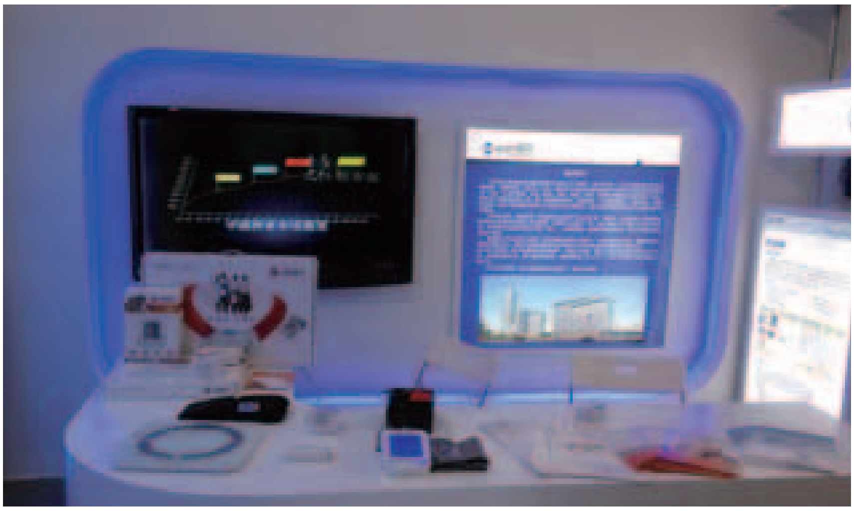
During the year, the Company conducted R&D on products in Cloud Computing including Soft Desktop Cloud System and Soft Flexible Cloud Platform.

During the year, the Company conducted the research and development of highway toll system for Windows and Linux platforms and video networking surveillance platform VNMP2013. The Company also conducted research and development of video networking surveillance platform that provided a standardized way of watching surveillance videos for government or enterprise users with multiple units and multiple departments. Video can be watched through various ways including professional clients’ terminals, websites and mobile phones (Android and iPhone).

IT Services

During the year, the Company focused its IT services on three different fields: intelligent transportation, data services and systems integration.

In the field of intelligent transportation, Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd signed various projects during the period, including Guizhou Province highway network monitoring and management center project, construction of Sutong Bridge North-line toll station expansion and mechanical and electrical services, upgrade project on full-range coastal highway monitoring system, construction of Sutong Bridge North-line toll station expansion and mechanical and electrical services, the intelligent project of Wuxi Metro Control Center and affiliated facilities, construction project of the monitoring, communication and toll system for the expansion of Nanjing Airport Highway, construction project of monitoring system throughout the Nanjing-Suqian section of Nanjing-Suqian-Xuzhou Expressway, Phase II of Ningxia ETC construction project and pilot project of automatic card issuance system, electrical and mechanical engineering construction projects of Xianyang-Xunyi Expressway of Shaanxi Province as well as electrical and mechanical engineering project of Lianyungang-Xuzhou Expressway East and West Coast Connection. This has strengthened the Company's competitiveness in the field of intelligent transportation.



In the field of data services, the Company undertook several projects which included Suining County Government Cloud Computing Center, Phase III of integrated employees management system of Shenzhen municipality government offices and institutions, construction of Jiangyin Bridge Digital Center, construction project for Jiangsu Province inland river emergency management information platform, information system project for Nanjing Museum and network system maintenance project for General Hospital of Nanjing Military Command. With relatively high profit margins and strong customers' loyalty, the above projects will become the new source of profit growth in the coming phase.

In the field of system integration, the Company undertook several integration projects which included procurement project of mini equipment of Nanjing passenger ticket network management service center, construction project on quality traceability system of agricultural production base in Dalian City, and procurement and services project on automatic control system of air-conditioning of Changzhi Qinghua Factory Pingshun Aerospace Industrial Park, project of intelligent system establishment for Nanjing University Xianlin Campus, intelligent integrated system project for East Station of Nantong City Bus Depot, sourcing and integrated project for remote data backup of Jiangsu Tobacco Company Nanjing City Branch, and Yizheng-Dantu educational modernization projects for Yizheng City and Dantu District. These projects have consolidated the Company's inherent advantage in system integration.

Future Prospects

According to the prediction of ASI Assets Management, an international advisory body, as China will establish intelligent cities in 600 to 800 cities during the "12th Five-year" period, coupled with subsequent investments on various data centers, analysis equipment and services equipment, the total market size will reach RMB 2 trillion. Future construction of intelligent city will boost the emergence of interdisciplinary and integrated industries, and can also lead to vertical integration of related industrial chains, motivating continuous deepening and strengthening of cooperation among enterprises and creating business scale of trillions of RMB, which will become an important driving force for long-term economic growth in China.

In the future, Cloud Computing and Big Data will play a significant role in the construction of intelligent cities. Capturing the opportunity brought by the construction of intelligent city, NandaSoft is expected to further enhance the scale of its high-end servers and data center services, thereby enhancing the profitability of the Company.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company are 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 continues to develop, manufacture and market network security software, Internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting services. In addition, the Group commenced its business to encompass research and development of medicine and medical equipment during the year ended 31 December 2013. 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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 35 to 144.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling 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 146.

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 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution amounted to approximately RMB87,974,000. 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 21% of the total sales for the year and sales to the largest customer included therein amounted to 7%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	8%
The five largest suppliers	27%

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. Liu Winson Wing Sun *(re-designated from non-executive director on 14 May 2013)*

Non-Executive Directors:

Mr. Chen Zheng Rong *(re-designated from executive director on 14 May 2013)*
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	(resigned on 21 March 2014)
Ms Ma Qing Ling	(resigned on 21 March 2014)
Mr. Shaw Yong Lei	
Dr. Lu Lin Hai	
Ms. Chen Jian Hong	(appointed on 21 March 2014)
Ms. Gu Yin Ping	(appointed on 21 March 2014)

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 and the board 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 28 to 32 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 2013, 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	Domestic Shares held directly or indirectly		Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's H share capital	Percentage of deemed beneficial interest in the Company's total share capital
		Directly	Indirectly				
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 2013, none of the directors, chief executives 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 2013, 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 2013, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section "Directors', chief executive's and supervisors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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
28 March 2014

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 2013.

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 2013, the Board comprises ten Directors, including the Chairman of the Board. Three of them being Executive Directors, and the remaining seven Non-Executive Directors, of whom four are independent. The Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promotion the best interests of the Group and its shareholders. Independent Non-Executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company has received confirmation from each Independent Non-Executive Director about his independence under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), and continues to consider each of them to be independent.

The Board conducts 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting and 1 remuneration committee meeting for the year ended 31 December 2013. The individual attendance record of each Director at the meetings during the financial year is set out below:

		Attendance			
Name of Directors	Title	Board Meetings	Nomination Committee	Remuneration Committee	Audit Committee
Mr. Liu Jian Bang	Chairman	4/4	1/1	1/1	–
Mr. Pan Jian Xiang	CEO	4/4	1/1	1/1	–
Mr. Liu Winson Wing Sun	Executive Director	3/4	–	–	–
Mr. Chen Zheng Rong	Non-Executive Director	4/4	–	–	–
Mr. Wong Wei Khin	Non-Executive Director	2/4	–	–	–
Mr. Li Cheng	Non-Executive Director	4/4	–	–	–
Dr. Daxi Li	Independent Non-Executive Director	4/4	1/1	1/1	4/4
Ms. Xie Hong	Independent Non-Executive Director	4/4	1/1	1/1	4/4
Mr. Xie Man Lin	Independent Non-Executive Director	4/4	1/1	1/1	4/4
Mr. Ng Sau Lai, Derek	Independent Non-Executive Director	3/4	–	–	3/4

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 Group's 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.

NOMINATION COMMITTEE

The Nomination Committee was established in November 2005, it enhances transparency and highlights 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.

REMUNERATION COMMITTEE

The Remuneration Committee is established in November 2005 and comprises 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 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 determined 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 organise 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, one meeting of the Remuneration Committee was duly convened and held.

AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, it comprises four Independent Non-Executive Directors, Dr. Daxi Li, Ms. Xie Hong, Mr. Xie Man Lin and Mr. Ng Sau Lai, Derek. 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 2013 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 2013 and among two with external auditor.

COMPANY SECRETARY

The Company Secretary has taken no less than 15 hours of relevant professional training to update her skills and knowledge during the financial year ended 31 December 2013.

PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this annual report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each director received for the year ended 31 December 2013 is summarized below:

Name of Directors	**Attending seminar(s)/programme(s)/ conference(s)/internal briefing(s) relevant to the business or directors' duties**
Mr. Liu Jian Bang *(Chairman)*	✓
Mr. Pan Jian Xiang	✓
Mr. Chen Zheng Rong	✓
Mr. Liu Winson Wing Sun	✓
Mr. Wong Wei Khin	✓
Mr. Li Cheng	✓
Dr. Daxi Li	✓
Ms. Xie Hong	✓
Mr. Xie Man Lin	✓
Mr. Ng Sau Lai, Derek	✓

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

The statements of the external auditors of the Company, Ascenda Cachet CPA Limited ("Ascenda Cachet"), about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 33 and 34 of this annual report.

INVESTORS' RELATIONS

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conference and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.nandasoft.com for the most updated information and the status of the business development of the Group.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have the responsibilities for the preparation of the financial statements of the Group and shall ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

SHAREHOLDERS' RIGHT'S

Procedure for Shareholders to Convene a Extraordinary General Meeting:

Shareholders who hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary general meeting by signing written requests defining the meeting agenda. The Board of Directors shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders.

In case that the Board of Directors fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board of Directors, and the procedures shall be the same as those for convening a general meeting by the Board of Directors where possible.

Procedure for Shareholders to Make Inquiries with the Board of Directors:

The shareholders who intend to make inquiries of or obtain information shall give prior written notice to the Company, and the Company shall provide such information as soon as possible. Inquiries with the Board of Directors or the Company may be posted to the principal place of business in Hong Kong of the Company, the address of which is Room 212, Photonics Centre, No.2 Science Park East Avenue, Hong Kong Science Park, Shatin, Hong Kong, with telephone No. (852) 2242 6636 being available at normal business hours.

Procedures of Proposal Resolutions at General Meeting:

At the annual general meeting of the Company, shareholders (either independently or jointly) holding 3% more (including 3%) of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of the duties of the shareholders' general meeting. But the motion shall reach the Company 10 days prior to the proceeding meeting notice is made. The extraordinary general meeting shall not resolve on matters not specified in the notice.

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.

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.

Auditors' remuneration

Ascenda Cachet were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 13 May 2013. Audit fees in respect of annual audit service amounted to HK$650,000. Apart from that, Ascenda Cachet provided other assurance services to the Company by providing the agreed-upon procedures for the review of our interim report which the service amounted to HK$100,000. The Audit Committee will consider, in advance of them being contracted for and performed, whether such other assurance functions could lead to any potential material conflict of interest.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"). The Company has made specific enquiries of all the Directors and each of the Directors had confirmed that, for the year ended 31 December 2013, 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 2013, 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 2013, 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
28 March 2014

DIRECTORS

Executive Directors

Mr. Liu Jian (alias Liu Jian Bang),（劉建，又名劉建邦）, aged 58, 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 51, 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. Liu Winson Wing Sun,（廖永燊）, aged 37, graduated from the Department of Estate Survey of the University of Technology, Sydney in Australia. He possesses extensive experience in real estate development, shopping centre management, constructions and project investment activities in Australia, Hong Kong and the PRC. Mr. Liu is a director of various companies including Hong Rui Real Estate Development Co., Ltd., Huizhou General Top Real Estate Development Co., Ltd and Sing Fat Construction Company Limited. Mr. Liu re-designated from non-executive director on 14 May 2013.

Non-Executive Directors

Mr. Chen Zheng Rong,（陳崢嶸）, aged 58, is the executive director of the Company. He graduated from the school of physics of Soochow University. He is currently 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）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）. Mr. Chen re-designated from executive director on 14 May 2013.

Mr. Li Cheng, (李成), aged 56, 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 45, 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 64, 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 46, 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 since December 2009.

Mr. Xie Man Lin, (謝滿林), aged 50, 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 47, 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 joined the Company since March 2013.

MEMBERS OF SUPERVISORY COMMITTEE

Mr. Zhang Xu Yu, (張序余), aged 49, is the university vice-president and research executive of the Nanjing Normal University (南京師範大學). 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, the administrator of the president's office of the Nanjing University and the university vice-president of Nanjing University since 1998. He studied and visited the University of Trento in Italy during the period of 1997 to 1998. Mr. Zhang was appointed Chairman of Supervisory Committee of the Company in December 2008.

Mr. Xu Ke Jian, (徐克儉), aged 59, 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 40, 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. She resigned on 21 March 2014.

Dr. Fu Tao,（傅濤）, aged 33, 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. He resigned on 21 March 2014.

Ms. Chen Jian Hong,（陳建紅）, Ms. Chen, aged 45, joined the Company in August 2013 and is currently deputy manager of the department of corporate finance and accounting. She graduated from Jiangsu Radio and Television University, major in accounting. She is currently a qualified intermediate accountant. She had worked in South Jiangsu Souter System Integration Co., Ltd. responsible for financial work, Capital Development Limited Hong Kong Asia Nanjing Representative Office as financial officer, and Nanjing Port Tianyu Terminal Limited as finance manager as designated by Pacific Basin Group. Ms. Chen was the supervisor since March 2014.

