



**NANDR  
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)



**2014**

**ANNUAL REPORT**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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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 (Chairman)  
(alias, Liu Jian Bang)  
Mr. Mr. Qiao Ruo Gu (Chief Executive Officer)

### Non-executive Directors

Mr. Gao Peng  
Mr. Wang Da Ming  
Mr. Wong Wei Khin

### Independent Non-executive Directors

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

### SUPERVISORS

Mr. Li Cheng  
Mr. Dong Liang  
Mr. Liang Run Bao  
Mr. Ngai Kei Ho  
Ms. Chen Jian Hong  
Ms. Gu Yin Ping

### COMPANY SECRETARY

Ms. Lee Man Yin (resigned on 7 January 2015)  
Ms. Leung Wing Han (appointed on 8 January 2015)

### AUDIT COMMITTEE

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

### NOMINATION COMMITTEE

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

### REMUNERATION COMMITTEE

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

## COMPLIANCE OFFICER

Mr. Liu Jian Bang

## AUTHORISED REPRESENTATIVES

Mr. Liu Jian Bang  
Ms. Leung Wing Han

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISORS

W.K.To & Co

## PRINCIPAL BANKERS

China Industrial and Commercial Bank,  
Nanjing Branch, Shanxi Lu sub-branch,  
HSBC, Hong Kong Branch

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

NandaSoft Tower, 8 Jinyin Street,  
Shanghai Road, Nanjing, The PRC  
Postal code: 210036

## PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 19 South Qingjiang Road,  
Nanjing P.R.C.  
Nanda Softtech Science Innovation Park

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Center,  
28 Queen's Road East,  
Wanchai,  
Hong Kong

## STOCK CODE

8045

## CHAIRMAN'S STATEMENT



**Mr. Liu Jian Bang**  
*Chairman*

On behalf of the Board of Directors (the “Board”), I am pleased to present the annual report for the year ended 31 December 2014 of Jiangsu NandaSoft Technology Company Limited (“NandaSoft” or the “Company”, together with its subsidiaries, the “Group”) to the shareholders for their review.

The development of traditional internet industry is both opportunity and challenge for IT companies. Chinese internet and mobile internet environment are mature and the downstream industry, target market of the IT companies, is also under intense transformation. Through communications with existing customers, we can learn about the change direction and progress thereof, and can actively adjust the pace to catch up with this trend.

Internet transformation of IT companies is an irreversible trend, but also an urgent task for them. Whether to take the initiative to ride on the wave of the Internet, or being pushed forward passively, internetization is the only way for IT companies. Internet technology can effectively extend a company’s business, break up monopolies and regional domination, and will expand the channels and services to the mass public. Therefore, companies in the fore front of the transformation will survive and stand out, winning more market share at the expense of the stragglers, which enable them to gain better control of the entire industry chain.



Amid this background the Company has been actively exploring its own way for transformation. In 2014, the Company made strategic approach centering around IT, with clear focus in accelerating the Internet business model transformation. Adhering to such strategy, the Company had redeployed its management and improved the management structure and business development. The new management of the Company developed, based on the said strategy, a plan for future business direction. The Company will focus on the launch of data services business in the Big Data and Cloud Computing architecture, aiming to become a data service provider based on the full-life cycle.

The Company issued additional domestic shares in 2014 and introduced Baoying (Beijing) Fund Management Co., Ltd. as a strategic investor with capital injection of RMB27.32 million.

### **BUSINESS RESULTS**

During the financial year of 2014, turnover of the Group was approximately RMB524,320,000 which declined by 13.14% compared with 2013, and the net profit of the Group amounted to RMB-77,435,300. The Board does not recommend the distribution of a final dividend for the year ended 31 December 2014.

### **FUTURE PROSPECTS**

Looking ahead, we believe that the era of data investment has arrived, and Cloud Computing and Big Data will play an important role in the construction of an intelligent city. In response, we will promote the Company's data services business through existing customers, at the same time improve the Company's awareness in the data services circle through specific performance optimization, search engine, data processing and other businesses and further strengthen our R&D work on platform and data so that under such ever-changing market environment, we can bring satisfactory return for our staff, customers and shareholders through persistent innovations in the future.

**Mr. Liu Jian**  
**(alias, Liu Jian Bang)**  
*Chairman*

Nanjing, PRC  
27 March, 2015

## FINANCIAL REVIEW

The turnover of the Company for the year ended 31 December 2014 was approximately RMB524,321,831.80, which represents a decrease of approximately RMB79,348,372.4 when compared with 2013 and this was mainly due to the economic downturn in the industry of Information Technology (the "IT").

The net profit of the Company for the year ended 31 December 2014 was RMB-77,435,330.34, representing a significant decline when compared with 2013. This was mainly due to various reasons including prolonged market competition in existing IT products which led to lower gross profit margin, provision of impairment of various receivables amounting to approximately RMB48,839,539.75 in total and the reduced growth in change in fair value (investment properties).

### Financial resources and liquidity

As at 31 December 2014, current assets of the Company amounted to approximately RMB612,939,770.58, of which approximately RMB124,914,894.22 were cash and cash equivalents and approximately RMB268,243,531.43 were receivables and prepayments which increased by RMB810,522.43 when compared with the same period of 2013.

In addition, as at 31 December 2014, the amount of receivables past due for more than 90 days was RMB76,533,954.06, representing 32.40% of total net receivables, which increased by 39.63% when compared with RMB54,810,267.00 at the end of 2013.

As at 31 December 2014, the non-current liabilities of RMB175,392,520.71 and current liabilities amounting to approximately RMB885,498,584.72, comprising mainly the trade and bills payables, receipts in advance and the construction cost payables included in other payables. The current liabilities increased by approximately 12.40% when compared with 2013.

As at 31 December 2014, short-term borrowings and long-term borrowings amounted to RMB206,800,000.00 in total, same as in 2013. Liquidity was sufficient to support the regular operation of the Company.

As at 31 December 2014, net assets of the Company amounted to approximately RMB409,597,294.31 (2013: RMB440,880,202.42), representing a drop of approximately 7.1% when compared with 2013.

### Charge on group assets

As at 31 December 2014, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City of approximately RMB22 million (2013: approximately RMB24 million) were pledged as security for interest-bearing bank borrowings granted to the Company.

### Foreign currency risk

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

During the year ended 31 December 2014, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## Contingent liabilities

1. On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by China Nuclear Industry Huaxing Construction Company Limited (as the plaintiff) .

According to the civil claim, it was claimed that the Company failed to pay for construction project. The payment was approximately RMB175,400,000.00 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen assets of the Company of RMB150,000,000.00.

The main reason for the delay in payment was that the audit on the related construction work cannot be completed by the agreed time and is still incomplete. Therefore, the actual amount of construction payable by the Company is still uncertain.

The Company considered the amount claimed by the plaintiff was contentious and doubtful. Based on the advice of the legal counsel of the Company, the Company should apply to the court for an appraisal of the cost of construction and adopt the appraisal outcome as the basis of settling the construction cost for fairness and legitimacy.

As Phase II of New NandaSoft Technology and Innovation Park constructed by the Company was in use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by Teamo Suling Investment Project Management Limited, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case will cause a significant difference in the estimated amount at the time of conversion into fixed assets, which will in turn have a material impact on the financial data of the Company.

As at 31 December 2014, the litigation was still ongoing. The Company's bank deposit frozen amounted to RMB666,441.16.



## Management Discussion and Analysis

2. The Group had contingent liabilities in respect of financial guarantees to the extent of RMB13,000,000.00 in total (2013: RMB22,500,000.00) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Nanjing Nanda Pharmaceutical Company Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2014.

Save for the above, the Company was also involved in the contingent liabilities in respect of guarantees to the extent of RMB77,000,000.00 in total (2013: RMB73,000,000.00) in respect of banking facilities granted to certain subsidiaries. At the end of reporting period, the subsidiaries have utilized such facilities of RMB53,000,000.00 in total (2013: RMB73,000,000.00).

### Employees and remuneration policies

The remuneration for the employees of the Group amounted to approximately RMB28,446,494.65 (2013: approximately RMB25,623,000), including the directors' and supervisors' emoluments of approximately RMB1,208,328 (2013: approximately RMB1,362,000) and RMB309,992 (2013: approximately RMB230,000), respectively for the year ended 31 December 2014.

The number of employees for the year had decreased from 455 to 281.

The Group remunerated its staff based on the individual's performance, qualification and experience and with reference to the market price.

### Dividend

The Directors do not recommend final dividend for the year ended 31 December 2014 (2013: Nil).

## BUSINESS REVIEW

### R&D of Information Technology and Products

During the year, the Company carried out the development of Cloud Systems based on Domestic Software and Hardware under the Electronic Documents and the R&D and Industrialization of Data Management Services Platform based on Cloud Computing, which mainly focus on the core technology of domestic cloud platform and electronic documents, including cloud computing networks, cloud computing chips, cloud servers, cloud storage, virtualization, Cloud Computing management, cloud platform, cloud services, cloud security, the entire electronic document management, layout techniques, etc., and the integration, update and R&D of the product and technology already developed to make more technical indicators reach the standards of IBM, Oracle and other cloud platforms.

During the year, the Company completed the R&D registration work of NANDASOFT desktop cloud. NANDASOFT desktop cloud solution based on server virtualization technology consists of client-end system, terminal management system, virtual machine management systems, and infrastructure systems, and aims to replace the traditional PCs by using of SOFT's desktop cloud system. This solution features rapid deployment, flexible scheduling, comprehensive monitoring and management, unified security release and use of cloud services business, centralized management, high degree of safety, low operation and maintenance costs and others.

During the year, Changtian ZhiYuan Company conducted the R&D of high-speed billing systems, including the lane software based on new Linux management system, and stand-level management software. It also carried out R&D of the new traffic video network monitoring system, which conducted a major upgrade of existing system with many new features added, such as access to more standard surveillance video images, etc..

### IT Services

During the year, the Company undertook the intelligent equipment procurement and installation projects of relocation project of Yangzhou Blood Station, supply and systems integration services for the network optimization and transformation of Jiangsu Provincial Meteorological Information Center, data backup procurement and integration project of Jiangsu Province Tobacco Company, Nanjing branch, video conferencing project of Jiangsu Human Resources and Social Security Department, Pizhou education modernization and other IT services projects.

In the field of intelligent transportation, Jiangsu ChangtianZhiyuan Transportation Research Co., Ltd signed various projects during the period, including Xianyang-Xunyi highway electromechanical engineering contract, upgrading and reconstruction of Jiangsu Suqian-Huai'an-Yancheng highway monitoring system, design development of Guizhou calling center 12328 system, three systems engineering projects of Nanjing road urbanization modification works of Jiangsu Nanjing Highway Department as well as expansion electrical and mechanical engineering project of Gaoyou Baqiao, Jiesshou and Muyang North Toll Gate of JiangsuBeijing-Shanghai High-Speed Railway Co., Ltd. This has strengthened the Company's competitiveness in the field of intelligent transportation.

In terms of government and public utilities, the Group undertook the upgrading and expansion project of the special network core delivery equipment of Jiangsu Provincial Administration for Industry and Commerce, Jurong Education Bureau's procurement project for the education modernization, intelligent project of experimental school in Yancheng environmental protection and technology park, data center purchase of Anhui Provincial Public Security Department and other several large IT projects worthy of millions and ten millions. These projects were awarded after intense government bidding and fully reflected the Company's competitiveness in the government and public utilities.

### Future Prospects

In the future, the Group will focus on the IT industry and the integration of resources to lead the transformation and upgrading of existing business via Internet business model, and seize the opportunity offered by the State in promoting in full scale the construction of smart cities. In addition, the Company will, relying on the comprehensive advantages of Nanjing University, promote the technological innovation in terms of Big Data, Cloud Computing, mobile Internet and other applications and develop certain software based on internet platform and with its own intellectual property rights in China; the Company will lay its focus on the smart city industry of higher market value in which the Group has distinctive advantages, including government and public utilities, and intelligent transportation, and based on the Yangtze River Delta, provide services for the whole country, in the hope that within three to five years' time, the Group will become a well-known and technology-leading data service provider for smart cities.

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

## 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. The activities of the Company's subsidiaries and associated companies are set out in note 8 to the financial statements, respectively.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 157.

The directors do not recommend the payment of a final dividend for the year (2013: nil).

## 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 160.

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 6.12 to the financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 6.32 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles 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 the consolidated statement of changes in equity, on page 46 and 47.

## DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution amounted to approximately RMB59,743,392.00.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 20.76% of the total sales for the year and sales to the largest customer included therein amounted to 5.7%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	34.06%
The five largest suppliers	49.05%

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) ( <i>Chairman</i> )	
Mr. Qiao Ruo Gu ( <i>Chief Executive Officer</i> )	( <i>appointed on 6 November 2014</i> )
Mr. Pan Jian Xiang	( <i>resigned on 19 June 2014</i> )

### Non-Executive Directors:

Mr. Wong Wei Khin	
Mr. Gao Peng	( <i>appointed on 27 June 2014</i> )
Mr. Wang Da Ming	( <i>appointed on 6 November 2014</i> )
Mr. Li Cheng	( <i>resigned 5 May 2014</i> )
Mr. Liu Winson Wing Sun	( <i>re-designated from executive director on 31 March 2014, resigned on 26 November 2014</i> )
Mr. Chen Zheng Rong	( <i>resigned on 29 December 2014</i> )

## **Independent Non-executive Directors:**

Dr. Daxi Li  
Ms. Xie Hong  
Mr. Xie Man Lin  
Mr. Ng Sau Lai Derek *(resigned on 19 May 2014)*

## **Supervisors:**

Ms. Chen Jian Hong *(appointed on 21 March 2014)*  
Ms. Gu Yin Ping *(appointed on 21 March 2014)*  
Mr. Li Cheng *(appointed on 27 June 2014)*  
Mr. Dong Liang *(appointed on 27 June 2014)*  
Mr. Ngai Kei Ho *(appointed on 6 November 2014)*  
Mr. Liang Run Bao *(appointed on 30 December 2014)*  
Dr. Fu Tao *(resigned on 21 March 2014)*  
Ms. Ma Qing Ling *(resigned on 21 March 2014)*  
Mr. Zhang Xu Yu *(resigned on 5 May 2014)*  
Mr. Xu Ke Jian *(resigned on 5 May 2014)*  
Dr. Lu Lin Hai *(resigned on 3 November 2014)*  
Mr. Shaw Yong Lei *(resigned on 29 December 2014)*

The Company has received annual confirmations of independence from Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin and the board considers them to be independent as at the date of this report.

## **DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors, supervisors, and senior management of the Company are set out on pages 27 to 31 of the annual report.

## **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

Save as disclosed above, none of the directors nor the supervisors 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' AND SUPERVISORS' REMUNERATION**

The directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the board of directors and remuneration committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

The details of directors' and supervisors' remuneration are set out on Note 11(2) 5 of the financial statement.



## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No director and supervisor 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' AND CHIEF EXECUTIVES INTERESTS, SHORT POSITIONS AND DEBENTURE IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests and short positions of the directors and supervisors, chief executives in the shares underlying shares and debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

### Long positions in ordinary shares of the Company:

Name	Type of Interest	Number of domestic shares	Number of H shares	Percentage of deemed	Percentage of deemed	Percentage of deemed
				beneficial interest in the Company's domestic share capital	beneficial interest in the Company's H share capital	beneficial interest in the Company's total share capital
<b>Directors</b>						
Wong Wei Khin	(Note 1)	-	3,000,000	-	0.71%	0.24%

Notes:

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

Save as disclosed above, as at 31 December 2014, none of the directors, supervisors or chief executives 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 2014, the following interests and short positions of 5% or more of the issued share capital and share options of the shareholders (excluding directors, supervisors and chief executives 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	15.61%	–	–	127,848,097	10.31%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd	Beneficial Owner	121,000,000	14.77%	–	–	121,000,000	9.76%
Beijing Chang Tian Guosheng Investment Co., Ltd.	Beneficial Owner	100,000,000	12.21%	–	–	100,000,000	8.06%
Shenyang Cheng Fa Commercial Software Company Limited	Beneficial Owner	85,000,000	10.38%	–	–	85,000,000	6.86%
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	10.28%	–	–	84,159,944	6.79%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	6.22%	–	–	55,000,000	4.44%
Guangzhou DingXiang Trade Co., Ltd	Beneficial Owner	50,000,000	6.11%	–	–	50,000,000	4.03%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	43,931,959	5.36%	–	–	43,931,959	3.54%
Jiang Su Education Development Company Limited ("Jiang Su Co-creation") (Notes 1 & 2)	Beneficial Owner	84,159,944	10.28%	–	–	84,159,944	6.79%

## 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, 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. Our interest in Jiangsu Management Centre comprises 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 6.79% of the Company’s total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.

Save as disclosed above, as at 31 December 2014, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section “Directors’, chief executive’s and supervisors’ interests and short positions in shares, underlying shares and debentures” 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 controlling 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

On 5 March 2015, the Shareholders of the Company passed the ordinary resolution which approved the cessation of appointed Ascenda Cachet CPA Limited as auditors of the Company and appointed ShineWing Certified Public Accountants as the auditors for the Company’s Financial Report for the year 2014.

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

Nanjing, the PRC  
27 March 2015

## CORPORATE GOVERNANCE

The Company 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 (the “CG Code”) of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”). 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.

## SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding directors’ and supervisors’ 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 and supervisors of the Company have complied with the required standards for securities transactions and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the year ended 31 December 2014.

## 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.

To the best knowledge of the Company, there is no relationship between members of the Board, including financial, business, family or other significant/relevant relationship.

As at 31 December 2014, the Board comprises eight Directors, including the Chairman of the Board. Two of them being Executive Directors, three are Non-Executive Directors and three independent Non-Executive Directors. The Non-Executive Directors and Independent Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promoting 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 confirmed that annual confirmation of independence were received from each of the Company’s independent non-executive directors pursuant to the requirement of Rule 5.09 of the GEM Listing Rules and all the independent nonexecutive directors are considered to be independent.

For the year ended 31 December 2014, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 2 general meetings. For the year ended 31 December 2014, the composition of the Board and the attendance record of each Director at the meetings are set out below:

Name of Directors	Title	No. of attendance/No. of meeting				
		Board Meetings	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Mr. Liu Jian (alias Liu Jian Bang)	Chairman	4/4	1/1	1/1	-	2/2
Mr. Pan Jian Xiang	Executive Director (resigned on 19 June 2014)	2/2	1/1	1/1	-	0/1
Mr. Qiao Ruo Gu	Executive Director (appointed on 6 November 2014)	1/1	-	-	-	-
Mr. Wong Wei Khin	Non-Executive Director	2/4	-	-	-	1/2
Mr. Gao Peng	Non-Executive Director (appointed on 27 June 2014)	2/2	-	-	-	1/2
Mr. Wang Da Ming	Non-Executive Director (appointed on 6 November 2014)	1/1	-	-	-	-
Mr. Li Cheng	Non-Executive Director (resigned on 5 May 2014)	2/2	-	-	-	2/2
Mr. Liu Winson Wing Sun	Non-Executive Director (resigned on 6 November 2014)	3/4	-	-	-	0/1
Mr. Chen Zheng Rong	Non-Executive Director (resigned on 29 December 2014)	4/4	-	-	-	1/2
Dr. Daxi Li	Independent Non-Executive Director	3/4	1/1	1/1	3/4	1/2
Ms. Xie Hong	Independent Non-Executive Director	4/4	1/1	1/1	4/4	2/2
Mr. Xie Man Lin	Independent Non-Executive Director	4/4	1/1	1/1	4/4	1/2
Mr. Ng Sau Lai, Derek (resigned on 19 May 2014)	Independent Non-Executive Director	2/2	-	-	2/2	-

The Board oversees particular aspects of the Company's affairs and assists 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 control system to safeguard the interest of the shareholders and the Group's assets.

## Non-executive Directors

Mr Gao Peng was appointed as Non-Executive Director of the Company with effect from 27 June 2014 for a term from 27 June 2014 to 26 June 2017. Mr. Wong Wei Khin was re-elected and appointed as Non-Executive Director with effect from 30 December 2014 for a term from 30 December 2014 to 29 December 2017. Mr. Wang Da Ming was appointed as Non-Executive Director with effect from 6 November 2014 for a term from 6 November 2014 to 5 November 2017.

The Independent Non-Executive Directors of the Company, Mr. Xie Man Lin and Ms. Xie Hong were re-elected and appointed with effect from 30 December 2014 for a term from 30 December 2014 to 29 December 2017.

Dr. Daxi Li, Independent Non-Executive Director of the Company, was re-elected and appointed with effect from 6 November 2014 for a term from 6 November 2014 to 5 November 2017.



## 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 of the Company (“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, alias, 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 work 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. Qiao Ruo Gu (“Mr. Qiao”) is the CEO and he is responsible for:

- the business plans, strategies and policies;
- ensuring the Group’s operations are functioned effectively and efficiently; and
- motivating for contribution to the growth and profitability of the Group.

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

## RESPONSIBILITIES AND AUTHORIZATION TO THE MANAGEMENT

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. The Board shall implement resolutions of the Shareholders' general meeting; decide on the business plans, investment plans and the setting of internal management organizations of the Company; formulate the proposed annual financial budget, final account and profit allocation plans of the Company; and appoint the senior management. In addition, the Board established three board committees, the audit committee, nomination committee and remuneration committee, and authorized their respective responsibilities.

The Board granted senior management the power and responsibility to conduct the daily management, administration and operation of the Company. The general manager shall be responsible to the Board.

All Directors of the Company are sincerely performing their duties, they abide by all laws and regulations in the best interest of the Company, and are always committed to act to the benefit of the Company and its shareholders.

## 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 one Executive Director, and three Independent Non-Executive Directors, namely, Mr. Liu Jian Bang, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The Chairman of Nomination Committee is Mr. Xie Man Lin.

The role and function of the Nomination Committee include (but not limited to) 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.

During the year, the Nomination Committee has reviewed issues including confirmation of the structure, number of members and their composition were in accordance with the requirements of the GEM Listing Rules and Articles of Association of the Company, and that the Independent Non-Executive Directors were all independent of the Company.

## REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and comprises of one Executive Director and three Independent Non-Executive Directors, namely, Mr. Liu Jian Bang, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The Chairman of Remuneration Committee is Ms. Xie Hong. The role and function of the Remuneration Committee include but not limited to:

- (1) 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 formal and transparent procedures for developing policy on such remuneration;
- (2) 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) 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) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (5) 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 not excessive for the Company;
- (6) 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) ensure that no Director or any of 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) 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 fulfilment of the Company; and
- (9) 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.

During the year, the Remuneration Committee has reviewed issues including the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors. The Remuneration Committee considers that the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors are fair and reasonable.

### AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2000, it comprises three Independent Non-Executive Directors, namely Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The Audit Committee has reviewed the annual report of the Company for the year ended 31 December 2014 with consent over its contents. The Audit Committee will also oversee the auditing procedures and perform other duties as designated by the Board. The terms of reference of the Audit Committee has been adopted by the Board and posted on the website of the Company.

All members of the Audit Committee are Independent Non-Executive Directors. During the year 2014, the Audit Committee has conducted four meetings, two of which were meetings with external auditors.

During the year, the Audit Committee has reviewed the financial statements for the year ended 31 December 2013, the 2013 Annual Report, 2014 Interim Report and quarterly reports and gave comments and advices, and considers that the preparation of these results is in compliance with applicable accounting standards and the relevant regulatory requirements and laws, and adequate disclosures were made.

## COMPANY SECRETARY

Ms. Lee Man Yin (“Ms. Lee”) was appointed as the company secretary of the Company with effect from 7 March 2014, in place of Ms. Tong Sze Wan (“Ms. Tong”) who has tendered her resignation as the company secretary of the Company with effect from the same date. Thereafter, Ms. Leung Wing Han Sharon (“Ms. Leung”) was appointed as the company secretary of the Company with effect from 8 January 2015, in place of Ms. Lee who has tendered her resignation as the company secretary of the Company with effect from 7 January 2015. Ms. Lee has confirmed that she has complied with the requirements set out in Rule 5.15 of the GEM Listing Rules within the year.

Ms. Leung is a vice president of SW Corporate Services Group Limited. The primary contact persons of the Company with Ms. Leung are the secretary to the Board, Ms. Wu Zhengrong and chief financial officer, Mr. Fang Hua.

## PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, 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.

All Directors are also aware of the importance of continuous professional development and undertake that they will actively attend any suitable training courses to increase and update their knowledge and skills.

The individual training record of each Director received by the Company for the year ended 31 December 2014 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 ( <i>Chairman</i> )	✓
Mr. Pan Jian Xiang (resigned on 19 June 2014)	✓
Mr. Qiao Ruo Gu	✓
Mr. Chen Zheng Rong (resigned on 29 December 2014)	✓
Mr. Gao Peng	✓
Mr. Wong Wei Khin	✓
Mr. Li Cheng (resigned on 5 May 2014)	✓
Mr. Liu Winson Wing Sun (resigned on 6 November 2014)	✓
Mr. Wang Da Ming	✓
Dr. Daxi Li	✓
Ms. Xie Hong	✓
Mr. Xie Man Lin	✓
Mr. Ng Sau Lai, Derek (resigned on 19 May 2014)	✓

## 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](http://www.nandasoft.com) for the most updated information and the status of the business development of the Group.

## BOARD DIVERSITY POLICY

During the year, the Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

## Articles of Association

On 8 August 2014, pursuant to the authorization granted at the Annual General Meeting of the Company held on 27 June 2014, the Board approved the following amendment to the Articles of Association of the Company:

Article 20:

Original: The Company's registered capital is RMB110,400,000.