Ms. Gu Yin Ping,（顧銀萍）, Ms. Gu, aged 32, has joined the Company since January 2009. She is currently Deputy Dean of the research and development department of the Company and a member of Nanjing Gulou Federation. Ms. Gu has long-term dealings and engagement in relationship and liaison work between government and enterprises and research project management and reporting work. She graduated from the Economics and Management Department of the French National University of Toulon and Var with a master degree. She had worked at the Jiangsu Provincial Communist Youth League. Ms. Gu was the supervisor since March 2014.

Members of the Independent Supervisory Committee

Mr. Shaw Yong Lei,（邵永雷）, aged 71, 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 50, 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 50, is a graduate of the Department of Computer Science of Nanjing University with a Master's degree. Before joining the Company, he worked in Jiangsu Province Electronic Information Industry Group（江蘇省電子信息產業集團）, Jiangsu Province Computer Technologies Services Company Limited（江蘇省計算機技術服務公司）and Jiangsu Province YiDi Computer Software Co., Ltd.（江蘇省依迪計算機軟件公司）as the Director of General Affairs Office, Deputy General Manager, etc. founded the Nanjing New Integrated Technology Company Limited and Nanjing New Renjia Computer Network System Company Limited. He joint NandaSoft System Integration Co., Ltd. In 1999. Mr. Pu was the Vice President of the Company.

Mr. Lu Xiao Zhong,（陸小忠）, aged 43, 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 Zhi Huai,（許志懷）, aged 56, 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 49, graduated from Guangzhou Jinan University, obtained a Bachelor degree in Accounting. Mr. Zhang studied in America in 1987, and obtained a 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 48, Mr. Gao graduated from China Pharmaceutical University in Department of Pharmacy with a Bachelor 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. Zhang Jianling,（張建玲）, aged 59, Ms. Zhang has about 40 years management experience in banking industry since 1971. She worked in the Cheng Nan office of the Nanjing branch of PBOC and the Cheng Nan sub branch of the Nanjing branch of ICBC as accounting officer, officer, director, vice president of the sub branch and president of the sub branch. She obtained a MBA degree from Macau University of Science and Technology in 2004. Ms. Zhang is the vice president of the Company.

Ms. Wu Zhengrong,（吳崢嶸）, aged 36, Ms. Wu graduated from Nanjing University in 1999 with a bachelor's degree in English Literature and obtained a MBA degree from the Business School at Nanjing University in 2006. She joined Jiangsu Nandasoft Technology Company Limited in July 1999 and served as deputy manager of HR department, deputy manager and manager of investor department. Since 2006, she has been the secretary to the broad of Jiangsu Nandasoft Technology Company Limited. Since August 2013, she has been the vice president of Jiangsu Nandasoft Technology Company Limited.

Ms. Tong Sze Wan,（唐詩韻）, aged 41, was 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. Ms. Tong resigned on 7 March 2014.

Ms. Lee Man Yin（李文妍）, aged 54, is an ordinary member of The Hong Kong Institute of Chartered Secretaries. She has extensive experience in company secretarial practice. Ms. Lee was first awarded a master degree in business administration (MBA) by Brunel University in the United Kingdom in year 1992. She also holds a master of arts degree in information systems awarded by City University of Hong Kong in year 2000. Ms. Lee joined the Company as company secretary in March 2014.

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 35 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 December 2013, 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which indicates that the Group and the Company had net current liabilities RMB223,463,505 and RMB79,060,100, respectively, as at 31 December 2013. Notwithstanding the aforesaid conditions, the financial statements have been prepared on the assumption that the Group and the Company will be able to operate as a going concern in the foreseeable future. In the opinion of the directors, the Group and the Company can meet its financial obligations as and when they fall due in the next twelve months from the date of approving these financial statements after having taken into consideration the continuing availability of the banking facilities provided by its banks and other measures to improve its working capital position and net financial position, including but not limited to the formulation of plans to dispose of certain investment properties. We consider that the fundamental uncertainty has been properly disclosed in the financial statements. Should the Group and the Company be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise. Our report is not qualified in respect of the fundamental uncertainty relating to the going concern basis.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB	2012 RMB
REVENUE	5	**602,525,445**	643,001,427
Cost of sales	6	**(503,311,385)**	(523,156,836)
Gross profit		**99,214,060**	119,844,591
Other income and gains	5	**71,975,401**	17,135,272
Selling and distribution expenses		**(26,744,805)**	(27,247,158)
Research and development costs	6	**(9,596,083)**	(5,222,011)
Administrative expenses		**(96,371,427)**	(57,421,602)
Finance costs	7	**(13,477,524)**	(10,586,360)
Share of profits/(losses) of associates		**2,507,795**	(1,200,930)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**27,507,417**	35,301,802
Income tax expense	10	**(20,711,875)**	(4,000,002)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**6,795,542**	31,301,800
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	12	**–**	5,113,474
PROFIT FOR THE YEAR		**6,795,542**	36,415,274
Profit attributable to:			
Owners of the Company	11	**2,176,371**	28,089,862
Non-controlling interests		**4,619,171**	8,325,412
		6,795,542	36,415,274
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic – For profit for the year		**0.20 cents**	2.54 cents
– For profit from continuing operations		**0.20 cents**	2.30 cents
Diluted – For profit for the year		**0.20 cents**	2.54 cents
– For profit from continuing operations		**0.20 cents**	2.30 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 RMB	2012 RMB
PROFIT FOR THE YEAR	**6,795,542**	36,415,274
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(450,120)**	(225,098)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(450,120)**	(225,098)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation upon transfer from property, plant and equipment to investment properties	**–**	73,451,966
Income tax effect	**–**	(18,362,992)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	55,088,974
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(450,120)**	54,863,876
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**6,345,422**	91,279,150
Total comprehensive income attributable to:		
Owners of the Company	**1,726,251**	82,953,738
Non-controlling interests	**4,619,171**	8,325,412
	6,345,422	91,279,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB	2012 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	15	**108,191,755**	66,635,602
Investment properties	16	**440,390,000**	186,450,000
Prepaid land lease payments	17	**6,373,373**	4,151,593
Goodwill	18	**23,408,369**	22,877,035
Intangible assets	19	**9,182,886**	21,150,198
Interests in associates	21	**93,833,495**	81,207,073
Available-for-sale investments	22	**9,827,764**	7,804,310
Construction in progress	24	**115,328,851**	140,238,855
Deposits paid	25	**13,410,000**	13,410,000
Deferred tax assets	10	**8,785,954**	7,067,728
Total non-current assets		**828,732,447**	550,992,394
CURRENT ASSETS			
Inventories	26	**68,601,457**	79,618,482
Trade and bills receivables	27	**217,831,627**	276,345,048
Prepayments, deposits and other receivables	28	**163,455,341**	173,269,957
Due from shareholders	41(b)	**5,872,970**	5,542,218
Financial assets at fair value through profit or loss	29	**–**	27,000,000
Pledged deposits	30	**23,889,210**	17,000,000
Restricted bank balances	30	**3,650,000**	3,950,000
Cash and cash equivalents	30	**81,055,144**	72,781,833
		564,355,749	655,507,538
Non-current assets held for sale	23	**–**	4,979,004
Total current assets		**564,355,749**	660,486,542
CURRENT LIABILITIES			
Trade and bills payables	31	**193,179,209**	252,071,892
Receipts in advance, other payables, accruals and deposits received	32	**416,612,607**	142,442,730
Due to a shareholder	41(b)	**520,000**	115,297
Dividend payables		**7,583,625**	6,069,557
Interest-bearing bank and other borrowings	33	**163,450,000**	203,500,000
Finance lease payables	34	**48,449**	54,295
Tax payables		**6,425,364**	11,355,658
Total current liabilities		**787,819,254**	615,609,429
NET CURRENT (LIABILITIES)/ASSETS		**(223,463,505)**	44,877,113
TOTAL ASSETS LESS CURRENT LIABILITIES		**605,268,942**	595,869,507

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB	2012 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**605,268,942**	595,869,507
NON-CURRENT LIABILITIES			
Deposits received	32	**51,906,640**	24,124,190
Long term payables	32	**22,879,740**	26,397,257
Interest-bearing bank and other borrowings	33	**52,800,000**	60,800,000
Finance lease payables	34	**–**	49,771
Deferred tax liabilities	10	**36,802,360**	22,101,533
Total non-current liabilities		**164,388,740**	133,472,751
Net assets		**440,880,202**	462,396,756
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	**110,400,000**	110,400,000
Reserves	36(a)	**291,557,483**	297,382,330
Proposed final dividend	13	**–**	8,832,000
		401,957,483	416,614,330
Non-controlling interests		**38,922,719**	45,782,426
Total equity		**440,880,202**	462,396,756

Liu Jian Bang
Director

Pan Jian Xiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company											
	Issued shares RMB (note 35)	Share premium account RMB (note 36(a))	Capital reserve RMB (note 36(a))	Properties revaluation reserve RMB	Statutory surplus reserve RMB (note 36(a))	Discretionary surplus reserve RMB (note 36(a))	Translation reserve RMB	Retained profits RMB	Proposed final dividend RMB	Total RMB	Non-controlling interests RMB	Total RMB
At 1 January 2013	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
Profit for the year	-	-	-	-	-	-	-	2,176,371	-	2,176,371	4,619,171	6,795,542
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(450,120)	-	-	(450,120)	-	(450,120)
Total comprehensive income for the year	-	-	-	-	-	-	(450,120)	2,176,371	-	1,726,251	4,619,171	6,345,422
Appropriations to reserves	-	-	-	-	3,300,794	-	-	(3,300,794)	-	-	-	-
Final 2012 dividend declared and paid	-	-	-	-	-	-	-	-	(8,832,000)	(8,832,000)	-	(8,832,000)
Capital contribution to subsidiaries by non-controlling interests	-	-	-	-	-	-	-	-	-	-	9,800,000	9,800,000
Acquisition of additional interests in a subsidiary	-	-	593,769	-	-	-	-	-	-	593,769	(706,288)	(112,519)
Acquisition of subsidiaries (note 37)	-	-	-	-	-	-	-	-	-	-	(984,419)	(984,419)
Disposal of subsidiaries (note 38)	-	-	(6,756,332)	-	(1,434,921)	-	-	-	-	(8,191,253)	(6,446,585)	(14,637,838)
Disposal of subsidiary without a loss in control	-	-	46,386	-	-	-	-	-	-	46,386	(46,386)	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(13,095,200)	(13,095,200)
At 31 December 2013	110,400,000	78,634,414*	640,155*	55,088,974*	19,685,462*	277,000*	(1,369,858)*	138,601,336*	-	401,957,483	38,922,719	440,880,202

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company											
	Issued shares RMB (note 35)	Share premium account RMB (note 36(a))	Capital reserve RMB (note 36(a))	Properties revaluation reserve RMB	Statutory surplus reserve RMB (note 36(a))	Discretionary surplus reserve RMB (note 36a))	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
Profit for the year	–	–	–	–	–	–	–	28,089,862	–	28,089,862	8,325,412	36,415,274
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(225,098)	–	–	(225,098)	–	(225,098)
Gain on property revaluation upon transfer from property, plant and equipment to investment properties	–	–	–	73,451,966	–	–	–	–	–	73,451,966	–	73,451,966
Income tax effect	–	–	–	(18,362,992)	–	–	–	–	–	(18,362,992)	–	(18,362,992)
Total comprehensive 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 and paid	–	–	–	–	–	–	–	–	(8,832,000)	(8,832,000)	–	(8,832,000)
Acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	–	–	4,602,429	4,602,429
Disposal of subsidiaries (note 38)	–	–	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

* These reserve accounts comprise the consolidated reserves of RMB291,557,483 (2012:RMB297,382,330) in the consolidated statement of financial position.

	Notes	2013 RMB	2012 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operation		**27,507,417**	35,301,802
From a discontinued operation		**–**	5,113,474
Adjustments for:			
Interest expenses	7	**20,567,454**	18,258,082
Share of (profits)/losses of associates		**(2,507,795)**	1,200,930
Bank interest income	5	**(616,048)**	(564,566)
Gain on disposal of financial assets at fair value through profit or loss		**(259,633)**	–
Gain on disposal of non-current assets held for sales		**(20,996)**	–
Fair value gains on investment properties	5	**(62,212,730)**	(2,900,000)
Loss on disposal of subsidiaries	6	**776,282**	1,367,666
Impairment loss on trade receivables, deposits and other receivable	6	**31,085,399**	4,299,383
Loss on disposal of items of property, plant and equipment	6	**8,683**	–
Impairment loss on intangible assets	6	**3,970,925**	–
Depreciation of property, plant and equipment	15	**3,810,894**	7,076,620
Amortisation of intangible assets	19	**4,211,595**	3,342,557
Amortisation of land lease payments	17	**97,582**	195,933
		26,419,029	72,691,881
Decrease/(increase) in inventories		**1,288,853**	(21,642,866)
Decrease/(increase) in trade and bills receivables		**2,416,552**	(71,445,788)
Increase in prepayment, deposit paid and other receivables		**(46,367,963)**	(37,849,638)
(Decrease)/increase in trade and bills payables		**(30,718,807)**	81,426,996
Increase in receipt in advance, other payables, accruals and deposits received		**137,384,283**	71,248,136
Decrease in long term payables		**(3,517,517)**	–
Cash flows from operations		**86,904,430**	94,428,721
Interest received		**616,048**	564,566
Interest paid		**(12,155,734)**	(10,091,071)
PRC income tax paid		**(12,654,305)**	898,980
Net cash flows from operating activities		**62,710,439**	85,801,196