Amended as: The Company's registered capital is RMB124,000,000.

## 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' RIGHTS

### Procedure for Shareholders to Convene an Extraordinary General Meeting:

Shareholders who hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting by signing written requests defining the meeting agenda. The Board 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 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, and the procedures shall be the same as those for convening a general meeting by the Board where possible.

### Procedure for Shareholders to Make Inquiries with the Board:

Shareholders who intend to make inquiries 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 or the Company may be posted to the principal place of business of the Company in Hong Kong, the address of which is 18/F, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong.

### Procedures of Proposing Resolutions at General Meeting:

At the annual general meeting of the Company, shareholders (either independently or jointly) holding 3% or more 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 meeting notice mentioned above 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 and 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 promote 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 Group set up the Investment and Risk Control Department, which has the internal audit function. 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.

## CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the corporate governance functions with written terms of reference to assist the Board to perform the corporate governance functions of the Group, which mainly include the followings:

- To formulate and review the Company's corporate governance policy and practices and make proposals to the Board;
- To review and oversee the training and continuous professional development of the Directors and senior management;
- To review and oversee the policy and practices of the Company in the compliance of law and regulatory requirements;
- To formulate, review and oversee the Codes of Conduct for employees and Directors and Compliance Manual (if any); and
- To review the Company's compliance of the Corporate Governance Code and make disclosure in the Corporate Governance Report.

During the year, the Board has convened one meeting on corporate governance and has fulfilled the duties mentioned above.

## Remuneration of the senior management by band

Pursuant to Code Provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management of the Company by band for the year ended 31 December 2014 is set out below:

<b>Remuneration band</b>	<b>Number of individuals</b>
Nil to RMB300,000	5
RMB300,001 to RMB500,000	2

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in note 11 to the financial statements as set out on pages 118 to 119 of this annual report.

## **Auditors' remuneration**

Shine Wing Certified Public Accountants ("Shine Wing China") were appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 5 March 2015. Audit fees in respect of annual audit service amounted to RMB680,000. 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.

The previous auditors of the Company were Ascenda Cachet CPA Limited, the remuneration for 2013 was HKD650,000,

## **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 2014, 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 complied with the Company Law of the PRC during the year ended 31 December 2014, 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 Shine Wing China, truly and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the dividend distribution proposal. We consider that the above report and proposal meets the requirements of the relevant regulations and Articles of Association 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 complied 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.

**On behalf of the Supervisory Committee**

**Li Cheng**

*Chairman of the Supervisory Committee*

Nanjing, the PRC  
27 March 2015

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Liu Jian (alias Liu Jian Bang)**, (劉建·又名劉建邦), aged 60, Chairman of the Company, 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 (“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 was its vice-chairman and deputy general manager. In 1998, Mr. Liu became the general manager of T&G Inc., the business of which 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. Qiao Ruo Gu** (喬若谷), aged 39, graduated from Xidian University, majoring in Computer Science. He went on to study a master’s degree in Business at the Hong Kong University of Science and Technology (HKUST) Business School. With over 15 years of working experience in the IT industry, Mr. Qiao has acquired more than 10 years of management experience in the overseas IT sales and operation. Mr. Qiao first began his career in IBM China as an IT specialist, engaged in R&D and technology support. He then joined Kingdee International Software Group at the Kingdee R&D Centre serving senior management positions of Kingdee in the Asia Pacific. In 2013, he joined Baidu International Distribution System and was responsible for the development of digital marketing business in Singapore, Hong Kong, Macao and Taiwan. With such sophisticated and practical background of working in the traditional IT industry, Mr. Qiao has led numerous information technology projects for many multinational corporations. Mr. Qiao has acquired extensive experience in internet technology, particularly, the new Internet Business Model for the medical and IT industries. Mr. Qiao was first appointed as chief executive officer of the Company on 8 August 2014 and was appointed as Executive Director on 6 November 2014. He is also currently a director of Nanjing Nandasoft Property Service Co., Ltd and Nanjing Nandasoft System Integration Co.,Ltd.

## Directors, Supervisors and Senior Management

### Non-Executive Directors

**Mr. Wong Wei Khin**, aged 46, graduated from the University of Sydney with bachelor's degrees in Economics and Laws. Mr. Wong possesses extensive experience in the industry, including 7 years with MBM Group engaging in corporate and investment matters. He has been involved in private investments of his family business since 1998, and has held 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 Non-Executive Director in January 2011.

**Mr. Gao Peng (高澎)**, aged 58, a graduate of Physics in Nanjing University, with a master's degree in Low Temperature Physics. Mr. Gao is currently the general manager of Nanjing University Asset Administration Company Limited. From 1992 till now, he has been an associate professor and researcher of Nanjing University, deputy dean of the Institute of Science and Technology Development of Nanjing University, director of industry office of Nanjing University, deputy head of the Institute of Accelerator of Nanjing University and secretary and vice president of Nanjing University Alumni Association. Mr. Gao was appointed as Non-Executive Director in June 2014.

**Mr. Wang Da Ming (王大明)**, aged 55, has been engaged in the finance, investment, securities and investment banking industries with over 30 years of experience in the management of such industries. Mr. Wang has participated in and organized the sizable private placing of China Ji Tong Communication Co. Ltd., restructuring of the pharmaceutical division of the Chinese Medical University and financing for the public telephone system of China Railway Communication Company Limited. Since 1980, Mr. Wang has worked in Industrial Bank, Beijing Hualong Electronic Union Co. Ltd., China Huayang Lase Company Limited and Chengdu Guo Tai Construction and Development Co. Ltd. From 1998, he has been the chairman of Beijing Da Ming Run Cheng Investment Consultancy Co. Ltd., Beijing Pin Si Run Cheng Information Technology Co. Ltd. and Run Cheng (Hong Kong) Investment Holding Company Limited. Since 2001, Mr. Wang has been an executive director of Earnest Investments Holdings Limited (a company listed on the main board of the Stock Exchange with stock code 339). In addition, Mr. Wang sponsored and established Sino-Union Trust Co. Ltd. in 2005 and acted as its executive director and president. Subsequently in 2010, he restructured China Venture Capital Guarantee Co. Ltd. and was its Chairman. Mr. Wang was appointed as Non-Executive Director in November 2014.

### Independent Non-Executive Directors

**Dr. Daxi Li (李大西)**, aged 65, 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, 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), director of Cross-Straits Conference of Guangdong Province and economic consultant in many major provinces in the PRC by invitation. Dr. Li is also a director of Huiheng Medical Inc., a listed company on the US Dow Jones stock market since November 2007.

**Ms. Xie Hong (解紅)**, aged 47, 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 51, 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's degree in Laws from the Southwest University of Political Science and Law and master's degree in Law 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".



### MEMBERS OF SUPERVISORY COMMITTEE

**Mr. Li Cheng (李成)**, aged 57, 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's degree, master's degree and doctorate degree from the Department of Geology of Nanjing University in 1982, 1989 and 1997 respectively. Since 1982, he has been lecturer, associate professor, professor and doctorate tutor in the Department of Geology of Nanjing University. His major research area is in structural geology. Since 1999, Mr. Li has been promoted from vice-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 of the Company in January 2011, and had held such office until his resignation on 5 May 2014. Mr. Li was appointed as a supervisor of the Company on 27 June 2014.

**Mr. Dong Liang (董梁)**, aged 46, a PhD graduate, is currently the deputy general manager of Jiangsu High Technology Investment Group Limited (江蘇省高科技投資集團有限公司). Mr. Dong once served as the deputy manager of Investment Management Department of Railway Industry Company (a subsidiary of Jiangsu Railway Limited) (江蘇省鐵路有限公司下屬鐵路實業公司) and Tiecheng Investment Management Limited (江蘇省鐵路有限公司下屬鐵成投資管理有限公司). Afterwards, he acted as the manager of Investment Department of Jiangsu Information Construction Investment Limited (江蘇省信息化建設投資有限公司). Before serving as the deputy general manager of Jiangsu High Technology Investment Group Limited, he held different key positions in the company, such as the manager of Investment Department and the general manager of Fund Management Department. Mr. Dong has professional knowledge and extensive experience in corporate investment and fund management. Mr. Dong was appointed as a supervisor of the Company on 27 June 2014.

**Ms. Chen Jian Hong (陳建紅)**, aged 46, joined the Company in August 2013 and is currently the manager of the department of investment risk control and was the deputy finance manager. 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 has been a supervisor since March 2014.

**Ms. Gu Yin Ping (顧銀萍)**, aged 33, 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's degree. She had worked at the Jiangsu Provincial Communist Youth League. Ms. Gu has been a supervisor since March 2014.

### Members of the Independent Supervisory Committee

**Mr. Ngai Ji Hao (魏基豪)**, aged 38, is a board member and also the operation director of Wuhan ShengYi Technology Development Company Limited. Mr. Ngai has more than 15 years of management experience, mostly in the operation and information technology area, having acquired a wealth of experience in Hong Kong, Mainland China and other countries. Mr. Ngai holds an EMBA degree from Tianjin University and also holds a master's degree in Information Technology from Swinburne University of Technology in Australia.

## Directors, Supervisors and Senior Management

**Mr. Liang Run Bao (梁潤寶)**, aged 40, graduated from Beijing Light Industries Institute, majoring in food studies. He has 16 years of experience in operation and management. From 1998 to 2003, Mr. Liang served as the OBU manager and director of the president office at Inner Mongolia Yili Industrial Group Company Limited (a company listed on the Shanghai Stock Exchange with stock code 600887). From 2003 to 2008, Mr. Liang worked at China Mengniu Dairy Company Limited (a company listed on the main board of the Stock Exchange with stock code 2319) as deputy general manager for the operations in northern and northeast China and was in charge of the marketing and operation of the factories within those regions. Since January 2008, Mr. Liang has been the general manager of 青島新希望琴牌乳業有限公司 and the project manager of New Hope Dairy Holdings Ltd (新希望乳業控股), both of which are under the New Hope Group (a company listed on the Shenzhen Stock Exchange with stock code 000876).

### SENIOR MANAGEMENT

**Mr. Qiao RuoGu (喬若谷)**, aged 39, graduated from Xidian University, majoring in Computer Science. He went on to study a master's degree in Business at the Hong Kong University of Science and Technology (HKUST) Business School. With over 15 years of working experience in the IT industry, Mr. Qiao has acquired more than 10 years of management experience in the overseas IT sales and operation. Mr. Qiao first began his career in IBM China as an IT specialist, engaged in R&D and technology support. He then joined Kingdee International Software Group at the Kingdee R&D Centre serving senior management positions of Kingdee in the Asia Pacific. In 2013, he joined Baidu International Distribution System and was responsible for the development of digital marketing business in Singapore, Hong Kong, Macao and Taiwan. With such sophisticated and practical background of working in the traditional IT industry, Mr. Qiao has led numerous information technology projects for many multinational corporations. Mr. Qiao has acquired extensive experience in internet technology, particularly, the new Internet Business Model for the medical and IT industries. Mr. Qiao was first appointed as chief executive officer of the Company on 8 August 2014 and was appointed as Executive Director on 6 November 2014. He is also currently a director of Nanjing Nandasoft Property Service Co., Ltd and Nanjing Nandasoft System Integration Co., Ltd.

**Mr. Pu Liang (浦良)**, aged 51, 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. He joined NandaSoft System Integration Co., Ltd. in 1999. Mr. Pu is a Vice President of the Company.

**Mr. Xu Zhi Huai (許志懷)**, aged 57, graduated from the Faculty of Mathematics of 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, deputy chief of the Student Affairs Department of Nanjing University, the secretary of CYL Committee of Nanjing University, associate 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 of Jiangsu Province 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 and had been appointed as the acting CEO between 31 March 2014 and 7 August 2014. He is currently a Vice President of the Company.

## Directors, Supervisors and Senior Management

**Mr. Gao Jie (高杰)**, aged 49, graduated from China Pharmaceutical University in Department of Pharmacy with a bachelor's degree. Mr. Gao was president of student association. Mr. Gao worked as drug analysis engineer in Jiangsu Province Institute of Pharmaceutical Industry analysis room from 1988 to 2000, worked as a licensed pharmacist, Qualified Person, Deputy General Manager in Liye Pharmaceutical Co. Ltd. from 2001 to 2011, and was Qualified Person of Liye Medical Co. Ltd.. From 2012 till now, Mr. Gao has been vice president and the general manager of medical and health division of Jiangsu NandaSoft Technology Company Limited.

**Ms. Wu Zhengrong (吳嶧嶸)**, aged 38, 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 investment department. Since 2006, she has been the secretary to the board of Jiangsu Nandasoft Technology Company Limited. Since August 2013, she has been Vice President of Jiangsu Nandasoft Technology Company Limited.