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB	2012 RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(1,433,852)**	(4,921,106)
Proceeds from disposal of property, plant and equipment		**551,439**	297,062
Additions to intangible assets	19	**(43,897)**	(4,770,922)
Payment for acquisition of an associate		**–**	(5,302,650)
Payment for acquisition of an available-for-sale investment		**(13,043,454)**	(1,000,000)
Acquisition of subsidiaries		**1,728,464**	(3,591,092)
Disposal of subsidiaries	38a	**4,130,400**	4,950,895
Payment of financial assets at fair value through profit or loss		**–**	(25,000,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**27,259,633**	–
Disposal of associate		**875,422**	–
Advances to shareholders		**(330,752)**	(3,178,181)
Decrease in deposits paid		**–**	9,910,000
Increase in construction in progress	24	**(56,455,117)**	(112,899,074)
Increase in pledged deposits		**(6,889,210)**	(4,100,000)
Acquisition of additional interest in a subsidiary		**(112,519)**	–
Increase in deposits received		**27,782,450**	–
Net cash flows used in investing activities		**(15,980,993)**	(149,605,068)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital element of finance lease rental payments		**(55,617)**	(46,857)
Capital contribution by non-controlling interests of subsidiaries		**9,800,000**	–
New bank loans		**159,450,000**	185,500,000
Repayment of bank loans		**(187,500,000)**	(116,100,000)
Dividend paid to shareholders		**(7,317,932)**	(8,491,488)
Advance from/(repayment to) shareholders		**404,703**	(1,950,276)
Dividends paid to non-controlling interests		**(13,095,200)**	(658,999)
Net cash flows (used in)/from financing activities		**(38,314,046)**	58,252,380
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,415,400**	(5,551,492)
Cash and cash equivalents at beginning of year		**76,731,833**	82,521,284
Effect of foreign exchange rate changes, net		**(442,089)**	(237,959)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**84,705,144**	76,731,833
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash balances	30	**81,055,144**	72,781,833
Restricted bank deposits	30	**3,650,000**	3,950,000
		84,705,144	76,731,833

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB	2012 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	15	**104,086,483**	59,337,907
Investment properties	16	**435,040,000**	181,100,000
Prepaid land lease payments	17	**6,373,373**	4,151,593
Intangible assets	19	**7,786,304**	15,306,352
Interests in subsidiaries	20	**142,883,329**	125,922,892
Investments in associates	21	**25,190,446**	25,161,646
Available-for-sale investments	22	**8,658,654**	5,515,200
Construction in progress	24	**–**	90,245,539
Deposits paid	25	**9,910,000**	9,910,000
Total non-current assets		**739,928,589**	516,651,129
CURRENT ASSETS			
Inventories	26	**28,875,018**	24,787,174
Trade and bills receivables	27	**45,475,056**	68,961,783
Prepayment, deposits and other receivables	28	**161,695,109**	118,510,366
Due from shareholders	41(b)	**5,872,970**	5,542,218
Dividend receivable		**1,335,573**	1,335,573
Restricted bank balances	30	**3,650,000**	3,950,000
Cash and cash equivalents	30	**20,327,300**	25,979,749
		267,231,026	249,066,863
Non-current assets held for sale	23	**–**	4,979,004
Total current assets		**267,231,026**	254,045,867
CURRENT LIABILITIES			
Trade payables	31	**40,292,427**	49,657,480
Receipts in advance, other payables, accrued expenses and deposits received	32	**238,374,454**	56,603,670
Due to a shareholder	41(b)	**520,000**	115,297
Interest-bearing bank and other borrowings	33	**58,000,000**	85,000,000
Dividend payables		**7,083,703**	6,069,557
Tax payables		**2,020,542**	3,516,624
Total current liabilities		**346,291,126**	200,962,628
NET CURRENT (LIABILITIES)/ASSETS		**(79,060,100)**	53,083,239

Statement of Financial Position

31 December 2013

	Notes	2013 RMB	2012 RMB
TOTAL ASSETS LESS CURRENT LIABILITIES		**660,868,489**	569,734,368
NON-CURRENT LIABILITIES			
Deposits received	32	**51,906,640**	24,124,190
Long term payables	32	**22,879,740**	26,397,257
Deferred tax liabilities	10	**29,876,893**	16,942,175
Due to subsidiaries	20	**154,778,681**	123,416,373
Interest-bearing bank and other borrowings	33	**52,800,000**	60,800,000
Total non-current liabilities		**312,241,954**	251,679,995
Net assets		**348,626,535**	318,054,373
EQUITY			
Issued capital	35	**110,400,000**	110,400,000
Reserves	36(b)	**238,226,535**	198,822,373
Proposed final dividend	13	**–**	8,832,000
Total equity		**348,626,535**	318,054,373

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 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 continues to develop, manufacture and market network security software, Internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting services. In addition, the Group commenced its business to encompass research and development of medicine and medical equipment during the year ended 31 December 2013.

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 212, Photonics Centre, No.2 Science Park East Avenue, Hong Kong Science Park, Shatin, 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.

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 investment properties and financial assets at fair value through profit or loss classify as current assets which have been measured at fair value. These financial statements are presented in RMB, which is also the functional currency of the Company.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Basis of presentation

In preparing these financial statements, the board of directors (the "Board") has considered the future liquidity of the Group. As at 31 December 2013, the Group and the Company had net current liabilities of RMB223,463,505 and RMB79,060,100, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on the assumption that the Group and the Company will be able to operate as a going concern in the foreseeable future. In the opinion of the directors, the Group and the Company can meet its financial obligations as and when they fall due in the next twelve months from the date of approving these consolidated financial statements after having taken into consideration the continuing availability of the banking facilities provided by its banks and other measures to improve its working capital position and net financial position, including but not limited to the formulation of plans to dispose of certain investment properties.

2.1 BASIS OF PREPARATION (Continued)

Basis of presentation (Continued)

The consolidated financial statements do not include any adjustments that would result from a failure to obtain such funding which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statement
HKFRS 11	Joint Arrangement
HKFRS 12	Disclosure of Interests in other entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statement
HKAS 28 (2011)	Investments in Associate and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Other than as further explained below regarding the impact of HKAS 1, HKFRS 10, HKFRS 12, HKFRS 13 and HKFRS 10, HKFRS 11 and HKFRS 12 Amendments, the adoption of these new and revised HKFRSs had not had any significant financial effect on the financial statements of the Group.

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

i) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and had no impact on the Group's financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in the financial statements.

ii) HKFRS 10 replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

    The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

iii) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 "Consolidated and Separate Financial Statements", HKAS 31 "Interests in Joint Ventures" and HKAS 28 "Investments in Associates". It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 20 and 21 to the financial statements.

iv) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

v) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial assets at fair value through profit or loss are included in notes 16 and 29 to the financial statements, respectively.

vi) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in the financial statements. The amendments have had no impact on the financial position or performance of the Group.

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 9	Financial Instruments [3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39 [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities [1]
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions [2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities [1]
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting [1]
HK(IFRIC) – Int 21	Levies [1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company, Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

Investments in associates

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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

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 and the equity interests issued by the Group in exchange for control 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 HKAS39, 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 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 of 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)

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, investment properties, goodwill 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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss 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 other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss 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

(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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

(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 statement of profit or loss 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 statement of profit or loss 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 properties under construction, which are stated at cost less any impairment losses, and are 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 statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss 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 and 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 statement of profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale (Continued)

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 statement of profit or loss 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 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, 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.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 consolidated statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 statement of profit or loss 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 statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 statement of profit or loss. 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 write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at cost

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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)

Financial liabilities (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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss 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 consolidated statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the consolidated statement of profit or loss over the expected useful lives of the relevant assets 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 statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 profit or loss 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 statement of profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. 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 8.35% (2012: 9.37%) 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.

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 statements of profit or loss.

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 measured. The gain or loss arising from translation of a non-monetary item measured of fair value is treated in line with 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates 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 statements of profit or loss 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 statement of profit or loss.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

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.

Impairment of interests in subsidiaries and associates

The Company assesses whether there are any indicators of impairment for interests in subsidiaries and associates at the end of each reporting period. Interests in subsidiaries and associates 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 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 subsidiaries and associates and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 2013 was RMB23,408,369 (2012: RMB22,877,035). Further details are given in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar 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 carrying amount of investment properties at 31 December 2013 was RMB440,390,000 (2012: RMB186,450,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statement.

Impairment on trade and other receivables

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

Allowance for obsolete and slow moving of inventories

The management of the Group reviews an aging analysis 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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 2013, the best estimate of the carrying amount of capitalised development costs was RMB7,653,732 (2012: RMB15,091,874).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five (2012: five, restated) reportable operating segments as follows:

(a) the computer hardware and software products segment-the sales of components mainly for the use in the IT products;

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

(c) the trading of IT related products and equipment, and mobile phones 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.

(e) Property investment segment – the property investment segment invests in office building for its rental income potential.

In addition, the Group commenced its business to encompass research and development of medicine equipment during the year ended 31 December 2013. However, the revenue generated during the year is not significant.

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.

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 the reportable segments based on geographical segment were made.

4. OPERATING SEGMENT INFORMATION (Continued)

	Computer hardware and software products		System integration services		IT related products and equipment, and mobile phones		Training services		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Segment revenue:												
Sales to external customers	**542,944,883**	587,735,926	**59,580,562**	49,033,818	**-**	3,569,519	**-**	2,662,164	**-**	–	**602,525,445**	643,001,427
Gross rental income	**-**	–	**-**	–	**-**	–	**-**	–	**1,144,759**	1,650,474	**1,144,759**	1,650,474
	542,944,883	587,735,926	**59,580,562**	49,033,818	**-**	3,569,519	**-**	2,662,164	**1,144,759**	1,650,474	**603,670,204**	644,651,901
Segment results	**30,211,181**	44,136,714	**11,259,380**	23,359,491	**(4,131,347)**	624,139	**-**	(581,489)	**(43,444)**	516,478	**37,295,770**	68,055,333
Reconciliation:												
Interests income											**616,048**	564,566
Other income and gains	**2,727,712**	7,318,053	**-**	–	**-**	–	**-**	1,150,000	**63,751,291**	4,179,726	**66,479,003**	12,647,779
Unallocated other income and gains											**3,735,591**	2,272,453
Corporate and other unallocated expenses											**(69,649,266)**	(36,451,039)
Finance costs											**(13,477,524)**	(10,586,360)
Share of profits/(losses) of associates											**2,507,795**	(1,200,930)
Profit before tax from continuing operation											**27,507,417**	35,301,802
Income tax expense											**(20,711,875)**	(4,000,002)
Profit for the year											**6,795,542**	31,301,800
Segment assets	**359,924,261**	435,843,044	**94,125,733**	76,928,657	**194,598**	6,632,528	**-**	2,502,312	**440,834,703**	186,859,494	**895,079,295**	708,766,035
Interests in associates											**93,833,495**	81,207,073
Unallocated assets											**404,175,406**	421,505,828
Total assets											**1,393,088,196**	1,211,478,936
Segment liabilities	**150,244,283**	206,588,119	**39,724,187**	30,673,645	**-**	–	**-**	238,578	**187,425,847**	24,838,942	**377,394,317**	262,339,284
Unallocated liabilities											**574,813,677**	486,742,896
Total liabilities											**952,207,994**	749,082,180
Capital expenditure *	**635,044**	8,093,961	**95,905**	4,915,766	**32,008**	–	**-**	11,640	**150,582,176**	77,907,842	**151,345,133**	90,929,209
Unallocated capital expenditure											**66,050,326**	23,494,882
											217,395,459	114,424,091

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

	Computer hardware and software products		System integration services		IT related products and equipment, and mobile phones		Training services		Property investment		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB	**RMB**	RMB
Other segment information:												
Impairment loss on trade receivables, deposits and other receivables	**9,928,250**	5,564,821	**1,272,059**	301,944	**3,733,783**	(1,567,382)	**-**	–	**-**	–	**14,934,092**	4,299,383
Unallocated impairment loss on trade receivables, deposits and other receivables											**16,151,307**	–
											31,085,399	4,299,383
Amortisation of intangible assets	**-**	–	**3,549,123**	3,238,229	**-**	–	**-**	–	**-**	–	**3,549,123**	3,238,229
Unallocated amortisation of intangible assets											**662,472**	104,328
											4,211,595	3,342,557
Depreciation of property, plant and equipment	**1,557,794**	4,040,571	**721,556**	743,909	**103,344**	112,528	**-**	399,547			**2,382,694**	5,296,555
Unallocated depreciation of property, plant and equipment											**1,428,200**	1,780,065
											3,810,894	7,076,620

Information about a major customer

No single customer has accounted for revenue larger than 10% of the Group's total revenue during the year (2012: 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 value of services rendered during the year.

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

	2013	2012
	RMB	RMB
Revenue		
Sale of goods:		
Computer hardware and software products	**542,944,883**	587,735,926
IT related products and equipment, and mobile phones	**–**	3,569,519
Rendering of system integration services	**59,580,562**	49,033,818
Provision of IT training services	**–**	2,662,164
	602,525,445	643,001,427
Other income and gains		
Bank interest income	**616,048**	564,566
PRC value added tax refunded	**1,587,712**	2,942,968
Government grants	**4,535,863**	7,185,085
Gross rental income	**1,144,759**	1,650,474
Fair value gains on investment properties (note 16)	**62,212,730**	2,900,000
Others	**1,878,289**	1,892,179
	71,975,401	17,135,272
Total revenue, other income and gains	**674,500,846**	660,136,699

6. PROFIT BEFORE TAX

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

	2013 RMB	2012 RMB
Cost of sales:		
Cost of computer hardware and software products sold	**467,057,729**	503,257,305
Cost of IT relate products and equipment, and mobile phones sold	**–**	851,137
Cost of services provided	**36,253,656**	18,409,806
Cost of provision of IT training services	**–**	638,588
	503,311,385	523,156,836
Depreciation of property, plant and equipment (note 15)	**3,810,894**	7,076,620
Amortisation of intangible assets * (note 19)	**4,211,595**	3,342,557
Research and development costs:		
Deferred expenditure amortised (note 19)	**3,467,217**	2,478,024
Current year expenditure	**6,478,866**	3,243,987
Less: Government grants released **	**(350,000)**	(500,000)
	9,596,083	5,222,011
Amortisation of land lease payments (note 17)	**97,582**	195,933
Minimum lease payments under operating leases on office premises	**2,311,089**	1,234,469
Auditors' remuneration	**507,813**	600,000
Loss on disposal of subsidiaries (note 38)	**776,282**	1,367,666
Write off of other receivables	**–**	800,000
Loss provided for a legal claim (note 42)	**1,031,729**	–
Employee benefits expense (excluding directors' and supervisors' remuneration (note 8)):		
Salaries and allowances	**20,076,260**	23,481,442
Pension scheme contributions	**3,954,710**	4,822,452
	24,030,970	28,303,894
Foreign exchange differences, net	**456,248**	661,260
Impairment loss on trade receivables, deposits and other receivables	**31,085,399**	4,299,383
Impairment on intangible assets	**3,970,925**	–
Loss on disposal of items of property, plant and equipment	**8,683**	–
Bank interest income	**(616,048)**	(564,566)
Net rental income	**(724,188)**	(1,209,815)
Fair value gains on investment properties (note 16)	**(62,212,730)**	(2,900,000)

* The amortisation of intangible assets for the year are included in "Administrative expenses" and "Research and Development costs" in the consolidated statement of profit or loss amounting RMB744,378 (2012: RMB864,533) and RMB3,467,217 (2012: RMB2,478,024), 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 relate. All the government grants received have no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Group 2013 RMB	2012 RMB
Interest on bank and other loans wholly repayable within five years	**20,567,454**	18,258,082
Bank charges	**1,321,790**	495,289
	21,889,244	18,753,371
Less: Interest capitalised (note 24)	**(8,411,720)**	(8,167,011)
	13,477,524	10,586,360

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 2013 RMB	2012 RMB
Directors' fees:		
Independent non-executive directors	**299,970**	227,565
Directors' emoluments:		
Salaries, allowances and other benefits:		
Executive directors	**802,061**	853,894
Non-executive directors	**259,980**	227,565
	1,062,041	1,081,459
	1,362,011	1,309,024
Supervisors' emoluments:		
Salaries, allowances and other benefits	**229,968**	213,325

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:

	2013 RMB	2012 RMB
Dr. Daxi Li	**79,992**	75,855
Ms. Xie Hong	**79,992**	75,855
Mr. Xie Man Lin	**79,992**	75,855
Mr. Ng Sau Lai, Derek (appointed on 14 March 2013)	**59,994**	–
	299,970	227,565

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and non-executive directors

	Fees RMB	Salaries, allowances and benefits in kind RMB	Pension scheme contributions RMB	Total remuneration RMB
2013				
Executive directors:				
Mr. Liu Jian (alias Liu Jian Bang)	**–**	**385,200**	**–**	**385,200**
Mr. Pan Jian Xiang	**–**	**325,200**	**–**	**325,200**
Mr. Liu Winson Wing Sun (re-designated as executive director from non-executive director on 14 May 2013)	**–**	**91,661**	**–**	**91,661**
	–	**802,061**	**–**	**802,061**
Non-executive directors:				
Mr. Chen Zheng Rong (re-designated as non-executive director from executive director on 14 May 2013)	**–**	**99,996**	**–**	**99,996**
Mr. Wong Wei Khin	**–**	**79,992**	**–**	**79,992**
Mr. Li Cheng	**–**	**79,992**	**–**	**79,992**
	–	**259,980**	**–**	**259,980**
	–	**1,062,041**	**–**	**1,062,041**

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

	Fees RMB	Salaries, allowances and benefits in kind RMB	Pension scheme contributions RMB	Total remuneration RMB
2012				
Executive directors:				
Mr. Liu Jian (alias Liu Jian Bang)	–	410,185	–	410,185
Mr. Pan Jian Xiang	–	343,685	–	343,685
Mr. Chen Zheng Rong	–	100,024	–	100,024
	–	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

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2012: 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 (2012: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2012: three) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	Group	
	2013	2012
	RMB	RMB
Salaries, allowances and other benefits	**1,810,560**	1,086,000
Pension scheme contributions	**–**	–
	1,810,560	1,086,000

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

	Number of employees	
	2013	2012
Nil to RMB1,000,000	**3**	3

10. INCOME TAX

Taxes on profits assessable in the PRC have been calculated at 25%. Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality, the Company and one of the Company's subsidiaries had been designated as a new and high technology entity and were subject to the concessionary tax rate of 15%.

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 (2012: Nil).

10. INCOME TAX (Continued)

	Group	
	2013	2012
	RMB	RMB
Current – the PRC:		
Charge for the year	**6,397,447**	3,854,536
Underprovision in prior years	**1,331,827**	328,543
Deferred	**12,982,601**	(183,077)
Total tax charge for the year	**20,711,875**	4,000,002

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			
	2013		2012	
	RMB	**%**	RMB	%
Profit before tax	**27,507,417**		35,301,802	
Tax at the average tax rates applicable to profits in the countries concerned	**9,118,564**	**33.2**	8,688,983	24.6
Tax effect of share of results of associates	**(755,443)**	**(2.7)**	121,627	0.3
Tax effect of expenses not deductible	**6,348,930**	**23.0**	2,768,760	7.8
Tax effect of income not taxable	**(966,085)**	**(3.5)**	(3,394,758)	(9.6)
Underprovision in prior years	**1,331,827**	**4.8**	328,543	0.9
Tax effect of tax losses not recognised	**10,644,704**	**38.7**	2,259,610	6.4
Tax losses utilised from prior years	**(421,318)**	**(1.5)**	(743,606)	(2.1)
Effect of concessionary tax rate	**(3,834,726)**	**(14.0)**	(5,477,227)	(15.5)
Others	**(754,578)**	**(2.7)**	(551,930)	(1.5)
Tax charge at the Group's effective tax rate	**20,711,875**	**75.3**	4,000,002	11.3

The share of tax attributable to associates of RMB755,443 (2012: RMB121,627) is included in "Share of profits/losses of associates" on the face of the consolidated statement of profit or loss.

10. INCOME TAX (Continued)

Deferred tax

Deferred tax liabilities

	Group					
	2013			2012		
	Capitalisation of development costs RMB	**Revaluation of assets RMB**	**Total RMB**	Capitalisation development costs RMB	Revaluation of assets RMB	Total RMB
At 1 January	**2,000,415**	**20,101,118**	**22,101,533**	2,158,900	–	2,158,900
Acquisition of subsidiaries (note 37)	**–**	**–**	**–**	–	723,126	723,126
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	**(852,355)**	**15,553,182**	**14,700,827**	(158,485)	1,015,000	856,515
Deferred tax charged to consolidated statement of comprehensive income during the year	**–**	**–**	**–**	–	18,362,992	18,362,992
At 31 December	**1,148,060**	**35,654,300**	**36,802,360**	2,000,415	20,101,118	22,101,533

	Company					
	2013			2012		
	Capitalisation of development costs RMB	**Revaluation of assets RMB**	**Total RMB**	Capitalisation development costs RMB	Revaluation of assets RMB	Total RMB
At 1 January	**2,000,415**	**19,377,992**	**21,378,407**	2,158,900	–	2,158,900
Deferred tax (credited)/charged to the statement of profit or loss during the year	**(852,355)**	**15,553,182**	**14,700,827**	(158,485)	1,015,000	856,515
Deferred tax charged to statement of comprehensive income during the year	**–**	**–**	**–**	–	18,362,992	18,362,992
At 31 December	**1,148,060**	**34,931,174**	**36,079,234**	2,000,415	19,377,992	21,378,407

Deferred tax assets

	Group		Company	
	2013 RMB	2012 RMB	**2013 RMB**	2012 RMB
Impairment of trade and other receivables:				
At 1 January	**7,067,728**	5,491,317	**4,436,232**	3,921,047
Acquisition of subsidiaries (note 37)	**–**	536,819	**–**	–
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	**1,718,226**	1,039,592	**1,766,109**	515,185
At 31 December	**8,785,954**	7,067,728	**6,202,341**	4,436,232

10. INCOME TAX (Continued)

Deferred tax (Continued)

Deferred tax assets (Continued)

For presentation purpose, certain deferred tax assets and liabilities of the same entity in the Group 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	
	2013	2012
	RMB	RMB
Deferred tax assets recognised in the statement of financial position	**6,202,341**	4,436,232
Deferred tax liabilities recognised in the statement of financial position	**(36,079,234)**	(21,378,407)
At 31 December	**(29,876,893)**	(16,942,175)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Tax losses	**21,781,149**	11,136,445	**–**	–
Deductible temporary differences	**5,138,450**	1,116,497	**–**	–
	26,919,599	12,252,942	**–**	–

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 2013 includes a profit of RMB39,404,162 (note 36(b)) (2012: RMB19,536,973) 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 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, by virtue of its 30% equity interest in Sheng Feng Medical, which inturn controls 52% equity interest in Nanda Pharmaceutical, the Company is in a position to exercise significant influence over the Sheng Feng Group.

12. DISCONTINUED OPERATION (Continued)

The results of the Sheng Feng Group for the year ended 31 December 2012 are presented below:

	2012 RMB
Revenue	86,939,902
Expense	(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
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

	2013 RMB	2012 RMB
Proposed final dividend – Nil (2012: RMB0.8 cents) per ordinary share	–	8,832,000

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 for the year attributable to ordinary equity holders of the Company of RMB2,176,371 (2012: RMB28,089,862) and on the weighted average number of ordinary shares of 1,104,000,000 (2012: 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 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

15. PROPERTY, PLANT AND EQUIPMENT

			Group		
	Buildings RMB	Leasehold improvements RMB	Furniture, fixtures and equipment RMB	Motor vehicles* RMB	Total RMB
31 December 2013					
At 1 January 2013					
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
At 1 January 2013, net of accumulated depreciation	54,726,614	1,011,906	6,665,556	4,231,526	66,635,602
Additions	68,376	–	957,335	408,141	1,433,852
Acquisition of subsidiaries	–	–	55,166	–	55,166
Transfer from construction in progress (note 24)	46,781,082	–	–	–	46,781,082
Disposals	–	–	(537,748)	(22,374)	(560,122)
Depreciation provided during the year	(1,275,349)	(15,132)	(1,439,105)	(1,081,308)	(3,810,894)
Disposal of subsidiaries (note 38a)	–	(965,431)	(820,581)	(548,888)	(2,334,900)
Exchange realignment	–	–	(5,184)	(2,847)	(8,031)
At 31 December 2013, net of accumulated depreciation	100,300,723	31,343	4,875,439	2,984,250	108,191,755
At 31 December 2013					
Cost	103,466,328	78,000	14,491,880	7,781,246	125,817,454
Accumulated depreciation	(3,165,605)	(46,657)	(9,616,441)	(4,796,996)	(17,625,699)
Net carrying amount	100,300,723	31,343	4,875,439	2,984,250	108,191,755

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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 37)	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	(110,233,356)	–	–	–	(110,233,356)
Depreciation provided during the year	(3,027,632)	(158,528)	(2,914,177)	(976,283)	(7,076,620)
Disposal of subsidiaries (note 38a)	(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)

	Company			
	Buildings	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
31 December 2013				
At 1 January 2013				
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
At 1 January 2013, net of accumulated depreciation	54,770,668	3,415,937	1,151,302	59,337,907
Additions	68,376	49,582	–	117,958
Transfer from construction in progress (note 24)	46,781,082	–	–	46,781,082
Depreciation provided during the year	(1,319,402)	(441,016)	(347,472)	(2,107,890)
Disposals	–	(20,200)	(22,374)	(42,574)
At 31 December 2013, net of accumulated depreciation	100,300,724	3,004,303	781,456	104,086,483
At 31 December 2013				
Cost	103,466,328	8,244,233	2,968,029	114,678,590
Accumulated depreciation	(3,165,604)	(5,239,930)	(2,186,573)	(10,592,107)
Net carrying amount	100,300,724	3,004,303	781,456	104,086,483

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Buildings	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	(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

Notes:

* The net carrying amount of the Group's fixed assets held under finance leases included in total amounts of motor vehicles at 31 December 2013 amounted to RMB79,280 (2012: RMB128,952).

** During the year ended 31 December 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	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Carrying amount at 1 January	**186,450,000**	–	**181,100,000**	–
Acquisition of subsidiaries (note 37)	**–**	5,350,000	**–**	–
Transfer from owner-occupied properties (note15)	**–**	110,233,356	**–**	110,233,356
Transfer from prepaid land lease payments (note 17)	**–**	67,966,644	**–**	67,966,644
Transfer from construction in progress (note 24)	**191,727,270**	–	**191,727,270**	–
Net gains from fair value adjustments	**62,212,730**	2,900,000	**62,212,730**	2,900,000
Carrying amount at 31 December	**440,390,000**	186,450,000	**435,040,000**	181,100,000

	Group			Company
	Commercial properties in Gulou District	**Commercial properties in Jianye District**	**Total**	**Commercial properties in Gulou District**
	RMB	**RMB**	**RMB**	**RMB**
Carrying amount at 1 January 2013	181,100,000	5,350,000	186,450,000	181,100,000
Transfer from construction in progress (note 24)	191,727,270	–	191,727,270	191,727,270
Gain from fair value adjustments	62,212,730	–	62,212,730	62,212,730
Carrying amount at 31 December 2013	435,040,000	5,350,000	440,390,000	435,040,000

The Group's investment properties consist of commercial properties in (i) Gulou District, Nanjing City; and (ii) Jianye District, Nanjing City, the PRC. The investment properties were revalued on 31 December 2013 by Asset Appraisal Limited, independent professionally qualified valuers, at RMB440,390,000. The revaluation gain of RMB62,212,730 is recognised in the line item "other income and gain" in the statement of profit and loss.