**Mr. Qin Jun Jun (秦鈞鈞)**, aged 43, graduated from Nanjing University of Science and Technology in 1995 with a bachelor's degree in Mechanical Design and Manufacturing and obtained a MBA degree from the Business School at Nanjing University in 2006. He is currently the general manager of Jiangsu NandaSoft Computer Fixtures Company Limited. Mr. Qin once served as the general manager of Nanjing ZeTong Technology Company Limited and Nanjing Nandasoft Computer Engineer Company Limited. Since 2014, he has been Vice President of Jiangsu Nandasoft Technology Co.Ltd.

**Mr. Fang Hua (方華)**, aged 45, has many years of financial management experience. From 1992 to 2009, he worked for Panda Group in the finance department, from 2010 to 2014, he was finance controller of 江蘇潤漢通信科技有限 公司. Mr. Fang obtained a bachelor's degree in international trade from Nanjing University in 2004. He is currently the Company's Financial Controller.

# Independent Auditors' Report

## To the shareholders of Jiangsu NandaSoft Technology Company Limited:

We have audited the enclosed financial statements of Jiangsu NandaSoft Technology Company Limited ("NandaSoft"), which comprise the consolidated and parent balance sheet as at 31 December 2014, the consolidated and parent income statement, the consolidated and parent cash flow statement and the consolidated and parent statement of changes in equity for the year 2014 and notes to the financial statements.

## 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of NandaSoft is responsible for the preparation and fair representation of the financial statements, and such responsibilities include: (1) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to give a fair view; (2) designing, implementing and maintaining necessary internal control to enable the financial statements to be free from material misstatement, whether due to fraud or error.

## 2. CERTIFIED ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing for Certified Public Accountants. Those standards require that we comply with the code of professional ethics, plan and conduct the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

## 3. EVENTS LEADING TO QUALIFIED OPINIONS

1. The management of Nandasoft determined that part of the floors of Blocks 1 and 2 of Soft Software Park was for rent purpose respectively in August 2012 and November 2013, which were regarded as investment properties and fair value was used for subsequent measurement. As stated in note 12.3(3) to the financial statements, such part of NandaSoft has been recognized in investment properties as to RMB180,000,000. Since there is uncertainty as to whether the Building Sale and Purchase Contract entered into between NandaSoft and the related party will continue to be fulfilled, we fail to obtain sufficient and appropriate audit evidence to judge the impact on the financial statements caused by the influence of the result of such event on the investment properties recognized by NandaSoft and subsequent measurement.
2. As stated in note 12.3(4) to the financial statements, such part of Jiangsu NandaSoft Technology Company Limited has been recognized in investment properties as to RMB141,300,000 and fixed assets as to RMB13,420,000. Since we are not allowed to contact the related tenant, we fail to obtain sufficient and appropriate audit evidence to judge the impact of such event on the financial statements.

## 4. QUALIFIED OPINIONS

In our opinion, except for the possible impact of the events stated in “3. Events Leading to Qualified Opinions”, the financial statements of NandaSoft give a fair view of the consolidated and parent financial position of NandaSoft as of 31 December 2014 and of its consolidated and parent operating results and cash flows for the year 2014 and have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects.

## 5. EMPHASIS OF MATTER

We hereby reminds the readers of the audit report that as stated in note 3.2 to the financial statements, as of 31 December 2014, the current liability of NandaSoft is high than the current assets of RMB272,558,814.14. The measures of NandaSoft to improve the current working capital position include but not limited to raising working capital by means of issuing shares, deposing equity, etc. Content in this paragraph does not impact the presented audit opinions.

### **Shine Wing**

*certified public accountants*  
(Special General Partnership)

Beijing, China  
27 March 2015

Chinese Certified Public Accountant:

**Shao Lixin**

Chinese Certified Public Accountant:

**Wang Liang**



# CONSOLIDATED BALANCE SHEET

As at 31 December 2014

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2014	31 December 2013
<b>Current assets:</b>			
Cash and bank balances	VI.1	<b>124,914,894.22</b>	108,594,354.48
Financial assets at fair value through profit or loss			
Bills receivable	VI.2		200,000.00
Accounts receivables	VI.3	<b>236,187,473.93</b>	217,631,626.41
Prepayments	VI.4	<b>32,056,057.50</b>	49,801,382.59
Interest receivable	VI.5	<b>453,750.00</b>	-
Dividends receivable			
Other receivables	VI.6	<b>121,222,265.45</b>	119,526,928.07
Financial assets purchased for resale			
Inventories	VI.7	<b>98,014,761.15</b>	68,601,457.11
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VI.8	<b>90,568.33</b>	
<b>Total current assets</b>		<b>612,939,770.58</b>	564,355,748.66
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	VI.9	<b>9,827,764.24</b>	9,827,764.24
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	VI.10	<b>85,332,654.47</b>	93,833,495.21
Investment properties	VI.11	<b>511,800,000.00</b>	440,390,000.00
Fixed assets	VI.12	<b>87,791,189.59</b>	108,191,755.78
Construction in progress	VI.13	<b>120,912,535.51</b>	115,328,850.78
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	VI.14	<b>7,536,754.46</b>	7,902,527.10
Development expenses	VI.15		7,653,732.00
Goodwill	VI.16	<b>23,408,368.92</b>	23,408,368.92
Long-term deferred expenses	VI.17	<b>572,348.68</b>	-
Deferred income tax assets	VI.18	<b>6,867,013.29</b>	8,785,953.67
Other non-current assets	VI.19	<b>3,500,000.00</b>	13,410,000.00
<b>Total non-current assets</b>		<b>857,548,629.16</b>	828,732,447.70
<b>Total assets</b>		<b>1,470,488,399.74</b>	1,393,088,196.36

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua



# Consolidated Balance Sheet

As at 31 December 2014

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2014	31 December 2013
<b>Current liabilities:</b>			
Short-term loans	VI.20	162,000,000.00	155,450,000.00
Financial liabilities at fair value through profit or loss			
Bills payable	VI.21	55,580,000.00	31,439,200.00
Accounts payables	VI.22	225,590,647.19	161,740,008.92
Advances from customers	VI.23	63,550,968.30	32,548,087.79
Salaries payable	VI.24	1,610,591.55	462,244.99
Taxes payable	VI.25	23,658,605.94	17,603,824.30
Interest payable			
Dividends payable	VI.26	6,020,917.80	7,583,624.59
Other payables	VI.27	331,017,183.30	353,579,762.47
Liabilities classified as held for sale			
Non-current liabilities due within one year	VI.28	8,000,000.00	8,000,000.00
Other current liabilities	VI.29	8,469,670.64	19,412,500.00
<b>Total current liabilities</b>		<b>885,498,584.72</b>	<b>787,819,253.06</b>
<b>Non-current liabilities:</b>			
Long-term loans	VI.30	44,800,000.00	52,800,000.00
Bonds payable			
Including: Premium Perpetual			
Long-term payables	VI.31	79,169,065.47	74,786,380.47
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			–
Deferred income tax liabilities	VI.18	51,423,455.24	36,802,360.41
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>175,392,520.71</b>	<b>164,388,740.88</b>
<b>Total liabilities</b>		<b>1,060,891,105.43</b>	<b>952,207,993.94</b>

# Consolidated Balance Sheet

As at 31 December 2014

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2014	31 December 2013
<b>Shareholders' equity:</b>			
Share capital	VI.32	<b>124,000,000.00</b>	110,400,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	VI.33	<b>92,234,414.34</b>	78,634,414.34
Less: treasury stock			
Other comprehensive income	VI.34	<b>74,215,190.17</b>	54,359,270.57
Special reserve			
Surplus reserve	VI.35	<b>19,962,462.38</b>	19,962,462.38
General risk reserve			
Undistributed profits	VI.36	<b>59,743,392.25</b>	138,601,335.89
<b>Total owners' equity attributable to the parent company</b>		<b>370,155,459.14</b>	401,957,483.18
Minority interests	VI.37	<b>39,441,835.17</b>	38,922,719.24
<b>Total shareholders' equity</b>		<b>409,597,294.31</b>	440,880,202.42
<b>Total liabilities and shareholders' equity</b>		<b>1,470,488,399.74</b>	1,393,088,196.36

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

## BALANCE SHEET OF THE PARENT COMPANY

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	31 December 2014	31 December 2013
<b>Current assets:</b>			
Cash and bank balances	XVI.1	<b>19,685,310.84</b>	23,977,299.76
Financial assets at fair value through profit or loss			
Bills receivable			
Accounts receivables	XVI.2	<b>62,424,463.12</b>	45,475,055.95
Prepayments	XVI.3	<b>18,970,739.38</b>	27,071,259.41
Interest receivable		<b>453,750.00</b>	
Dividends receivable		<b>3,601,465.26</b>	1,335,572.76
Other receivables	XVI.4	<b>181,013,207.58</b>	140,496,818.60
Inventories	XVI.5	<b>27,566,296.32</b>	28,875,018.16
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>313,715,232.50</b>	267,231,024.64
<b>Non-current assets:</b>			
Available-for-sale financial assets	XVI.6	<b>8,658,654.24</b>	8,658,654.24
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	XVI.7	<b>156,922,978.46</b>	168,073,775.25
Investment properties	XVI.8	<b>506,300,000.00</b>	435,040,000.00
Fixed assets	XVI.9	<b>84,260,864.88</b>	104,086,482.86
Construction in progress			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	XVI.10	<b>6,698,799.53</b>	6,505,945.54
Development expenses			7,653,732.00
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	XVI.11	<b>6,202,341.00</b>	
Other non-current assets	XVI.12		9,910,000.00
<b>Total non-current assets</b>		<b>769,043,638.11</b>	739,928,589.89
<b>Total assets</b>		<b>1,082,758,870.61</b>	1,007,159,614.53

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

## Balance Sheet of the Parent Company

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	31 December 2014	31 December 2013
<b>Current liabilities:</b>			
Short-term loan	XVI.13	<b>116,000,000.00</b>	50,000,000.00
Financial liabilities at fair value through profit or loss			
Bills payable			
Accounts payables	XVI.14	<b>68,378,733.79</b>	40,292,426.47
Advances from customers	XVI.15	<b>24,574,077.56</b>	17,427,230.32
Salaries payable		<b>1,099,042.01</b>	2,289,750.92
Taxes payable		<b>1,180,618.20</b>	2,020,541.79
Interest payable			
Dividends payable		<b>6,020,917.80</b>	7,083,702.58
Other payables	XVI.16	<b>324,945,636.94</b>	199,764,973.16
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>8,000,000.00</b>	8,000,000.00
Other current liabilities		<b>8,469,670.64</b>	19,412,500.00
<b>Total current liabilities</b>		<b>558,668,696.94</b>	346,291,125.24
<b>Non-current liabilities:</b>			
Long-term loans		<b>44,800,000.00</b>	52,800,000.00
Including: Premium			
Perpetual			
Long-term payroll payable	XVI.17	<b>79,169,065.47</b>	74,786,380.47
Specific payables		-	
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	XVI.11	<b>50,807,815.77</b>	29,876,892.70
Other non-current liabilities			154,778,681.46
<b>Total non-current liabilities</b>		<b>174,776,881.24</b>	312,241,954.63
<b>Total liabilities</b>		<b>733,445,578.18</b>	658,533,079.87

## Balance Sheet of the Parent Company

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	<b>31 December 2014</b>	31 December 2013
<b>Shareholders' equity:</b>			
Share capital		<b>124,000,000.00</b>	110,400,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		<b>92,234,414.34</b>	78,634,414.34
Less: treasury stock			
Other comprehensive income		<b>75,528,052.30</b>	55,088,974.61
Special reserve			
Surplus reserve		<b>20,469,818.86</b>	20,469,818.86
Undistributed profits		<b>37,081,006.93</b>	84,033,326.85
<b>Total shareholders' equity</b>		<b>349,313,292.43</b>	348,626,534.66
<b>Total liabilities and shareholders' equity</b>		<b>1,082,758,870.61</b>	1,007,159,614.53

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

# CONSOLIDATED INCOME STATEMENT

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2014	2013
<b>I. Total operating income</b>		<b>524,321,831.80</b>	603,670,204.20
Including: Operating income	VI.41	<b>524,321,831.80</b>	603,670,204.20
<b>II. Total operating costs</b>		<b>637,168,880.60</b>	648,926,079.69
Including: Operating cost	VI.41	<b>457,641,890.23</b>	504,381,160.92
Taxes and surcharges	VI.42	<b>2,399,841.49</b>	4,264,042.83
Selling expenses	VI.43	<b>21,356,893.15</b>	22,480,762.03
Administrative expenses	VI.44	<b>80,733,364.50</b>	73,400,738.74
Financial expenses	VI.45	<b>26,197,351.48</b>	13,313,975.96
Loss on assets impairment	VI.46	<b>48,839,539.75</b>	31,085,399.21
Add: Gain from change in fair value (losses are represented by - )	VI.47	<b>27,110,000.00</b>	62,212,730.14
Investment income (losses are represented by - )	VI.48	<b>4,531,004.75</b>	1,992,018.46
Including: Income from investment in associates and joint ventures			
Exchange gain (losses are represented by "-")			
<b>III. Operating profit (losses are represented by "-")</b>		<b>-81,206,044.05</b>	18,948,873.11
Add: Non-operating income	VI.49	<b>19,213,620.92</b>	9,421,639.71
Including: Profit from the disposal of non-current assets		<b>92,771.41</b>	12,836.95
Less: Non-operating expenses	VI.50	<b>4,086,354.36</b>	863,095.54
Including: Loss from the disposal of non-current assets		<b>22,408.03</b>	251,372.58
<b>IV. Total profit (losses are represented by "-")</b>		<b>-66,078,777.49</b>	27,507,417.28
Less: Income tax expenses	VI.51	<b>11,356,552.85</b>	20,711,874.70
<b>V. Net Profit (losses are represented by "-")</b>		<b>-77,435,330.34</b>	6,795,542.58
Net profit attributable to the equity holders of the parent company		<b>-78,857,943.64</b>	2,176,371.26
Minority interests		<b>1,422,613.30</b>	4,619,171.32



# Consolidated Income Statement

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2014	2013
<b>VI. Other comprehensive income, net of tax</b>		<b>19,855,919.60</b>	-450,120.37
Other comprehensive income attributable to owners of the parent company, net of tax		<b>19,855,919.60</b>	-450,120.37
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		<b>19,855,919.60</b>	-450,120.37
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements	VI.56	<b>-583,158.09</b>	-450,120.37
6. Others	VI.56	<b>20,439,077.69</b>	
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-57,579,410.74</b>	6,345,422.21
Total comprehensive income attributable to the shareholders of the parent company		<b>-59,002,024.04</b>	1,726,250.89
Total comprehensive income attributable to the minority shareholders		<b>1,422,613.30</b>	4,619,171.32
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.076</b>	0.002
(2) Diluted earnings per share		<b>-0.076</b>	0.002

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

# INCOME STATEMENT OF THE PARENT COMPANY

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	2014	2013
<b>I. Operating income</b>	XVI.18	<b>96,341,122.62</b>	99,059,972.16
Including: Operating cost	XVI.18	<b>83,828,106.67</b>	70,784,633.43
Taxes and surcharges	XVI.19	<b>301,879.25</b>	398,669.42
Selling expenses	XVI.20	<b>6,725,900.52</b>	5,308,036.24
Administrative expenses	XVI.21	<b>51,772,439.92</b>	25,500,454.12
Financial expenses	XVI.22	<b>20,123,891.85</b>	6,887,755.29
Loss on assets impairment	XVI.23	<b>18,064,634.74</b>	11,774,053.55
Add: Gain from change in fair value (losses are represented by-)	XVI.24	<b>26,960,000.00</b>	62,212,730.14
Investment income (losses are represented by-)	XVI.25	<b>-1,017,862.98</b>	11,320,447.70
Including: Income from investment in associates and joint ventures Exchange gain (losses are represented by "-")			
<b>II. Operating profit (losses are represented by "-")</b>		<b>-58,533,593.31</b>	51,939,547.95
Add: Non-operating income	XVI.26	<b>18,543,390.62</b>	3,298,809.74
Including: Profit from the disposal of non-current assets		<b>92,771.41</b>	12,836.95
Less: Non-operating expenses	XVI.27	<b>138,038.90</b>	108,050.76
Including: Loss from the disposal of non-current assets		<b>34,303.11</b>	2,845.45
<b>III. Total profit (losses are represented by "-")</b>		<b>-40,128,241.59</b>	55,130,306.93
Less: Income tax expenses	XVI.28	<b>6,824,078.33</b>	15,726,145.93
<b>IV. Net Profit (losses are represented by "-")</b>		<b>-46,952,319.92</b>	39,404,161.00
<b>V. Other comprehensive income, net of tax</b>		<b>20,439,077.69</b>	-
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method		<b>20,439,077.69</b>	-
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others		<b>20,439,077.69</b>	
<b>VI. Total comprehensive income</b>		<b>-26,513,242.23</b>	39,404,161.00
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

## CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2014	2013
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>603,033,105.92</b>	706,109,419.38
Net increase in disposal of financial assets at fair value through profit and loss			
Refund of taxes and surcharges		<b>1,738,289.85</b>	1,404,946.29
Cash received relating to other operating activities		<b>7,365,023.62</b>	5,454,197.44
<b>Sub-total of cash inflows from operating activities</b>		<b>612,136,419.39</b>	712,968,563.11
Cash paid for goods and services		<b>487,889,187.63</b>	513,162,743.74
Cash paid to and on behalf of employees		<b>38,804,528.63</b>	52,423,912.20
Payments of tax charges		<b>13,190,666.99</b>	20,737,540.05
Cash paid relating to other operating activities		<b>76,642,644.88</b>	67,583,928.12
<b>Sub-total of cash outflows from operating activities</b>		<b>616,527,028.13</b>	653,908,124.11
<b>Net cash flows from operating activities</b>		<b>-4,390,608.74</b>	59,060,439.00

# Consolidated Cash Flow Statement

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2014	2013
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		<b>28,845.49</b>	
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>300,762.86</b>	551,439.00
Net cash received from disposal of subsidiaries and other operating entities		<b>12,913,001.00</b>	5,005,822.00
Cash received relating to other investing activities		<b>4,382,684.99</b>	54,929,564.00
<b>Sub-total of cash inflows from investing activities</b>		<b>17,625,294.34</b>	60,486,825.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>18,714,559.72</b>	57,932,866.00
Cash paid to acquire investments			
Net increase of pledged loans			
Net cash paid to acquire subsidiaries and other operating entities			11,314,990.00
Cash paid relating to other investing activities		<b>15,000,000.00</b>	7,219,962.00
<b>Sub-total of cash outflows from investing activities</b>		<b>33,714,559.72</b>	76,467,818.00
<b>Net cash flows from investing activities</b>		<b>-16,089,265.38</b>	-15,980,993.00
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		<b>27,200,000.00</b>	9,800,000.00
Including: Cash received from minority shareholders investment by subsidiary			9,800,000.00
Cash received from borrowings		<b>162,000,000.00</b>	159,450,000.00
Cash received from issuing of bonds			
Cash received from other financing activities			404,703.00
<b>Sub-total of cash inflows from financing activities</b>		<b>189,200,000.00</b>	169,654,703.00
Cash repayments of borrowings		<b>163,450,000.00</b>	187,500,000.00
Cash payments for distribution of dividends or profits and interest expenses		<b>25,455,678.12</b>	20,413,132.00
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Cash paid to other financing activities			55,617.00
<b>Sub-total of cash outflows from financing activities</b>		<b>188,905,678.12</b>	207,968,749.00
<b>Net cash flows from financing activities</b>		<b>294,321.88</b>	-38,314,046.00
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		<b>-179,591.85</b>	-442,089.00
<b>V. Net increase in cash and cash equivalents</b>			
Add: Cash and cash equivalents at beginning of period		<b>81,055,144.00</b>	76,731,833.00
<b>VI. Cash and cash equivalent at end of period</b>			
		<b>60,689,999.91</b>	81,055,144.00

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

# CASH FLOW STATEMENT OF THE PARENT COMPANY

Unit: RMB(Yuan)

Item	Note	2014	2013
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		103,891,192.08	152,704,928.44
Refund of taxes and surcharges		1,738,289.85	1,404,946.29
Cash received relating to other operating activities		7,365,023.62	35,427,681.96
Sub-total of cash inflows from operating activities		112,994,505.55	189,537,556.69
Cash paid for goods and services		89,250,963.42	110,752,920.63
Cash paid to and on behalf of employees		14,547,943.68	13,977,252.13
Payments of tax charges		8,207,421.45	7,957,538.09
Cash paid relating to other operating activities		69,027,647.29	26,694,635.03
Sub-total of cash outflows from operating activities		181,033,975.84	159,382,345.88
Net cash flows from operating activities		-68,039,470.29	30,155,210.81
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments			10,200,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities		11,102,000.00	9,738,564.45
Cash received relating to other investing activities		4,382,684.99	33,947,554.00
<b>Sub-total of cash inflows from investing activities</b>		<b>15,484,684.99</b>	<b>53,886,118.45</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		13,764,980.47	9,837,680.58
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities			34,845,659.51
Cash paid relating to other investing activities		15,000,000.00	
Sub-total of cash outflows from investing activities		28,764,980.47	44,683,340.09
Net cash flows from investing activities		-13,280,295.48	9,202,778.36
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		27,200,000.00	
Cash received from borrowings		116,000,000.00	72,000,000.00
Cash received from issuing of bonds			
Cash received from other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>143,200,000.00</b>	<b>72,000,000.00</b>
Cash repayments of borrowings		58,000,000.00	107,000,000.00
Cash payments for distribution of dividends or profits and interest expenses		20,620,216.54	13,335,945.72
Cash paid to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>78,620,216.54</b>	<b>120,335,945.72</b>
<b>Net cash flows from financing activities</b>		<b>64,579,783.46</b>	<b>-48,335,945.72</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>-16,739,982.31</b>	<b>-8,977,956.55</b>
Add: Cash and cash equivalents at beginning of period		16,945,299.29	25,923,255.84
<b>VI. Cash and cash equivalent at end of period</b>		<b>205,316.98</b>	<b>16,945,299.29</b>

Legal Representative: Liu Jian

Chief Financial Officer: Fang Hua

Head of Financial Department: Fang Hua

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2014

Unit: RMB (Yuan)

Items	Current year											Total shareholder's equity	
	Equity attributable to shareholders of the Parent Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Reserve for general risk	Unallocated profit	Minority interests	
<b>I. Ending balance of previous year</b>	110,400,000.00	-	-	-	78,634,414.34	-	54,359,270.57	-	19,962,462.38	-	138,601,335.89	38,922,719.24	440,880,202.42
Add: changes in accounting policies													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	54,359,270.57	-	19,962,462.38	-	138,601,335.89	38,922,719.24	440,880,202.42
<b>III. Change through current year</b>													
<b>(*) for losses</b>	13,600,000.00	-	-	-	13,600,000.00	-	19,855,919.60	-	-	-	-78,857,943.64	519,115.93	-31,282,908.11
(1) Total comprehensive income							19,855,919.60				-78,857,943.64	1,422,613.30	-57,579,410.74
(2) Contribution and withdrawal of capital by shareholders	13,600,000.00	-	-	-	13,600,000.00	-	-	-	-	-	-	-	27,200,000.00
1. Ordinary shares contributed by shareholders	13,600,000.00				13,600,000.00								27,200,000.00
2. Capital contributed by other equity instruments holders													-
3. Amounts of share-based payments recognized in shareholder's equity													-
4. Others													-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus Reserve													-
2. Appropriation of general risk reserve													-
3. Distribution to shareholders													-
4. Others													-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve													-
2. Capitalized surplus reserve													-
3. Surplus reserve for covering up losses													-
4. Others													-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation													-
2. Current year usage													-
(6) Others												-903,497.37	-903,497.37
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	74,215,190.17	-	19,962,462.38	-	59,743,392.25	39,441,835.17	409,597,294.31



# Consolidated Statement of Changes in Equity

2014

Unit: RMB (Yuan)

Items	Other equity instruments				Equity attributable to shareholders of the Parent Company			Previous year			Minority interests	Total shareholder's equity	
	Share capital	Preferred shares	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Reserve for general risk			Unallocated profit
<b>I. Ending balance of previous year</b>	110,400,000.00				78,634,414.34		60,925,567.94		18,096,588.52		149,197,380.73	45,782,425.92	463,036,377.45
Add: changes in accounting policies													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	60,925,567.94	-	18,096,588.52	-	149,197,380.73	45,782,425.92	463,036,377.45
<b>III. Change through current year</b>													
<b>(“-” for losses)</b>	-	-	-	-	-	-	-6,566,297.37	-	1,865,873.86	-	-10,596,044.84	-6,859,706.68	-22,156,175.03
(1) Total comprehensive income							-450,120.37				2,176,371.26	4,619,171.32	6,345,422.21
(2) Contribution and withdrawal of capital by shareholders												9,800,000.00	9,800,000.00
1. Ordinary shares contributed by shareholders												9,800,000.00	9,800,000.00
2. Capital contributed by other equity instruments holders													-
3. Amounts of share-based payments recognized in shareholder's equity													-
4. Others													-
(3) Profit distribution									3,940,416.10		-12,772,416.10	-13,095,200.00	-21,927,200.00
1. Appropriation of surplus reserve									3,940,416.10		-3,940,416.10		-
2. Appropriation of general risk reserves													-
3. Distribution to shareholders											-8,832,000.00	-13,095,200.00	-21,927,200.00
4. Others													-
(4) Internal carry-over of shareholders' equity													-
1. Capitalized capital reserve													-
2. Capitalized surplus reserve													-
3. Surplus reserve for covering up losses													-
4. Others													-
(5) Special reserve													-
1. Current year appropriation													-
2. Current year usage													-
(6) Others							-6,116,177.00		-2,074,542.24			-8,183,678.00	-16,374,397.24
<b>IV. Ending balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	54,359,270.57	-	19,962,462.38	-	138,601,335.89	38,922,719.24	440,880,202.42

# STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY

2014

Unit: RMB(Yuan)

Items	Current year										
	Other equity instruments				Capital reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Unallocated profit	Total shareholder's equity
	Share capital	Preferred shares	Perpetual bond	Others							
<b>I. Ending balance of previous year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	20,469,818.86	84,033,326.85	348,626,534.66
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	20,469,818.86	84,033,326.85	348,626,534.66
<b>III. Change through current year ("-" for losses)</b>	13,600,000.00	-	-	-	13,600,000.00	-	20,439,077.69	-	-	-46,952,319.92	686,757.77
(1) Total comprehensive income							20,439,077.69			-46,952,319.92	-26,513,242.23
(2) Contribution and withdrawal of capital by shareholders	13,600,000.00	-	-	-	13,600,000.00	-	-	-	-	-	27,200,000.00
1. Ordinary shares contributed by shareholders	13,600,000.00				13,600,000.00						27,200,000.00
2. Capital contributed by other equity instruments holders											-
3. Amounts of share-based payments recognized in shareholder's equity											-
4. Others											-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve										-	-
2. Distribution to shareholders										-	-
3. Others										-	-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve											-
2. Capitalized surplus reserve											-
3. Surplus reserve for covering up losses											-
4. Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation											-
2. Current year usage											-
(6) Others											-
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	75,528,052.30	-	20,469,818.86	37,081,006.93	349,313,292.43

# Statement of Changes of Equity of the Parent Company

2014

Unit: RMB(Yuan)

Items	Previous year										
	Other equity instruments				Capital reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Unallocated profit	Total shareholder's equity
	Share capital	Preferred shares	Perpetual bond	Others							
<b>I. Ending balance of previous year</b>	110,400,000.00				78,634,414.34		55,088,974.61		16,529,402.76	57,401,581.95	318,054,373.66
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	16,529,402.76	57,401,581.95	318,054,373.66
<b>III. Change through current year ("-" for losses)</b>	-	-	-	-	-	-	-	-	3,940,416.10	26,631,744.90	30,572,161.00
(1) Total comprehensive income										39,404,161.00	39,404,161.00
(2) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by other equity instruments holders											-
3. Amounts of share-based payments recognized in shareholder's equity											-
4. Others											-
(3) Profit distribution	-	-	-	-	-	-	-	-	3,940,416.10	-12,772,416.10	-8,832,000.00
1. Appropriation of surplus reserve									3,940,416.10	-3,940,416.10	-
2. Distribution to shareholders										-8,832,000.00	-8,832,000.00
3. Others											-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve											-
2. Capitalized surplus reserve											-
3. Surplus reserve for covering up losses											-
4. Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation											-
2. Current year usage											-
(6) Others											-
<b>IV. Ending balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	20,469,818.86	84,033,326.85	348,626,534.66

# Notes to the Financial Statements

31 December 2014

## 1. BASIC CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (hereinafter referred to as the “Company; or the “Group” when subsidiaries are included) was a stock limited liability company jointly established by Nanjing University Asset Administration Company Limited, Jiangsu Zongyi Co., Ltd., Work Union of Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School, Jiangsu Co-Creation Education Development Company Limited, Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School, Jiangsu Information Construction Investment Limited, and Jiangsu High-Ti Investment Group, overall converted based on Jiangsu NandaSoft Software Co., Ltd. on 30 December 1999. The registered capital on establishment was RMB70 million.

On 24 April 2001, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and issued 234 million foreign shares with a par value of RMB0.1 per share; upon the issuance, the registered capital and share capital of the Company increased to RMB93.4 million. On 31 August 2010, the Company issued 170 million foreign shares with a par value of RMB0.1 per share; upon the issuance, the registered capital and share capital of the Company increased to RMB110.4 million. On 22 August 2014, according to the resolution of the shareholders’ general meeting and the Board of the Company, the Company issued an aggregate of 136,000,000 ordinary domestic shares of nominal value of RMB0.1 each to specific investors at a price of RMB0.2 by way of private placement. Upon the issuance, the registered capital and share capital of the Company increased to RMB124 million. This capital increase has been audited by Jiangsu Zhongzhen Tongren Certified Public Accountant which has issued a Capital Verification Report named Tong Ren Yan Zi [2014] No.052 for verification.

By the end of 31 December 2014, the total equity of the Company was 1,240 million shares, including 804 million unlisted shares, representing 64.84% of the equity, and 436 million outstanding public H shares, representing 35.16% of the equity.

The registered address of the Company: NandaSoft Tower, 8 Jinyin Street, Gulou District, Nanjing; the Company’s principal place of business in Hong Kong: 18th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong; legal representative: Liu Jian.

The Company’s business scope mainly includes: research, development, production, manufacture, sales and maintenance of computer software and hardware, network communications equipment, multi-media, electronic products, instruments and apparatuses and information industry related products; technical services, transfer, training and consultancy in relation to computer system integration, sales of office automatic equipment; proprietary operation and agency for imports and exports of commodities and technologies.

The Group is mainly 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, research and development of medicine and medical equipment, provision of services in relation to building installation and information system integration.

## 2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Group's consolidated financial statements during the reporting period covers 22 companies, which are Jiangsu NandaSoft Computer Equipment Co., Ltd., Shenyang Soft Software Development Co., Ltd., NandaSoft Technology Investment Development (Wuxi) Company Limited, Jiangsu NandaSoft Biochemical Technology Co., Ltd., Nanjing NandaSoft Property Service Co., Ltd., NandaSoft Technology (Shenzhen) Company Limited, Jiangsu Changtian Technology Company Ltd., Jiangxi NandaSoft Technology Co., Ltd., Jiangxi NandaSoft Service Outsourcing Park Co., Ltd., Nanjing NandaSoft System Integration Company Limited, Jiangsu Changtian Fuyun Information Technology Co., Ltd., Jiangsu Sheng Feng Investment Company Limited, Jiangsu NandaSoft (Hong Kong) Company Limited, Texwell Investment Ltd., Smartful Ventures Holdings Limited, Vast Rich Asia Limited, Staterich Technology (Jiangsu) Company Limited, Beijing NandaSoft Digital Technology Company Limited, Jiangsu NandaSoft Investment Co., Ltd., Jiangsu Fuyue Technology Co., Ltd., Nanjing Botong Technology Company Limited, Yancheng Soft Software Technology Co., Ltd. As compared with last year, NandaSoft Telecommunication Technology (Hong Kong) Company Limited is removed from the scope due to sales, cancelled the Nanjing NandaSoft Service Outsourcing and Talent Training Center and the Gaochun NandaSoft Service Outsourcing and Talent Training Center.

See "VII Changes in Scope of Consolidation" and "VIII Interests in Other Entities" for the details of changes in the scope of consolidation during the reporting period.

## 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 1. Basis for preparation

The Financial statements has been prepared on the going-concern basis and transactions and events actually occurred in accordance with the "Accounting Standards for Business Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and relevant requirements (Collectively "Accounting Standards for Business Enterprises"), and China Securities Regulatory Commission's "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2014 Revision)" and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in "4. Significant Accounting Policies and Accounting Estimation" under this section.

## 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

### 1. Basis for preparation (Continued)

Upon listing, the Group has been adopting the accounting principles generally accepted in Hong Kong, Hong Kong Accounting Standards (“HKASs”), to prepare the financial statements for information disclosure in Hong Kong. In accordance with the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” which was published by the Hong Kong Stock Exchange in December 2010, from this financial year, the Company decided to prepare the financial statements in accordance with “Accounting Standards for Business Enterprises” and the relevant regulations issued by the China Ministry of Finance (“PRC Accounting Standards”) for the preparation of financial statements. PRC Accounting Standards have been applied retrospectively, and the comparative financial information for the year ended 31 December 2013 (note: the previous year) is converted to applying PRC Accounting Standards. A reconciliation of the shareholders’ equity and profits and the effect caused by converting from the accounting principles generally accepted in Hong Kong to PRC Accounting Standards are stated in the supplemental information of the financial statements “2. Reconciliation of the Shareholders’ Equity and Profits of the Group under the conversion from the accounting principles generally accepted in Hong Kong to PRC Accounting Standards”.

### 2. Continuous Operation

As of 31 December 2014, the current liability of the Group is high than the current assets of RMB272,558,814.14. Such condition shows that uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern exist, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Even with the above condition, after having taken into consideration the continuing availability of the banking facilities in the future and measures to improve its working capital position, including but not limited to issuing shares and disposing equity, the management of the Group thinks that the Group has the ability to continue as a going concern in 12 months from the end of the reporting period, and it is reasonable to prepare the financial statements on a going concern.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and accounting estimation prepared by the Group based on actual production and operation characteristics include recognition and measurement of bad debt provisions on receivables, measurement of inventories transferred out, measurement of investment properties, classification and depreciation method of fixed assets, amortisation of intangible assets, recognition and measurement of income, etc.

### 1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with Accounting Standards for Business Enterprises and give a true and fair view of the financial position, operating results and cash flows and other relevant information of the Company and the Group.

### 2. Accounting year

The Group's accounting year starts on 1 January and ends on 31 December.

### 3. Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB. The reporting currency for the overseas business is the currency of the place in which they are located.

Overseas subsidiaries use the currency of the country in which they are located. When preparing the consolidated statements of the Group, the statements in foreign currency of overseas subsidiaries translated according to the translation method in Notes 4 and 7(2).

### 4. Accounting treatments for a business combination involving enterprises under and not under common control

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For identifiable assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities issued or undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the costs of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to be reviewed. The excess of the fair value of net identifiable assets of the acquirer acquired over the cost of business combination will be recognized in the consolidated non-operating for the current period after review.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 5. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loses control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 6. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

### 7. Foreign currency operations

#### (1) Foreign currency transaction

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date.

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period. For non-monetary items measured in foreign currency under historical cost method, the foreign currency is translated into reporting currency at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the foreign currency is translated into RMB at the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

#### (2) Foreign Currency Translation of Financial Statements

The asset and liability items in the balance sheets prepared in foreign currency are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for those classified as "retained earnings", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate approximate to the spot exchange rate of the date when the transaction occurred. The difference in the foreign currency statements arisen from the above translation's are presented under the other comprehensive income. Foreign currency cash flow is translated using the average exchange rate approximate to the spot exchange rate of the date when the cash flow occurred. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

#### (1) *Financial assets*

- 1) Classification of financial assets, basis of recognition and method of measurement

The Group classified financial assets into financial assets at fair value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is a part of a portfolio of identifiable financial instruments that the Group manages together and there is objective evidence that the Group recently manages the portfolio through the approach of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Group mainly includes forward exchange settlement business. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the profit or loss from changes of fair value will be adjusted at the same time.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

- 1) Classification of financial assets, basis of recognition and method of measurement (Continued)

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be measured at cost. Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

- 2) Recognition basis of transfer of financial assets and measure method

A financial asset is derecognized when any one of the following conditions is satisfied: (1) the rights to receive cash flows from the asset expire, (2) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an enterprise neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

- 3) Testing of impairment of financial assets and accounting method

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

Where an available-for-sale financial asset is impaired, the cumulative loss generated from decline of fair value that had been recognized directly in shareholder's equity shall be reversed and included in the impairment loss. For the available for sale debt instruments investment of which impairment loss has been recognized, if, in a subsequent period, the fair value of which increases and it can be objectively related to events occurring after the impairment loss was recognized, the previously recognized impairment loss shall be reversed. For the available for sale equity instruments investment of which impairment loss has been recognized, the increase in fair value in a subsequent period shall be directly included in shareholder's equity.

#### (2) Financial Liabilities

- 1) Classification of financial liabilities, recognition basis and measure method

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities on initial recognition.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (2) Financial Liabilities (Continued)

##### 2) Conditions of derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

#### (3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Group: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level to which the results of measurement of fair value belong is subject to the lowest level to which the inputs having great significance to the measurement of fair value as whole belong.

### 9. Bad debts provision for receivables

Receivables include accounts receivable and other receivables, etc. The Group's accounts receivable from selling products and providing services are initially recorded at fair value of consideration of contract value from buyer or service receiver.