The Company's investment properties consist of commercial properties in Gulou District, Nanjing City in the PRC. The investment properties were revalued on 31 December 2013 by Asset Appraisal Limited, independent professionally qualified valuers, at RMB435,040,000.

16. INVESTMENT PROPERTIES (Continued)

The Group's finance department, including the finance manager, reviewed the valuation performed by the independent valuer for financial reporting purpose. At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Details of the Group and the Company's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

Group

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB	Significant observable input (Level 2) RMB	Significant unobservable inputs (Level 3) RMB	Total RMB
Commercial properties located in Gulou District	–	–	435,040,000	435,040,000
Commercial properties located in Jianye District	–	5,350,000	–	5,350,000
	–	5,350,000	435,040,000	440,390,000

Company

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) RMB	Significant observable input (Level 2) RMB	Significant unobservable inputs (Level 3) RMB	Total RMB
Commercial properties located in Gulou District	–	–	435,040,000	435,040,000

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3.

16. INVESTMENT PROPERTIES (Continued)

Information about fair value measurements is as follows:

Description	Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range of unobservable Inputs	Relationship of unobservable inputs to fair value
Commercial properties in Gulou District	435,040,000	Direct comparison method and income method	Rental value	RMB450 per month per square meter	The higher the rental value, the higher the fair value
			Capitalisation rate	6%	The higher the capitalisation rate, the lower the fair value
			Level adjustment on individual floors of the property	0.5%-10%	The higher the level adjustment, the higher the fair value
			Price per square meter, using direct comparables	RMB10,800 per square meter for the base level	The higher the price, the higher the fair value
Commercial property in Jianye District	5,350,000	Direct comparison method	Price per square meter, using direct comparables	N/A	N/A

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the consolidated financial statements.

17. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Carrying amount at 1 January	**4,151,593**	11,252,348	**4,151,593**	11,252,348
Transfer from construction in progress (note 24)	**2,319,362**	–	**2,319,362**	–
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	**(97,582)**	(195,933)	**(97,582)**	(195,933)
Carrying amount at 31 December	**6,373,373**	4,151,593	**6,373,373**	4,151,593

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

As disclosed in note 16 to the financial statements, during the year ended 31 December 2012, the Company transferred Nanjing Buildings 1 and related prepaid land lease payments to investment properties at total deemed costs of RMB178,200,000.

18. GOODWILL

Group

	RMB
At 1 January 2012	–
Acquisition of subsidiaries (note 37)	37,672,022
Disposal of subsidiaries (note 38)	(14,794,987)
At 31 December 2012	22,877,035
At 31 December 2012	
Cost	22,877,035
Accumulated impairment	–
Net carrying amount	22,877,035
At 1 January 2013, net of accumulated impairment	22,877,035
Acquisition of subsidiaries	531,334
At 31 December 2013	23,408,369
At 31 December 2013	
Cost	23,408,369
Accumulated impairment	–
Net carrying amount	23,408,369

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:

	2013	2012
	RMB	RMB
Systems integration services cash generating unit (the "Changtian CGU")	**22,877,035**	22,877,035
Other	**531,334**	–
	23,408,369	22,877,035

The recoverable amount of the IT systems integration services business in Jiangsu Changtian Zhi Yuan Transportation Company Limited ("Changtian"), which forms the Changtian CGU, 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 15% (2012: 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 Changtian CGU for 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2013	2012
	%	%
Gross margin	**22**	15
Growth rate	**10**	27
Discount rate	**15**	16

During the year ended 31 December 2013, no impairment loss was provided on goodwill due to an expected increase in both the gross margin and the growth rate in the Changtian CGU 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	Other intangible assets* RMB	Total RMB
31 December 2013			
At 1 January 2013:			
Cost	41,640,978	8,969,488	50,610,466
Accumulated amortisation	(26,549,104)	(2,911,164)	(29,460,268)
Net carrying value	15,091,874	6,058,324	21,150,198
At 1 January 2013, net of accumulated amortisation	15,091,874	6,058,324	21,150,198
Additions	–	43,897	43,897
Disposal of subsidiaries (note 38a)	–	(3,828,689)	(3,828,689)
Impairment (note 6)	(3,970,925)	–	(3,970,925)
Amortisation provided during the year	(3,467,217)	(744,378)	(4,211,595)
At 31 December 2013	7,653,732	1,529,154	9,182,886
At 31 December 2013:			
Cost	31,713,667	1,859,486	33,573,153
Accumulated amortisation	(24,059,935)	(330,332)	(24,390,267)
Net carrying value	7,653,732	1,529,154	9,182,886

19. INTANGIBLE ASSETS (Continued)

	Group		
	Deferred development costs RMB	Other intangible assets RMB	Total RMB
31 December 2012			
At 1 January 2012:			
Cost	38,463,748	7,375,796	45,839,544
Accumulated amortisation	(24,071,080)	(2,046,631)	(26,117,711)
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
Acquisitions of subsidiaries (note 37)	–	28,275,582	28,275,582
Disposal of subsidiaries (note 38a)	–	(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	8,969,488	50,610,466
Accumulated amortisation	(26,549,104)	(2,911,164)	(29,460,268)
Net carrying value	15,091,874	6,058,324	21,150,198

19. INTANGIBLE ASSETS (Continued)

	Company Deferred Development costs RMB	Other intangible assets RMB	Total RMB
31 December 2013			
At 1 January 2013			
Cost	41,640,978	409,527	42,050,505
Accumulated amortisation	(26,549,104)	(195,049)	(26,744,153)
Net carrying value	15,091,874	214,478	15,306,352
At 1 January 2013, net of accumulated amortisation	15,091,874	214,478	15,306,352
Impairment	(3,970,925)	–	(3,970,925)
Amortisation provided during the year	(3,467,217)	(81,906)	(3,549,123)
At 31 December 2013	7,653,732	132,572	7,786,304
At 31 December 2013			
Cost	31,713,667	409,527	32,123,194
Accumulated amortisation	(24,059,935)	(276,955)	(24,336,890)
Net carrying value	7,653,732	132,572	7,786,304

19. INTANGIBLE ASSETS (Continued)

	Company		
	Deferred Development costs RMB	Other intangible assets RMB	Total RMB
31 December 2012			
At 1 January 2012			
Cost	38,463,748	256,325	38,720,073
Accumulated amortisation	(24,071,080)	(94,276)	(24,165,356)
Net carrying value	14,392,668	164,049	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	409,527	42,050,505
Accumulated amortisation	(26,549,104)	(195,049)	(26,744,153)
Net carrying value	15,091,874	214,478	15,306,352

The Group's and the Company's other intangible assets represented certain accounting and computer software and the patent. The patent is used for the development of tailor made programs to its customers.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2013 RMB	2012 RMB
Unlisted equity investments/shares, at cost	**142,883,329**	128,120,809
Less: impairment	**–**	(2,197,917)
	142,883,329	125,922,892

20. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due to subsidiaries included in the Company's non-current liabilities of RMB154,778,681 (2012:RMB123,416,373) 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.

Particulars of the principal subsidiaries as at 31 December 2013 were as follows:

Name of subsidiary	Place of establishment/ incorporation and business	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company		Principal activities
			Directly	Indirectly	
Beijing NandaSoft Digital Technology Company Limited ("Beijing NandaSoft") *#@^	PRC	RMB2,000,000	48% (2012: 80%)	–	Sale of computer hardware products and equipment
Jiangsu Changtian Zhi Yuen Technology Company Limited ("Changtian") *#@	PRC	RMB30,280,000 (2012: RMB10,280,000)	51%	–	Rendering of communication intelligence control system
Jiangsu Fuyue Technology Co., Ltd.*#@	PRC	RMB5,000,000	91% (2012: 60%)	–	Sale of computer hardware products and equipment
Jiangsu NandaSoft (Hong Kong) Company Limited	HK	HK$1,000,000	100%	–	Investment holding
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%	–	Investment holding
NandaSoft Telecommunication Technology (Hong Kong) Company Limited	HK	HK$1,000,000	–	100%	Repairing of mobile phone service
Jiangsu NandaSoft Computer Fixtures Company Limited*#@	PRC	RMB10,000,000	51%	–	Sale of computer hardware products and equipment
Nanjing NandaSoft System Integration Company Limited *#@	PRC	RMB20,000,000	100%	–	Rendering of system Integration services

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of establishment/ incorporation and business	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company		Principal activities
			Directly	Indirectly	
Shenyang Soft Software Development Company Limited *#@	PRC	RMB10,000,000	70%	–	Investment holding
NandaSoft Technology (Shenzhen) Company Limited (Formerly Shenzhen NandaSoft Network Technology Company Limited) *#@	PRC	RMB5,000,000	90% (2012: Nil)	10% (2012:100%)	Sale of computer hardware products and equipment
Smartful Ventures Holdings Limited ("Smartful")* (note 2)	BVI	USD100	–	60% (2012: 40%)	Investment holding
Vast Rich Asia Limited	HK	HK$10,000	–	60% (2012: 40%)	Investment holding
Staterich Technology (Jiangsu) Company Limited ("Staterich") *#@	PRC	HK$6,100,000	–	60% (2012: 40%)	Software outsourcing and development
Jiangsu NandaSoft Investment Company Limited*#@+	PRC	RMB5,000,000	100%	–	Investment holding

* 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 newly incorporated during the year.

@ These subsidiaries are registered as limited liability companies established in the PRC.

^ 80% equity interest of the subsidiary is held by Staterich, 60% equity interest of which is indirectly held by the Company. Therefore, the effective interest of this subsidiary held by the Company is 48%.

Notes:

1) 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.

2) The Group further acquired 20% equity interest in Smartful (a 40% equity interest associate of the Group as at 31 December 2012) and its subsidiaries (collectively, referred as the "Smartful Group") during the year ended 31 December 2013. As a result, the equity interests in Smartful Group indirectly held by the Company increased from 40% to 60% and were treated as subsidiaries.

21. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Unlisted equity investments, at cost	**–**	–	**25,528,800**	25,500,000
Share of net assets	**93,833,495**	81,207,073	**–**	–
Less: Impairment	**–**	–	**(338,354)**	(338,354)
	93,833,495	81,207,073	**25,190,446**	25,161,646

Particulars of the principal associates as at 31 December 2013 were as follows:

Name of associate	Place of establishment and business	Paid up/ issued capital	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Nanda Research Institute Company Limited #	PRC	RMB10,000,000	30%	Property investment
Promed Medical Technology (Suzhou) Company Limited ("Promed Medical") ##	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 #	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 ASSOCIATES (Continued)

Name of associate	Place of establishment and operation	Paid up/ issued capital	Percentage of paid up/issued capital held by the Company	Principal activity
Equity Victory Global Limited ("Equity Victory")	BVI	USD100	30%	Investment holding
Nanda Pharmaceutical (HK) Limited	HK	HK$1,500	30%	Investment holding
Jiangsu Sheng Fung Medical Technology Company Limited # ("Sheng Fung Medical") (note a)	PRC	RMB10,000,000	30%	Investment holding
Nanjing Nanda Pharmaceutical Company Limited# ("Nanda Pharmaceutical") (note a)	PRC	RMB60,060,000 (2012: RMB90,000,000)	22.6% (2012:15.6%)	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 Development and consultancy	PRC	HK$6,160,000	30%	Information Technology
Jiangsu Hanwin Technology Company Limited *#@ ("Hanwin") (note b)	PRC	RMB20,000,000	35.81% (2012: 79.81%)	Sale of computer hardware and software products and equipment

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

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.

21. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

a. Save as disclosed in note 37 to the financial statements 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 52% equity interest of Nanda Pharmaceutical to Sheng Feng Medical at 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 of RMB16,058,956 for a consideration of the same amount.

   Reference was made to the announcements 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 two independent third parties for a total consideration of RMB7,000,000. Therefore, the effective equity interests of Nanda Pharmaceutical held by the Group decreased from 52% to 15.6% as at 31 December 2012. By virtue of the Group's 30% equity interests in Sheng Feng Medical, which in turn controls 52% equity interests in Nanda Pharmaceutical, the Group is in a position to exercise significant influence over Nanda Pharmaceutical. During the year ended 31 December 2013, the paid-up capital of Nanda Pharmaceutical decreased from RMB90,000,000 to RMB40,000,000. The September 2013, Sheng Feng Medical further acquired 11% equity interest of Nanda Pharmaceutical from certain non-controlling shareholders. After the further acquisition, the equity interest of Nanda Pharmaceutical held by Sheng Feng Medical increased from 52% to 63%. In December 2013, the paid-up capital of Nanda Pharmaceutical increased from RMB40,000,000 to RMB60,060,000 by issuing new capital to Sheng Feng Medical for gross proceeds of RMB20,060,000. The direct equity interests of Nanda Pharmaceutical held by Sheng Feng Medical increased from 63% to 75.36%. Therefore, the Group's effective equity interests in Nanda Pharmaceutical increased from 15.6% to 22.6%.

b. During the year ended 31 December 2013, the Group entered into an agreement with two minority shareholders of Hanwin to dispose of its 44% equity interests in Hanwin at a total consideration of RMB11,462,600. As a result, the equity interests in Hanwin held by the Company decreased from 79.81% to 35.81%. Hanwin has been treated as an associate since then.