The Group adopts the following criteria for recognition of provision for bad debts on receivables: When the debtors are dissolved, bankrupt, insolvent and in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; fails to perform its obligations of debt repayment by the debtors over 5 years; when there are other objective evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognised in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 9. Bad debts provision for receivables (Continued)

**(1) Accounts receivable that are individually significant and are provided for bad debts on individual basis**

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB1,000,000 as significant receivables
Provision-making method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables

**(2) Receivables for which provision of bad debts made by portfolio of credit risk characteristics**

**Basis of defining portfolio**

Portfolio of ageing	Consider ageing of receivables as credit risk characteristics
Portfolio of nature of amounts	Consider nature of receivables as credit risk characteristics
Portfolio of relationship with counterparties	Consider relationship with counterparties as credit risk characteristics

**Method of provision of bad debts based on portfolio**

Portfolio of ageing	Ageing analysis method
Portfolio of nature of amounts	No provision of bad debts is made for guaranteed amounts and deposit
Portfolio of relationship with counterparties	No provision of bad debts is made for subsidiaries

1) The rate of bad debts provision according to ageing analysis is as follows:

Ageing	Provison percentage for account receivables (%)	Provision percentage for other receivables (%)
Within 3 months (inclusive, on the analogy of this for the following)	0%	0%
3 to 6 months	4%	4%
6 months to 1 year	8%	8%
1-2 years	20%	20%
2-3 years	50%	50%
Over 3 years	100%	100%

The bad debts provision for prepayments of the Company shall make reference to the policies for account receivables.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 9. Bad debts provision for receivables (Continued)

**(3) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis**

Reason for making provision of bad debts individually	Individual receivables below significant level whereby the portfolio method does not reflect its risk characteristics
Method for provision of bad debts	Provision for bad debts is made using the difference between the present value of future cash flows and the book value of receivables

### 10. Inventories

The inventories of the Group include merchandise inventory, goods shipped in transit and construction, etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired or sent out.

The net realizable value of merchandise inventory which are directly used for sale such as merchandise and materials for sale, is determined based on the estimated selling price of such inventories after deducting its estimated selling costs and related taxes. The net realizable value of materials held for production is determined based on its estimated selling price after deducting its estimated cost, sale expenses and related sales taxes occurred till it is completed.

### 11. Long-term equity investment

Long-term investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

The Group directly or indirectly through its subsidiaries owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually representing having significant influence on the invested company. For voting rights of less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or key technology information provided to the invested company which have significant influence to the invested company.

The Group's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of longterm equity investment is calculated as zero.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 11. Long-term equity investment (Continued)

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement.

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group ceases to have control or significant influence on the invested company due to the reasons such as disposal of part of its equity investment, the remaining shareholding after disposal shall be accounted for under available-for-sale financial assets, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting for each transaction shall be conducted separately. For the package transaction, the accounting for each transaction shall be treated as disposing subsidiary and loss of its control. However, the difference between each disposal price before loss of control and the carrying value of the corresponding long-term investment of the equity disposed, shall be recognized as other comprehensive income, and shall be transfer to the profit or loss for the current period upon loss of control.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 12. Investment property

The investment properties of the Group are properties held for gaining rental or realizing capital appreciation or both. Investment properties are measured through the fair value pattern.

Investment properties are stated by the Group at value with no provision or amortization made. The carrying amount is adjusted on the basis of the fair value of investment properties as at the balance sheet date. The difference between the fair value and the original value is recorded in current period, and meanwhile the effects on the deferred income tax assets or liabilities are considered.

Where fair value of investment properties under construction cannot be reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

Where objective evidence indicates that the purpose of the real estate has changed, and the investment property shall be converted into other assets or the other assets shall be converted into investment properties in any of the following conditions: (1) investment properties begins to be owner-occupied; (2) real estate used for sales is converted to be used for rent; (3) the land use right of owner-occupied lands ceases to be owner-occupied but is used for earning rents or capital gains; (4) owner-occupied buildings cease to be owner-occupied but is used for renting.

When the investment property measured at fair value is converted into owner-occupied real estate, the fair value at the date of conversion shall be the carrying amount of the owner-occupied real estate; and the difference between the fair value and the original carrying amount is recorded in current profit or loss.

When owner-occupied real estate or real estate inventories are converted into investment properties measured at fair value, the investment properties are measured at the fair value on the date of conversion; where the fair value on the date of conversion is less than the original carrying amount, the difference is recorded in current profit or loss; where the fair value on the date of conversion is more than the original carrying amount, the difference is recorded into the owners' equity.

In case of sales, transfer or abandonment of the investment properties or when the investment property is destroyed, the Group shall record the amount of income from disposal less the carrying amount and relevant taxes into current profit and loss.

The Group assesses the fair value of investment properties based on the principles of prudence and steadiness. Where there is a trading price for the investment property, the fair value is determined based on the closing price or offer provided by the department of the Company in charge of property operation and management. Where there is no trading price for the investment property, the fair value is determined through the market research report or by the conclusion in the valuation report issued by the department of the Company in charge of property operation and management or any professional real estate intermediary engaged for market research or assessment.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 12. Investment property (Continued)

When determining the fair value of the investment properties, the current market price (open price in the market) of the same or similar real estate in the active market is used for reference; where such price is unavailable, the latest transaction price of the same or similar real estate in the active market is used for reference with the consideration of factors such as the transaction details, date and the regions so as to make a reasonable estimation on the fair value of investment properties; the fair value can also be measured at the present value of the rent income expected to be obtained in the future and relevant cash flows.

The department of the Group in charge of property operation and management or the professional real estate intermediary engaged must assess the fair value of the investment properties at the end of each year and issue the market research report or the valuation report, which indicates the changes in fair value in the investment properties of the Company. Upon approval, the finance department of the Company shall make accounting treatment on the conclusion on valuation in the market research report or the valuation report.

### 13. Fixed assets

The Group's fixed assets are tangible assets that are held for the production of goods and/or the rendering of services, leasing to others (excluding houses and structure), or for administrative purposes. Such assets have a useful life of over one accounting year.

The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets consist of buildings, transportation equipment, electronic equipments and others.

Apart from fixed assets which are provided in full and continue to use, the Group made provision of depreciation for all the fixed assets. The Group made provision for depreciation by using the straight-line method. The useful life, estimated rate of salvage value and depreciation rate of fixed assets of the Group are as below:

<b>Classification</b>	<b>Useful life (year)</b>	<b>Estimated rate of salvage value (%)</b>	<b>Annual depreciation rate (%)</b>
Building	45	3.00	2.16
Transportation Equipment	6	3.00	16.17
Electronic equipments and others	5	3.00	19.40

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 14. Construction in progress

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed, but it is not necessary to adjust the previous recorded depreciation or amortization amount.

### 15. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reach usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected useable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for the current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

### 16. Intangible assets

The intangible assets of the Group include the land use right and software, and are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the actual cost of assets is determined based on its fair value.

Land use rights are amortized on the basis of their useful life or remaining useful life by straight-line method since is the date they are acquired. Other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss according to its beneficiaries. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

Internal research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognized in profit or loss for the period as incurred; Expenditure on the development phase will be recognized as intangible assets while satisfying the following conditions: 1) It is technically feasible that the intangible asset can be used or sold upon completion; 2) There is intention to complete the intangible asset for use or sale; 3) The products produced using the intangible asset have a market or the intangible asset itself has a market; 4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; 5) The expenses attributable to the development stage of the intangible asset can be measured reliably. Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 17. Long-term assets impairment

The Group would assess intangible assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with limited useful lives at each of the assets balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the year end regardless of whether there is indication of impairment loss.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once is recognized, it cannot be reversed in subsequent accounting period.

### 18. Long-term deferred expenses

The long-term deferred expenses of the Group include renovation costs and other expenses. These expenses are amortized evenly over the estimated benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the current profit or loss.

### 19. Employee remuneration

Employee remuneration of the Group includes short-term compensation, post employment benefits and termination benefits.

Short-term compensation include salaries, bonus, allowances and subsidies, medical insurance, industrial injury insurance, birth insurance and housing accumulation fund, worker welfare funds, union funds and employee education funds. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post employment benefits including the endowment insurance, and unemployment insurance, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

Termination benefits are incurred when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. If the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 20. Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfillment of obligations will probably to cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of performing relevant obligations by considering relative risks, uncertainties and time value related to contingent events. If the effect from time value of currency is significant, the best estimation will be determined by discounting relevant future cash flow. The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes to reflect the current best estimation.

### 21. Recognition and measurement of revenue

The revenue of the Group is mainly revenue from sales of goods, provision of services and transference of assets. Revenue recognition principles are as follows:

#### (1) Sales of goods

Revenue recognition principle of sales of goods by the Group is as follows: The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, the amount of relevant revenue can be measured reliably and relevant economic benefits may flow into the Group, and related cost incurred or to be incurred can be measured in a reliable way.

Time of recognition of revenues from sales of goods: When the goods are in delivery of cargo from storage and related evidence for signature confirmation has been obtained from customers.

#### (2) Provision of services

When the provision of services is started and completed in the same accounting period, revenue from rendering of services is recognized upon completion. When the provision of services is started and completed in different accounting period and the outcome of a transaction involving the rendering of services can be estimated reliably on the balance sheet date, revenue from rendering of services is recognised by percentage of completion method. The percentage of completion of contract is calculated by the cost of contract actually incurred in proportion to the estimated total contract cost or the process actually measured.

When the outcome of provision of services cannot be estimated reliably on the balance sheet date, different accounting treatments will be adopted depending on the circumstances: if the costs of rendering of services are expected to be recoverable, the service revenue will be recognized to the extent of the costs incurred and service costs will be carried forward with the same amount. If the costs of rendering of services are not expected to be recoverable, the costs incurred are charged to the current profit or loss, and revenues are not recognised.

#### (3) Revenue from transference of assets

The revenue from transference of right to use assets shall be recognized when the economic benefits related to transactions may flow into the Group and the amount of relevant revenue can be measured reliably.

Time of recognition of lease revenue: on a time proportion basis over lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 22. Government grants

The Group classifies government grants as grants pertinent to assets and grants pertinent to incomes.

If a government grant is a monetary asset, it is measured at actual received amount; For the grants being allocated in accordance with fixed quotas, or if there is sufficient evidence at end of the period to show that the entity complies with the conditions of financial policies and is expected to receive supporting funds, the grants shall be measured at receivable amount; If a government grant is a non-monetary asset, it is measured at its fair value, and in the event the fair value cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses already incurred are directly recognized in current profit or loss.

### 23. Deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax 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.

The Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference.

### 24. Lease

Lease of the Group includes operating lease and financial lease.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two shall be recorded as unrecognized financial expense.

The Group, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

## 5. TAXATION

### 1. Main categories of tax and tax rate

Category	Tax base	Tax rate
Value-Added Tax	Revenues from sales of goods and provision of technical services	17%/6%
Business Tax	Revenues from lease, technical services and installation	5.00%/3.00%
Urban Construction & Maintenance Tax	VAT and business tax payable	5.00%/7.00%
Education surcharges	VAT and business tax payable	3.00%
Local education surcharges	VAT and business tax payable	2.00%
Estate Tax	70% of the estate's original value	1.20%
Corporate income tax	Taxable income	25.00%

### 2. Tax Preference

#### (1) Corporate income tax

##### ■ Tax preference

On 9 September 2011, the Company is awarded the New and High Technology Enterprise Certificate (高新技術企業證書) (NO. GR201132000259) jointly issued by Jiangsu Science and Technology Department (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Administration of Taxation of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局), and is recognised as a new and high technology enterprise (高新技術企業) with a validity period of three years.

According to Article 13 of the Administrative Methods for the Confirmation of New and High Technology Enterprises (Guo Ke Fa Huo [2008] no. 172) (《高新技術企業認定管理辦法》(國科發火[2008]172號): The qualifications of a new and high technology enterprise that has passed a review shall be valid for three years. If, at the expiration of such term, the enterprise again submits an application for recognition, matters shall be handled in accordance with Article 11 hereof. In July 2014, the Company submitted the application material for the recognition of a new and high technology enterprise to the New and High Technology Enterprises Recognition and Management Coordination Team of Jiangsu Province. According to the Notification on the List of 2014 Third Group of Proposed New and High Technology Enterprises of Jiangsu Province (Su Gaoqixie [2014] no. 18) (《關於公示江蘇省2014年第三批擬認定高新技術企業名單的通知》(蘇高企協[2014]18號)) issued by New and High Technology Enterprises Recognition and Management Coordination Team of Jiangsu Province on 31 October 2014, the Company is listed in the List of 2014 Third Group of Proposed New and High Technology Enterprises of Jiangsu Province, and the number of the new and high technology enterprise certificate to be obtained is GR201432002517. As of 31 December 2014, the Company does not obtain the officially issued New and High Technology Enterprise Certificate. After comparing with relevant conditions, the management of the Company judges that there will be no material obstacle for the Company to obtain the New and High Technology Enterprise Certificate. The corporate income tax applicable to the Company for the year 2014 is 15%.



## 5. TAXATION (Continued)

### 2. Tax Preference (Continued)

#### (1) Corporate income tax (Continued)

##### ■ Domestic subsidiaries of the Company

On 11 December 2013, Jiangsu Changtian Zhi Yuan Technology Company Limited, a subsidiary of the Company, was awarded the New and High Technology Enterprise Certificate (高新技術企業證書) (No. GF 201332000415) jointly issued by Jiangsu Science and Technology Department (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Administration of Taxation of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局), and was recognised as a new and high technology enterprise (高新技術企業) with a validity period of three years. Therefore, according to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the corporate income tax applicable to the Company for the year 2014 is 15%.