   Subsequent to the end of the reporting period, in January 2014, the shares of Hanwin were listed on the New OTC Board of the Shenzhen Stock Exchange. The Group currently has no intention to dispose the remaining interests in Hanwin.

The above associates were not audited by Ascenda Cachet CPA Limited.

The above table lists the associates 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 associates would, in the opinion of the directors, result in particulars of excessive length.

21. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB	2012 RMB
Total assets	**703,005,317**	529,161,771
Total liabilities	**(334,849,250)**	(239,658,468)
Net assets	**368,156,067**	289,503,303
Revenue	**228,228,771**	47,050,093
Profits/(loss) for the year	**4,545,686**	(4,581,514)
Share of the associates' profit/(loss) for the year	**2,507,795**	(1,200,930)
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**2,507,795**	(1,200,930)
Aggregate carrying amount of the Group's investments in the associates	**93,833,495**	81,207,073

22. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013 **RMB**	2012 RMB	**2013** **RMB**	2012 RMB
Unlisted equity investments, at cost	**9,827,764**	7,804,310	**8,658,654**	5,515,200

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 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 and Company	
	2013	2012
	RMB	RMB
Unlisted equity investments, at carrying amount	**–**	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 associates" 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".

During the year ended 31 December 2013, the investee company completed the changes of equity holders and business licenses from the local authorities, and accordingly, the disposal of the Investment was completed. A gain on disposal of non-current assets held for sales of RMB20,996 was recognised in the consolidated statement of profit or loss.

24. CONSTRUCTION IN PROGRESS

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Cost at 1 January	**140,238,855**	35,506,792	**90,245,539**	18,946,651
Additions	**207,505,990**	96,565,052	**143,609,065**	64,689,932
Interest capitalised (note 7)	**8,411,720**	8,167,011	**6,973,110**	6,608,956
Transfer to property, plant and equipment (note 15)	**(46,781,082)**	–	**(46,781,082)**	–
Transfer to investment properties (note 16)	**(191,727,270)**	–	**(191,727,270)**	–
Transfer to prepaid land lease payment (note 17)	**(2,319,362)**	–	**(2,319,362)**	–
Cost at 31 December	**115,328,851**	140,238,855	**–**	90,245,539

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.

As at 31 December 2013, the Company and the Group had contracted but not provided for commitments for the costs of the construction of the above projects of approximately RMB70,848,091 (2012: approximately RMB179,858,000).

25. DEPOSITS PAID

	Notes	Group 2013 RMB	Group 2012 RMB	Company 2013 RMB	Company 2012 RMB
Unlisted equity investments: Vascore Medtech Medical (Suzhou) Company Limited ("Vascore")	(a)	**9,910,000**	9,910,000	**9,910,000**	9,910,000
Acquisition of prepaid land lease payments	(b)	**3,500,000**	3,500,000	**–**	–
		13,410,000	13,410,000	**9,910,000**	9,910,000

Notes:

a) On 28 August 2008, the Company entered into an agreement with an independent third party for the acquisition of a 30% of equity interest in Vascore at a consideration of US$1,450,000 (approximately RMB9,910,000) (the "Share Consideration"), which has been settled by the Company in full in 2008. As at 31 December 2013, 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.

Commencing from the previous year, Vascore has agreed to provide certain of its land and building (the "Pledged Property") as a security for certain of the Company's bank loans of RMB30,000,000. Subsequent to the end of the reporting period, Vascore has also agreed to enter into a second pledge of the Pledge Property to secure the repayment of the Share Consideration.

b) During the year ended 31 December 2012, one of the Group's wholly-owned subsidiaries, NandaSoft Technology Investment Development (Wuxi) Company Limited ("NandaSoft Wuxi") 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 NandaSoft Wuxi amounting to RMB3,500,000 during that year. As at 31 December 2012, NandaSoft Wuxi was still in the course of applying for approval for the change of ownership from the local authorities.

During the year ended 31 December 2013, the right of acquiring a parcel of land located in Wuxi was confiscated by the PRC government. NandaSoft Wuxi is required to increase the registered capital to RMB50,000,000. During the year, NandaSoft Wuxi's registered capital was increased from RMB10,000,000 to RMB50,000,000 and the paid-up capital increased from RMB10,000,000 to RMB18,000,000. The remaining amount should be paid up by 29 November 2015.

The PRC government is in the process of putting the parcel of land for tender. The directors consider that NandaSoft Wuxi has a good chance of successfully win the tender and the deposit paid of RMB3,500,000 is recoverable.

26. INVENTORIES

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Computer hardware products, equipment and software products, and mobile phones	**68,601,457**	79,618,482	**28,875,018**	24,787,174

27. TRADE AND BILLS RECEIVABLES

		Group		Company	
	Notes	**2013**	2012	**2013**	2012
		RMB	RMB	RMB	RMB
Trade receivables		**258,115,683**	305,882,257	**65,553,509**	88,666,708
Impairment	(a)	**(40,484,056)**	(30,537,209)	**(20,078,453)**	(19,704,925)
		217,631,627	275,345,048	**45,475,056**	68,961,783
Bills receivable		**200,000**	1,000,000	**–**	–
Net carrying amount	(b)	**217,831,627**	276,345,048	**45,475,056**	68,961,783

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
At 1 January	**30,537,209**	24,566,630	**19,704,925**	16,270,355
Acquisition of subsidiary	**–**	1,671,196	**–**	–
Impairment losses recognised	**9,946,847**	4,299,383	**373,528**	3,434,570
At 31 December	**40,484,056**	30,537,209	**20,078,453**	19,704,925

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB40,484,056 (2012: RMB30,537,209) with a carrying amount before provision of RMB95,294,323 (2012: RMB112,049,394).

27. TRADE AND BILLS RECEIVABLES (Continued)

(b) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
0-90 days	**162,821,360**	193,832,863	**22,587,038**	29,893,805
91-180 days	**8,128,768**	23,532,433	**913,932**	9,638,160
181-365 days	**5,423,932**	21,751,953	**2,220,860**	6,100,480
Over 365 days	**41,257,567**	36,227,799	**19,753,226**	23,329,338
	217,631,627	275,345,048	**45,475,056**	68,961,783

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

	Group		**Company**	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Neither past due nor impaired	**162,821,360**	193,832,863	**22,587,038**	35,007,862
Less than 3 months past due	**–**	–	**–**	–
	162,821,360	193,832,863	**22,587,038**	35,007,862

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 amounts due from the associates of RMB1,473,321 (2012: RMB138,012), which are unsecured, interest-free and have no fixed terms of repayment.

(d) Included in the Company's trade and bills receivables are amounts due from subsidiaries and associates of RMB7,004,985 (2012: RMB7,156,739) and RMB1,257,679 (2012:RMB71,741), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Notes	**2013**	2012	**2013**	2012
		RMB	RMB	**RMB**	RMB
Other receivables:					
Advances to suppliers		**63,102,907**	80,731,377	**37,575,346**	33,280,718
Others		**121,198,550**	99,737,650	**133,084,403**	93,454,731
		184,301,457	180,469,027	**170,659,749**	126,735,449
Less: Impairment		**(34,382,709)**	(16,035,645)	**(21,270,487)**	(9,869,961)
Net carrying amount of other receivables	(a) & (b)	**149,918,748**	164,433,382	**149,389,262**	116,865,488
Prepayments		**13,321,990**	8,537,684	**12,305,847**	1,644,878
Deposits paid		**214,603**	298,891	**-**	-
Total prepayments, deposits and other receivables		**163,455,341**	173,269,957	**161,695,109**	118,510,366

Notes:

(a) Included in the Group's other receivables are amounts due from the associates of RMB19,249,831 (2012: RMB2,775,455), which are unsecured, interest-free and have no fixed terms of repayment.

(b) Included in the Company's other receivables are amounts due from the subsidiaries and associates of RMB81,887,608 (2012: RMB46,336,414) and RMB17,249,831 (2012: Nil), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	RMB	RMB
Unlisted funds at fair value	**–**	27,000,000

The balance represented unlisted funds issued by an authorised financial institution incorporated in the PRC. They were measured at fair value at 31 December 2012.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Cash at bank	**108,452,563**	93,628,694	**23,954,944**	29,920,846
Cash on hand	**141,791**	103,139	**22,356**	8,903
	108,594,354	93,731,833	**23,977,300**	29,929,749
Pledged deposits (note 31)	**(23,889,210)**	(17,000,000)	**–**	–
Restricted bank balances (Note 42(I))	**(3,650,000)**	(3,950,000)	**(3,650,000)**	(3,950,000)
Cash and cash equivalents	**81,055,144**	72,781,833	**20,327,300**	25,979,749

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	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Trade payables				
0-90 days	**83,857,300**	174,907,352	**20,030,231**	33,710,214
91-180 days	**2,386,758**	14,112,015	**2,432,760**	4,202,219
181-365 days	**13,367,422**	7,836,998	**4,338,269**	2,122,563
Over 365 days	**62,128,529**	18,215,527	**13,491,167**	9,622,484
	161,740,009	215,071,892	**40,292,427**	49,657,480
Bills payables	**31,439,200**	37,000,000	**–**	–
	193,179,209	252,071,892	**40,292,427**	49,657,480

Included in the Group's trade and bills payables are amounts due to associates of RMB3,198,759 (2012: RMB6,633,119) 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 subsidiaries and associates of RMB5,770,790 (2012: RMB2,122,187) and RMB3,198,759 (2012: RMB4,253,417), respectively, which are unsecured, interest-free and have no fixed terms of repayment.

Bills payables are secured by the pledged bank deposits amounting to RMB23,889,210 (2012: RMB17,000,000) (note 30) and corporate guarantees given by the Company and a minority shareholder of one of the Company's subsidiaries.

32. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS AND DEPOSITS RECEIVED

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**RMB**	RMB	**RMB**	RMB
Receipts in advance	a, c	**32,548,088**	21,580,765	**17,427,230**	13,457,612
Deposits received		**74,786,380**	50,521,447	**74,786,380**	50,521,447
Construction cost payables		**167,874,313**	–	**133,892,571**	–
Other payables	b, d	**204,674,295**	116,322,328	**75,471,032**	38,006,421
Accruals		**11,515,911**	4,539,637	**11,583,621**	5,139,637
		491,398,987	192,964,177	**313,160,834**	107,125,117
Non-current portion					
– Deposits received	e & f	**(51,906,640)**	(24,124,190)	**(51,906,640)**	(24,124,190)
Long term payables		**(22,879,740)**	(26,397,257)	**(22,879,740)**	(26,397,257)
Current portion		**416,612,607**	142,442,730	**238,374,454**	56,603,670

a) Included in the Group's and Company's receipts in advance were the consideration received from the disposal of the non-current assets held for sales of RMB5,000,000 as at 31 December 2012 (2013: Nil) (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 (2012: RMB1,755,593), which are unsecured and interest-free. The Group'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 associates of RMB4,570,867 (2012: RMB22,851,239), which are unsecured and interest-free. The Group's associates 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 associates of RMB4,320,742 (2012: RMB9,082,026) and RMB4,455,667 (2012: RMB20,180,939), respectively, which are unsecured and interest-free. The Company's subsidiaries and associates 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 of Nanjing Buildings 1 with two independent third parties and a minority shareholder of an available-for-sale investment of the Group (collectively the "Buildings 1 Buyers"), pursuant to which, the Company will sell 3 floors of Nanjing Buildings 1 to the Buildings 1 Buyers at total consideration of RMB43,172,500, subject to adjustment. The transactions have not completed on 31 December 2013 and subject to the approval for the change of ownership from the local authorities. Deposits of RMB24,124,190 were received by the Company during the year ended 31 December 2010.

f) During the year ended 31 December 2013, the Company entered into certain memoranda of understanding of Nanjing Buildings 2 with seven independent third parties (the "Buildings 2 Buyers"), pursuant to which, the Company will sell 7 flats of Nanjing Buildings 2 to the Buildings 2 Buyers at consideration to be further determined. The transaction will be completed subject to the approval for the change of ownership from the local authorities. Deposits of RMB27,782,450 were received by the Company during the year ended 31 December 2013.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2013			2012		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loans – secured (note a)	**6 to 8.2**	**2014 & 2019**	**126,250,000**	6 to 8.2	2013 & 2019	143,800,000
Bank loans – unsecured (note b)	**7.2**	**2014**	**60,000,000**	6 to 7.9	2013	71,000,000
Other loans – unsecured	**14 to 18**	**2014**	**30,000,000**	15 to 18	2013	49,500,000
			216,250,000			264,300,000
Current portion			**(163,450,000)**			(203,500,000)
Non-current portion			**52,800,000**			60,800,000

	Company					
	2013			2012		
	Effective interest rate (%)	**Maturity**	**RMB**	Effective interest rate (%)	Maturity	RMB
Bank loan – secured (note a)	**6 to 8.2**	**2014 & 2019**	**93,800,000**	6 to 8.2	2013 & 2019	128,800,000
Bank loan – unsecured (note b)	**–**		**–**	–		–
Other loans – unsecured	**15 to 18**	**2014**	**17,000,000**	15 to 18	2013	17,000,000
			110,800,000			145,800,000
Current portion			**(58,000,000)**			(85,000,000)
Non-current portion			**52,800,000**			60,800,000

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Analysed into:				
Bank loans repayable:				
Within one year	**133,450,000**	154,000,000	**41,000,000**	68,000,000
In the second year	**8,000,000**	8,000,000	**8,000,000**	8,000,000
In the third to fifth years, inclusive	**35,200,000**	31,200,000	**35,200,000**	31,200,000
Beyond five years	**9,600,000**	21,600,000	**9,600,000**	21,600,000
	186,250,000	214,800,000	**93,800,000**	128,800,000
Other loans repayable:				
Within one year	**30,000,000**	49,500,000	**17,000,000**	17,000,000
	216,250,000	264,300,000	**110,800,000**	145,800,000

As at 31 December 2013, 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 RMB17,225,460 and RMB6,373,373, respectively (2012: RMB19,568,000 and RMB4,151,593, respectively).

b) the pledge of the land and the properties situated in the PRC owned by Vascore and Nanjing Ke Lu Yin Clothing Company Limited for short term bank loans of RMB30,000,000 and RMB10,000,000, respectively.

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 properties situated in the PRC owned by Vascore.

In addition, the Company has guaranteed certain of the bank loans of its subsidiaries up to RMB73,000,000 (2012: RMB69,500,000) as at the end of the reporting period.

An independent third party has guaranteed certain of the bank loans of the Group up to RMB30,000,000 (2012: RMB40,000,000) as at the end of the reporting period. 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 to the Group.

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 term of 1 year.

At 31 December 2013, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2013	Minimum lease payments 2012	**Present value of minimum lease payments 2013**	Present value of minimum lease payments 2012
Amounts payable:				
Within one year	**57,535**	67,134	**48,449**	54,295
In the second year	**–**	61,541	**–**	49,771
In the third to fifth years, inclusive	**–**	–	**–**	–
Total minimum finance lease payments	**57,535**	128,675	**48,449**	104,066
Future finance charges	**(9,086)**	(24,609)		
Total net finance lease payables	**48,449**	104,066		
Portion classified as current liabilities	**(48,449)**	(54,295)		
Non-current portion	**–**	49,771		

35. SHARE CAPITAL

	2013 RMB	2012 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

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 countries 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. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 39 and 40.

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.

36. RESERVES (Continued)

Capital reserve

Capital reserve arose from the gain/(loss) on partial disposal of Company's subsidiaries without loss of 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.

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 RMB41,489,733 (2012: RMB38,981,938) retained by the associates of the Group.

36. RESERVES (Continued)

(b) Company

	Share premium account RMB	Property revaluation reserve RMB	Statutory surplus reserve RMB	Retained profits RMB	Proposed final dividend RMB	Total RMB
At 1 January 2012	78,634,414	–	11,606,721	42,787,291	8,832,000	141,860,426
Profit for the year	–	–	–	19,536,973	–	19,536,973
Other comprehensive income for the year:						
Gain on property revaluation upon transfer from property, plant and equipment to investment properties	–	73,451,966	–	–	–	73,451,966
Income tax effect	–	(18,362,992)	–	–	–	(18,362,992)
Total comprehensive income for the year (note 11)	–	55,088,974	–	19,536,973	–	74,625,947
Appropriations	–	–	4,922,682	(4,922,682)	–	–
Final 2011 dividend declared	–	–	–	–	(8,832,000)	(8,832,000)
Proposed final dividend (note 13)	–	–	–	(8,832,000)	8,832,000	–
At 1 January 2013	78,634,414	55,088,974	16,529,403	48,569,582	8,832,000	207,654,373
Profit for the year and total comprehensive income for the year (note 11)	–	–	–	39,404,162	–	39,404,162
Final 2012 dividend declared	–	–	–	–	(8,832,000)	(8,832,000)
At 31 December 2013	78,634,414	55,088,974	16,529,403	87,973,744	–	238,226,535

37. BUSINESS COMBINATION

During the year ended 31 December 2012, the Company acquired of certain equity interests of subsidiaries as follows:

(i) 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 was 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.

(ii) Reference was made to the Company's announcement dated on 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 approximately RMB14,995,730 was settled during the year ended 31 December 2012 and the balance of 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.

37. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of both Nanda Pharmaceutical and Changtian as at the respective dates 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 liabilities	(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 of the trade receivables and other receivables as at the date of acquisition amounted to RMB81,035,049 and RMB33,560,539, respectively. The gross contractual amounts of trade receivables and other receivables were RMB83,187,640 and RMB36,936,119, respectively, of which trade receivables and other receivables of RMB2,152,591 and RMB3,375,580, respectively, were expected to be uncollectible.

37. BUSINESS COMBINATION (Continued)

Analyses of the cash flows in respect of the acquisitions of subsidiaries in 2012 are as follows:

	Changtian RMB	Nanda Pharmaceutical RMB	Total RMB
Cash consideration	(41,392,986)*	(508,629)	(41,901,615)
Long term payables – consideration by installments	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 RMB41,392,986 represented the fair value of the consideration for the acquisition of RMB46,283,116 as at 31 December 2012 assuming an effective interest rate of 9.9%.

Since its acquisition, Nanda Pharmaceutical's and Changtian contributed RMB Nil and RMB101,096,176, respectively, to the Group's turnover 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 37,591,096 respectively.

The Group disposed of the controlling equity interests of Nanda Pharmaceutical during the year ended 31 December 2012 (note 38).

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

Year ended 31 December 2013

During the year ended 31 December 2013, the Company disposed of certain equity interests of subsidiaries as follows:

i) The Company entered into an agreement with two minority shareholders of Jiangsu Hanwin Technology Company Limited ("Hanwin") to dispose of its 44% equity interests in Hanwin at a total consideration of RMB11,462,600. As a result, the equity interests in Hanwin held by the Company decreased from 79.81% to 35.81% and was treated as an associate since then.

ii) Hanwin entered into an agreement with minority shareholder of Nanjing Mak Lung Sze Technology Company Limited ("Mak Lung Sze") to dispose of the 60% equity interests in Mak Lung Sze held by Hanwin, which is indirectly held by the Company, at the total consideration of RMB3,504,000.

iii) The Company entered into an agreement with one of the Group's senior management – Mr. Xu Zhihuai to dispose of 20% equity interests in Jiangsu NandaSoft Communication Company Limited ("NandaSoft Communication") at the total consideration of RMB1,000,000. As a result, the equity interests in NandaSoft Communication held by the Company decreased from 51% to 31% and was treated as an associate.

iv) The Company entered into an agreement with Jiangsu Fu Man Investment Limited ("Jiangsu Fu Man", a 40% equity interest associate of the Company) to dispose of 100% equity interests in Jiangsu NandaSoft Services Training Centre ("NandaSoft Training Centre") held by the Company at a consideration of RMB5,000,000. As a result, the effective equity interests in NandaSoft Training Centre held by the Company decreased from 100% to 40% and was treated as an associate since then.

v) The Group entered into an agreement with a minority shareholder of Jiangsu NandaSoft Xin Yi Technology Software Company Limited ("Xin Yi") and two independent third parties to dispose of the entire 51% equity interests in Xin Yi at a total consideration of RMB510,000.

38. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of subsidiaries (Continued)

Details of the above disposals are as follows:

	Hanwin RMB	Mak Lung Sze RMB	NandaSoft Communication RMB	NandaSoft Training Centre RMB	Xin Yi RMB	Total RMB
Cash and bank balances	6,217,938	2,280,552	708,784	567,295	237,996	10,012,565
Inventories	3,109,205	3,436,415	3,022,943	–	159,609	9,728,172
Trade and bill receivables	41,969,708	2,813,448	1,195,790	100,000	1,636,367	47,715,313
Other receivables	11,035,490	15,391,562	11,718,031	4,717,620	4,466,415	47,329,118
Available-for-sale investments	2,000,000	–	8,000,000	–	1,020,000	11,020,000
Property, plant and equipment	1,969,537	102,328	199,405	25,422	38,208	2,334,900
Intangible assets	(3,811)	1,112,500	2,720,000	–	–	3,828,689
Trade payables	(26,521,645)	(1,369,990)	(661,023)	(4,193)	(1,659,305)	(30,216,156)
Receipts in advance, other payables and accruals	(15,404,019)	(1,750,979)	(13,609,238)	(1,035,178)	(2,063,155)	(33,862,569)
Tax recoverable/(payables)	119,507	(27,190)	27,420	(125,000)	–	(5,263)
Interest-bearing bank borrowings	–	(9,500,000)	(6,500,000)	–	(4,000,000)	(20,000,000)
Net assets/(liabilities)	24,491,910	12,488,646	6,822,112	4,245,966	(163,865)	47,884,769
Non-controlling interests	391,832	(4,995,458)	(2,144,335)	–	301,376	(6,446,585)
	24,883,742	7,493,188	4,677,777	4,245,966	137,511	41,438,184
Capital reserve released upon the disposal of subsidiaries	(5,336,749)	–	(1,198,500)	–	(221,083)	(6,756,332)
Statutory surplus reserve released upon the disposal of subsidiaries	(618,774)	(808,576)	–	–	(7,571)	(1,434,921)
Gains/(losses) on disposal of subsidiaries (note 6)	1,304,935	(3,180,612)	(364,422)	862,674	601,143	(776,282)
	20,233,154	3,504,000	3,114,855	5,108,640	510,000	32,470,649
Satisfied by:						
Cash	11,462,600	3,504,000	1,000,000	5,000,000	510,000	21,476,600
Investments in associates	8,770,554	–	2,114,855	108,640	–	10,994,049
	20,233,154	3,504,000	3,114,855	5,108,640	510,000	32,470,649

38. 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 RMB
Cash consideration	**21,476,600**
Consideration to be received after 31 December 2013	**(7,333,635)**
Cash and bank balances disposed of	**(10,012,565)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4,130,400**

Year ended 31 December 2012

During the year ended 31 December 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 a consideration of RMB3,570,000.

The Company entered into an agreement with Jiangsu Fu Man Investment Limited ("Jiangsu Fu Man", a 40% equity interest associates of the Company) to dispose of 70% equity interests in Changshu Fu Man Services Training Centre (formerly 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 associates.

The Company entered into an agreement with and 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 associate.

38. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Disposal of subsidiaries (Continued)

Save as disclosed in notes 21(a) and 37 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.

Details of the above disposals are as follows:

	NandaSoft Computer Engineering RMB	Changshu Fu Man RMB	NandaSoft Health RMB	Sheng Feng Medical Group RMB	Total RMB
Cash and bank balances	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 associate	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 associates	–	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

38. 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 RMB
Cash consideration	17,270,000
Consideration received during the year ended 31 December 2013	(6,663,900)
Cash and bank balances disposed of	(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 2013, the Group disposed of 80% equity interests in Beijing NandaSoft Digital Technology Company Limited ("Beijing NandaSoft") to Staterich Technology (Jiangsu) Company Limited ("Staterich"), a 60%-owned subsidiary of the Group at a consideration of RMB1,600,000. Accordingly, the effective equity interests in Beijing NandaSoft held by the Company decreased from 80% to 48% and a gain on partial disposal of RMB46,386 is recognised in capital reserve.

39. COMMITMENTS

a) Operating lease commitments

As lessor

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

At 31 December 2013, 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	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Within one year	**2,403,292**	1,010,815	**2,243,292**	850,815
In the second to fifth years, inclusive	**3,805,702**	560,093	**3,645,702**	240,093
	6,208,994	1,570,908	**5,888,994**	1,090,908

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 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	RMB	RMB
Within one year	**958,810**	2,487,323
In the second to fifth years, inclusive	**1,222,536**	2,633,746
	2,181,346	5,121,069

39. COMMITMENTS (Continued)

(b) Capital commitments

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

Save as disclosed in notes 24 and 25(b) to the financial statements, the Company had the following capital commitments at the end of the reporting period:

	2013	2012
	RMB	RMB
Contracted, but not provided for:		
Capital contributions payable to a non-wholly owned subsidiary		
– NandaSoft Technology Investment Development (Wuxi) Company Limited	**25,600,000**	–

(c) Other commitments

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

40. CONTINGENT LIABILITIES

Apart from the Group's and the Company's litigations are disclosed in note 42 to the financial statements, the Group's and the Company's contingent liabilities at the end of the reporting period were as follows:

a) As at 31 December 2012 and 2013, the Group and the Company had contingent liabilities in respect of financial guarantees to the extent of RMB9,500,000 (2012: 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, an associate of the Group ("Promed Medical"). The banking facilities generated to Promed Medical were expired on 21 March 2014 and the loan was repaid accordingly. In the opinion of the directors of the Company, the liabilities under the Financial Guarantees I given by the Group and the Company was minimal.

b) As at 31 December 2012 and 2013, the Group and the Company had contingent liabilities in respect of financial guarantees to the extent of totally RMB22,500,000 (2012: 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, an associate of the Group. The banking facilities were fully utilised by them as at 31 December 2012 and 2013. In the opinion of the directors of the Company, the liability under the Financial Guarantees II given by the Group and the Company was minimal.

40. CONTINGENT LIABILITIES (Continued)

c) As at 31 December 2013, the Group and the Company had contingent liabilities in respect of financial guarantees to the extent of totally RMB22,500,000 (2012: Nil) (the "Financial Guarantees III") given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Mak Lung Sze and Xin Yi, a former subsidiaries of the Group. The banking facilities were fully utilised by them as at 31 December 2013. In the opinion of the directors of the Company, the liability under the Financial Guarantees III given by the Group and the Company was minimal.

d) In addition to the above, the Company also had contingent liabilities in respect of corporate guarantees given for banking facilities granted to certain subsidiaries in the aggregate amount of RMB73,000,000 (2012: RMB69,500,000). At the end of the reporting period, such facilities were utilised by subsidiaries in an aggregate amount of RMB73,000,000 (2012: RMB69,500,000). In the opinion of the directors of the Company, the liability under the above corporate guarantees given by the Company was minimal.

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

			Group and Company	
Name of related party	**Nature of transactions**	**Relationship**	**2013** **RMB**	2012 RMB
Nanjing University	Development cost paid (note i)	Shareholder of the Company	**256,000**	–

Notes:

(i) For the year ended 31 December 2013, the Group paid development cost in an aggregate of RMB256,000 (2012: Nil) to Nanjing University for the joint development of software products. These transactions were conducted in accordance with the terms agreed between the Group and the related party.

41. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties:

	Group		Company	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Due from shareholders				
Nanjing University	**3,511,083**	3,180,331	**3,511,083**	3,180,331
Jiangsu Co-Creation Education Development Company Limited	**2,361,887**	2,361,887	**2,361,887**	2,361,887
	5,872,970	5,542,218	**5,872,970**	5,542,218
Due to a shareholder				
Nanjing University	**(520,000)**	–	**(520,000)**	–
Jiangsu Co-Creation Education Development Company Limited	**–**	(115,297)	**–**	(115,297)
	(520,000)	(115,297)	**(520,000)**	(115,297)

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

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

	Group	
	2013	2012
	RMB	RMB
Short term employee benefits	**1,591,979**	1,522,349
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**1,591,979**	1,522,349

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

42. LITIGATIONS

Litigation 1

During the year ended 31 December 2012, the Company entered into a services contract (the "Contract") with an independent third party (the "Counterparty") for providing the medical testing services to that independent third party. However, during the same year, the Counterparty 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 Counterparty claimed that the Company has not fulfilled the services terms as stated in the Contract, and therefore, certain bank balances of the Company of RMB3,950,000 was frozen by the court during that year. The down payment of RMB3,000,000 had not been recognised as income in the previous years and was included in receipts in advance in the statement of financial position as at 31 December 2012.

On 12 December 2013, Hunan Province Changsha Intermediate People's Court ruled in favour of the Counterparty. The Company is required to refund the down payment received of RMB3,000,000 and a damage of RMB950,000 together with the legal expenses of RMB81,729 and accordingly, the restricted bank balance of RMB3,950,000 was taken by the counterparty as partial settlement during the year. Apart from the refund of the down payment of RMB3,000,000, the Company recorded a loss of RMB1,031,729 in relation to awarded damages and legal expenses in the statement of profit or loss during the year ended 31 December 2013.

Litigation 2

On 31 December 2011, one of the Group's associates – Jiangsu Meditec System Inc ("Jiangsu Meditec") entered into a services contract (the "Contract") with an independent third party for providing the medical testing services to that independent third party (the "Customer"). Based on a cancel and transfer agreement (the "Transfer Agreement") purportedly entered into by Jiangsu Meditec on 18 June 2012 with the Customer, Jiangsu Meditec would not further provide the services to the Customer but transfer the Contract to another services provider (the Services Provider"). However, on 21 October 2013, the Services Provider has applied to Jiangxi Province Nanchang Intermediate People's Court to demand for the transfer from the Company the down payment received (the "Service Deposit") of RMB1,200,000 and a damage of RMB2,400,000 together with certain legal expenses of RMB50,000. The Services Provider claimed that the Company has not transferred the Service Deposit to them as required in the Transfer Agreement. Certain bank balances of the Company of RMB3,650,000 was frozen by the court during the year.

The directors of the Company, based on the advices from the Group's legal counsel, consider that the Company has a valid ground to challenge the authenticity of the Transfer Agreement and will vigorously defend itself in this case. Therefore, the directors of the Company consider that no provision for loss arising from this litigation is necessary.

43. 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 2013
Financial assets

	Loans and receivables RMB	Available for-sale financial assets RMB	Total RMB
Trade and bills receivables	217,831,627	–	217,831,627
Financial assets included in prepayments, deposits and other receivables	150,133,351	–	150,133,351
Available-for-sale investments	–	9,827,764	9,827,764
Due from shareholders	5,872,970	–	5,872,970
Pledged deposits	23,889,210	–	23,889,210
Cash and cash equivalents	84,705,144	–	84,705,144
	482,432,302	9,827,764	492,260,066

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade and bills payables	193,179,209
Financial liabilities included in receipt in advance, other payables and accrued expenses	384,064,519
Finance lease payables	48,449
Interest-bearing bank and other borrowings included in current liabilities and non-current liabilities	216,250,000
Due to shareholders	520,000
Dividend payables	7,583,625
Long term payables	22,879,740
	824,525,542

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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 and bills 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
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	540,351,372	7,804,310	575,155,682

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	120,861,965
Finance lease payables	104,066
Interest-bearing bank and other borrowings included in current liabilities and non-current liabilities	264,300,000
Due to shareholders	115,297
Dividend payables	6,069,557
Long term payables	26,397,257
	669,920,034

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company
31 December 2013
Financial assets

	Loans and receivables RMB	Available for-sale financial assets RMB	Total RMB
Trade receivables	45,475,056	–	45,475,056
Financial assets included in prepayments, deposits and other receivables	149,389,262	–	149,389,262
Available-for-sale investments	–	8,658,654	8,658,654
Due from shareholders	5,872,970	–	5,872,970
Cash and cash equivalents	23,977,300	–	23,977,300
Dividend receivable	1,335,573	–	1,335,573
	226,050,161	8,658,654	234,708,815

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade payables	40,292,427
Financial liabilities included in receipt in advance, other payables and accrued expenses	220,947,224
Dividend payables	7,083,703
Interest-bearing bank and other borrowings included in current liabilities and non-current liabilities	110,800,000
Due to shareholders	520,000
Long term payables	22,879,740
Due to subsidiaries	154,778,681
	557,301,775

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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	116,865,488	–	116,865,488
Available-for-sale investments	–	5,515,200	5,515,200
Due from shareholders	5,542,218	–	5,542,218
Dividend receivables	1,335,573	–	1,335,573
Cash and cash equivalents	29,929,749	–	29,929,749
	222,634,811	5,515,200	228,150,011

Financial liabilities

	Financial liabilities at amortised cost RMB
Trade payables	49,657,480
Financial liabilities included in receipt in advance, other payables and accruals	43,146,058
Dividend payables	6,069,557
Interest-bearing bank and other borrowings included in current liabilities and non-current liabilities	145,800,000
Due to shareholders	115,297
Long term payables	26,397,257
Due to subsidiaries	123,416,373
	394,602,022

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair value	
	2013	2012	**2013**	2012
	RMB	RMB	**RMB**	RMB
Financial assets				
Financial assets at fair value through profit or loss	**–**	27,000,000	**–**	27,000,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables and amount due from shareholders, financial liabilities included trade and bills payables, other payables accruals and deposits received, amounts due to shareholders, dividend payables, finance lease payables, long term payables and the interest-bearing bank and other borrowings approximate to their carrying amounts these instruments.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments as at 31 December 2012:

Assets measured at fair value

As at 31 December 2012

	Fair value measurement using			
	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	
	RMB	RMB	RMB	RMB
Equity investments at fair value through profit or loss	27,000,000	–	–	27,000,000

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 and bills 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss 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**
2013					
Renminbi	**0.5%**	**(1,081,250)**	**–**	**0.5%**	**–**
	(0.5%)	**1,081,250**	**–**	**(0.5%)**	**–**
2012					
Renminbi	0.5%	(1,321,500)	–	0.5%	–
	(0.5%)	1,321,500	–	(0.5%)	–

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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. No Group's sales (2012: 1%) were denominated in currencies other than the functional currency of the operating units making the sale, whilst all of costs were denominated in the units' functional currencies.

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

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

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB	Increase/ (decrease) in equity* RMB
31 December 2013			
If RMB weakens against HK$	**5%**	**–**	**–**
If RMB strengthens against HK$	**(5%)**	**–**	**–**
If RMB weakens against US$	**5%**	**–**	**–**
If RMB strengthens against US$	**(5%)**	**–**	**–**
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	–

* Excluding retained profits

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, 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. Please also refer to note 2.1 to the consolidated financial statements for further details about the directors' assessment of the Group's and the Company's going concern.

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 2013

	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	–	12,000,000	151,450,000	43,200,000	9,600,000	216,250,000
Trade and bills payables	161,740,009	28,604,500	2,834,700	–	–	193,179,209
Financial liabilities included in receipts in advance, other payables and accruals	384,064,519	–	–	–	–	384,064,519
Finance lease payables	–	12,112	36,337	–	–	48,449
Due to shareholders	520,000	–	–	–	–	520,000
Dividend payables	7,583,625	–	–	–	–	7,583,625
Long term payables	–	–	–	22,879,740	–	22,879,740
	553,908,153	40,616,612	154,321,037	66,079,740	9,600,000	824,525,542

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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	120,861,965	–	–	–	–	120,861,965
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
Long term payables	–	–	–	26,397,257	–	26,397,257
	342,118,711	22,013,574	218,540,722	26,447,027	60,800,000	669,920,034

Company

31 December 2013

	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	**–**	**–**	**58,000,000**	**43,200,000,**	**9,600,000**	**110,800,000**
Trade payables	**40,292,427**	**–**	**–**	**–**	**–**	**40,292,427**
Financial liabilities included in receipts in advance, other payables and accruals	**220,947,224**	**–**	**–**	**–**	**–**	**220,947,224**
Dividend payables	**7,083,703**	**–**	**–**	**–**	**–**	**7,083,703**
Due to shareholders	**520,000**	**–**	**–**	**–**	**–**	**520,000**
Long term payables	**–**	**–**	**–**	**22,879,740**	**–**	**22,879,740**
Due to subsidiaries	**154,778,681**	**–**	**–**	**–**	**–**	**154,778,681**
	423,622,035	**–**	**58,000,000**	**66,079,740**	**9,600,000**	**557,301,775**

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

31 December 2012

	Company					
	On demand or no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Interest-bearing bank and other borrowings	–	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	43,146,058	–	–	–	–	43,146,058
Dividend payables	6,069,557	–	–	–	–	6,069,557
Due to shareholders	115,297	–	–	–	–	115,297
Long term payables	–	–	–	26,397,257	–	26,397,257
Due to subsidiaries	123,416,373	–	–	–	–	123,416,373
	222,404,765	10,000,000	75,000,000	26,397,257	60,800,000	394,602,022

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, receipts in advance, other payables and accrued expenses, financial lease payables and amounts due to shareholders less cash and cash equivalents (including pledged deposits and restricted bank balances). 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	
	2013	2012
	RMB	RMB
Interest-bearing bank and other borrowings	**216,250,000**	264,300,000
Trade and bills payables	**193,179,209**	252,071,892
Receipts in advance, other payables and accruals	**416,612,607**	142,442,730
Dividend payables	**7,583,625**	6,069,557
Deposit received	**51,906,640**	24,124,190
Long term payables	**22,879,740**	26,397,257
Finance lease payables	**48,449**	104,066
Due to shareholders	**520,000**	115,297
Less: Cash and bank balances, including pledged deposits and restricted bank balances	**(108,594,354)**	(93,731,833)
Net debt	**800,385,916**	621,893,156
Equity attributable to owners of the Company	**401,957,483**	416,614,330
Capital and net debt	**1,202,343,399**	1,038,507,486
Gearing ratio	**67%**	60%

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 28 March 2014.

Investment properties

Location	Use	Tenure	Attributable Interest of the Group
Lot A3 of Gulou Technology Park, Western Side of Shangxinhe Road, Gulou District, Nanjing City, Jiangsu Province, the PRC	Commercial	Medium term	100%
Room 1108, No. 186-1, Jiangdong Central Road, Jianye District, Nanjing City, Jiangsu Province, the PRC	Commercial	Medium term	51%

FIVE YEAR FINANCIAL SUMMARY

31 December 2013

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.

	2013 RMB	2012 RMB	2011 RMB	2010 RMB	2009 RMB
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**602,525,445**	643,001,427	475,966,732	396,673,507	329,989,675
Cost of sales	**(503,311,385)**	(523,156,836)	(374,758,938)	(324,699,507)	(257,608,012)
Gross profit	**99,214,060**	119,844,591	101,207,794	71,974,000	72,381,663
Other income and gains	**71,975,401**	17,135,272	28,430,776	35,745,473	11,441,509
Selling and distribution costs	**(26,744,805)**	(27,247,158)	(28,374,424)	(24,276,046)	(20,794,228)
Research and development costs	**(9,596,083)**	(5,222,011)	(407,145)	(444,444)	(1,274,204)
Administrative expenses	**(96,371,427)**	(57,421,602)	(51,624,115)	(37,771,540)	(33,536,714)
Finance costs	**(13,477,524)**	(10,586,360)	(11,630,005)	(1,387,003)	(841,101)
Share of profits/(losses) of associates	**2,507,795**	(1,200,930)	35,928,663	4,470,127	(139,039)
PROFIT BEFORE TAX	**27,507,417**	35,301,802	73,531,544	48,310,567	27,237,886
Income tax expense	**(20,711,875)**	(4,000,002)	(5,678,065)	(6,277,694)	(1,966,528)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**6,795,542**	31,301,800	67,853,479	42,032,873	25,271,358
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	5,113,474	–	–	–
PROFIT FOR THE YEAR	**6,795,542**	36,415,274	67,853,479	42,032,873	25,271,358
Attributable to:					
Owners of the Company	**2,176,371**	28,089,862	66,888,502	42,905,987	24,097,413
Non-controlling interests	**4,619,171**	8,325,412	964,977	(873,114)	1,173,945
	6,795,542	36,415,274	67,853,479	42,032,873	25,271,358
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**1,393,088,196**	1,211,478,936	779,313,521	592,555,792	351,292,561
TOTAL LIABILITIES	**(952,207,994)**	(749,082,180)	(406,766,832)	(286,147,194)	(137,018,129)
NON-CONTROLLING INTERESTS	**(38,922,719)**	(45,782,426)	(30,054,097)	(22,736,903)	(16,102,947)
	401,957,483	416,614,330	342,492,592	283,671,695	198,171,485