On 2 September 2010, Jiangxi NandaSoft Technology Company Limited, a subsidiary of the Company, was awarded the Software Enterprise Certificate with the number “GanR-2010-0015” issued by the Industry and Information Committee of Jiangxi Province (江西省工業和信息化委員會); on 1 July 2011, Nanjing BoTong Technology Company Limited, a subsidiary of the Company, was awarded the Software Enterprise Certificate with the number “Su-R-2011-0030” issued by the Economy and Information Committee of Jiangxi Province (江蘇省經濟和信息化委員會). According to Notice of the Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to the Enterprise Income Tax (Cai Shui [2008] No. 1) (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知) (財稅[2008]1號), when a newly founded domestic software enterprise is recognized, from its profit-making year, corporate income taxation is exempted for first two years, reduced half for next three years. Jiangxi NandaSoft Technology Company Limited records no gains in 2014; the corporate income tax applicable to Nanjing BoTong Technology Company Limited for the year 2014 is 12.5%.

#### (2) VAT

According to the Circular of State Administration of Taxation; Ministry of Finance on Value-added Tax Policy on Software Products (Cai Shui [2011] No. 100), if general VAT taxpayers sell software products developed and produced by them, VAT shall be collected at a tax rate of 17% and the refund-upon-collection policy shall be applied to the part VAT in excess of 3% of their actual tax burden.

The preferential VAT policies mentioned above applied to the Company in 2014.

Subsidiaries of the Company, to which the preferential VAT policies applied, are Jiangsu Changtian Zhi Yuan Transportation Company, Jiangxi NandaSoft Technology Co., Ltd. and Nanjing Botong Technology Company Limited.



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless specifically indicated, “Beginning Balance” refers to January 1, 2014; and “Ending Balance” refers to December 31, 2014. “Current Year” refers to the period from January 1, 2014 to December 31, 2014; and “Last Year” refers to the period from January 1, 2013 to December 31, 2013. The currency is in RMB.

### 1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	2,993,817.54	141,791.00
Bank deposits	72,696,182.37	104,802,563.00
Other currency funds	49,224,894.31	3,650,000.00
<b>Total</b>	<b>124,914,894.22</b>	<b>108,594,354.00</b>
Including: total amount deposited overseas	210,882.28	23,473,633.57

Note 1: Among the bank deposits of the Group, RMB 15,000,000.00 was fixed-term deposit.

Note 2: Among other monetary funds of the Company, RMB 4,316,441.16 was frozen due to litigation (please see notes for details of litigation), RMB 41,580,000.00 was the deposit for bank acceptance bill and the remaining was the deposit for contract fulfillment.

### 2. Notes receivable

Classification of Notes receivable	Ending Balance	Beginning Balance
Bank acceptance bill		200,000.00
<b>Total</b>		<b>200,000.00</b>

### 3. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	279,449,382.12	258,115,683.33
Less: provision for bad debts	43,261,908.19	40,484,056.92
<b>Net amount</b>	<b>236,187,473.93</b>	<b>217,631,626.41</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Accounts receivable (Continued)

#### (1) Aging analysis

Age	Closing Balance	Opening Balance
3 months (inclusive)	<b>159,653,519.87</b>	162,821,359.88
3 months to 6 months (inclusive)	<b>11,296,681.26</b>	8,128,767.73
7 months to 12 months (inclusive)	<b>13,125,666.33</b>	5,423,931.90
Over 1 year	<b>52,111,606.47</b>	41,257,566.90
<b>Net</b>	<b>236,187,473.93</b>	217,631,626.41

#### (2) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	<b>279,449,382.12</b>	<b>100.00</b>	<b>43,261,908.19</b>	<b>15.48</b>	<b>236,187,473.93</b>	258,115,683.33	15.48	40,484,056.92	5.48	217,631,626.41
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>279,449,382.12</b>	<b>100.00</b>	<b>43,261,908.19</b>	<b>15.48</b>	<b>236,187,473.93</b>	258,115,683.33	15.48	40,484,056.92	5.48	217,631,626.41

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Accounts receivable (Continued)

#### (2) Classification by risks (Continued)

1) Accounts receivable in portfolio of which provision was made using ageing analysis method:

Aging	Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	159,653,519.87		
3 to 6 months (inclusive)	11,767,376.31	470,695.05	4.00
7 to 12 months (inclusive)	14,267,028.62	1,141,362.29	8.00
Over 1 year	93,761,457.32	41,649,850.85	44.42
<b>Total</b>	<b>279,449,382.11</b>	<b>43,261,908.19</b>	<b>15.48</b>

Aging	Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	162,821,360.00		
3-6 months (inclusive)	8,467,466.40	338,698.67	4.00
7-12 months (inclusive)	5,895,578.16	471,646.26	8.00
Over 1 year	80,931,278.89	39,673,711.99	49.02
<b>Total</b>	<b>258,115,683.33</b>	<b>40,484,056.92</b>	<b>15.68</b>

#### (3) The five largest accounts receivable assembled by debtors

Company name	Ending Balance	Aging	Proportion of ending balance of accounts receivables in total (%)	Ending balance of bad debts provision
No.1	34,944,000.00	0-3 months	12.50	
No.2	6,800,000.00	0-3 months	2.43	
No.3	4,713,856.00	0-6 months	1.69	38,068.71
No.4	4,303,755.90	0-3 months	1.54	
No.5	3,542,058.80	2-3 years	1.27	2,042,058.80
<b>Total</b>	<b>54,303,670.70</b>		19.43	2,080,127.51

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Prepayments****(1) Aging analysis**

Items	Ending Balance		Beginning Balance	
	Amount	Percent (%)	Amount	Percent (%)
Within 1 year	<b>18,855,768.73</b>	<b>58.82</b>	31,130,606.60	62.51
1-2 years	<b>7,533,271.25</b>	<b>23.50</b>	13,974,779.09	28.06
2-3 years	<b>2,132,235.37</b>	<b>6.65</b>	4,667,396.90	9.37
3 years or above	<b>3,534,782.15</b>	<b>11.03</b>	28,600.00	0.06
Total	<b>32,056,057.50</b>	<b>100.00</b>	49,801,382.59	100.00

**(2) Prepayments from the five largest suppliers assembled by the subject receiving prepayments**

Company name	Ending Balance	Aging	Proportion of ending balance of prepayments in total (%)
No.1	<b>5,653,552.00</b>	1-2 years	23.78
No.2	<b>4,021,838.52</b>	7 months-3 years	12.55
No.3	<b>3,402,000.00</b>	0-3 months	10.61
No.4	<b>3,151,765.89</b>	0-3 months	9.83
No.5	<b>3,010,000.00</b>	3 months-2 years	9.39
Total	<b>19,239,156.41</b>		66.16

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Interest receivable

Items	Ending Balance	Beginning Balance
Time deposit	453,750.00	
Total	453,750.00	

### 6. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	170,247,553.49	140,608,113.39
Less: provision for bad debts	49,025,288.04	21,081,185.32
Net amount	121,222,265.45	119,526,928.07

Note: The balance of other receivables as at the end of the year increased compared to the previous period mainly due to the disposal of the 100% equity interest of Hong Kong Communications Co., Ltd. held by the subsidiary of the Company Jiangsu Nandasoft (Hong Kong) Co., Ltd. and the increase in fund transfer from the Group to Hong Kong Communications Co., Ltd. Meanwhile, as Hong Kong Communications Co., Ltd. cannot repay, the Group made provision for bad debts for its entire amount of other receivables.

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	170,247,553.49	100.00	49,025,288.04	28.80	121,222,265.45	140,608,113.39	100.00	21,081,185.32	14.99	119,526,928.07
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>170,247,553.49</b>	<b>100.00</b>	<b>49,025,288.04</b>	<b>28.80</b>	<b>121,222,265.45</b>	<b>140,608,113.39</b>	<b>100.00</b>	<b>21,081,185.32</b>	<b>14.99</b>	<b>119,526,928.07</b>

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Other receivables (Continued)****(1) Classification of other receivables (Continued)**

1) Other receivables in portfolio of which provision was made using ageing analysis method:

Aging	Other receivables	Ending Balance Bad debts provision	Ratio (%)
1-3 months	43,109,730.27		0.00
Within 6 months (inclusive)	15,576,025.72	623,041.03	4.00
7 months – 1 years (inclusive)	28,572,086.73	2,285,766.94	8.00
Over 1 year	82,989,710.78	46,116,480.07	55.57
<b>Total</b>	<b>170,247,553.50</b>	<b>49,025,288.04</b>	<b>28.80</b>

**(2) Other receivables by nature**

Nature	Book balance at end of the year	Book balance at beginning of the year
Security deposit, imprest and cash pledge	35,209,749.21	32,726,019.54
Current accounts	135,037,804.29	107,882,093.85
<b>Total</b>	<b>170,247,553.49</b>	140,608,113.39



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Other receivables (Continued)

#### (3) The five largest other receivables assembled by debtors

Company name	Nature	Ending Balance	Aging	Proportion of ending	Ending balance of bad debts provision
				balance of other receivables in total (%)	
No.1	Current accounts	<b>35,200,000.00</b>	0-3 months	20.68	
No.2	Current accounts	<b>27,226,735.35</b>	Over 2 years	15.99	27,226,735.35
No.3	Current accounts	<b>11,917,809.60</b>	1-2 years	7.00	2,383,561.92
No.4	Current accounts	<b>5,441,740.07</b>	Over 3 years	3.20	5,441,740.07
No.5	Current accounts	<b>6,454,678.49</b>	3 months – 3 years	3.79	347,290.57
<b>Total</b>		<b>86,240,963.51</b>		50.66	35,399,327.91

## 7. Inventories

#### (1) Classification

Items	Ending Balance Inventory			Beginning Balance Inventory		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Merchandise inventories	<b>31,377,786.70</b>	<b>4,253,149.36</b>	<b>27,124,637.34</b>	12,819,248.75	3,412,037.37	9,407,211.38
Goods in transit	<b>32,295,618.85</b>		<b>32,295,618.85</b>	18,917,016.91		18,917,016.91
Engineering construction	<b>36,155,935.96</b>		<b>36,155,935.96</b>	38,619,567.98		38,619,567.98
Technology development	<b>2,438,569.00</b>		<b>2,438,569.00</b>	1,657,660.84		1,657,660.84
<b>Total</b>	<b>102,267,910.51</b>	<b>4,253,149.36</b>	<b>98,014,761.15</b>	72,013,494.48	3,412,037.37	68,601,457.11

Note: The ending balance of inventories increased as compared with beginning balance, which was mainly due to that part of system integration business has not been completed and more goods in transit at end of the year.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Inventories (Continued)****(2) Inventory impairment**

Items	Beginning Balance	Increase during the year	Decrease during the year		Ending Balance
			Reversal	Transferred out	
Merchandise inventories	3,412,037.37	841,111.99			<b>4,253,149.36</b>
Total	3,412,037.37	841,111.99			<b>4,253,149.36</b>

**(3) Provision for inventory impairment**

Items	Basis of determination of net realisable value	Reasons for reversal or write-off
Merchandise inventories	Based on the amount of the estimated selling price of such merchandise inventory after deducting its estimated sales expenses and relevant taxes	No reversal during the year
<b>Total</b>		

**8. Other current assets**

Items	Ending Balance	Beginning Balance
Unamortized expense — rent	<b>67,168.33</b>	
Unamortized expense — others	<b>23,400.00</b>	
<b>Total</b>	<b>90,568.33</b>	

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Available-for-sale financial assets

#### (1) Description of available-for-sale financial assets

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument Measured at cost	<b>10,575,229.23</b>	<b>747,464.99</b>	<b>9,827,764.24</b>	10,575,229.23	747,464.99	9,827,764.24
<b>Total</b>	<b>10,575,229.23</b>	<b>747,464.99</b>	<b>9,827,764.24</b>	10,575,229.23	747,464.99	9,827,764.24

As the reasonable scope of fair value valuation is significant and the directors of the Company believed such fair values were not reliable calculations, such assets were measured at cost impairment at the end of the reporting period.

#### (2) The analysis of available-for-sale financial assets is as follows

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	<b>9,827,764.24</b>	9,827,764.24
<b>Total</b>	<b>9,827,764.24</b>	9,827,764.24

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Available-for-sale financial assets (Continued)

#### (3) Available-for-sale financial assets measured at cost at the end of the year

Investee	Book balance				Provision for impairment				Shareholding ratio investee (%)	Cash dividend for the year
	Beginning	Increase during the year	Decrease during the year	Ending	Beginning	Increase during the year	Decrease during the year	Ending		
Nanjing Fineweb Import and Export Trade Limited	190,000.00			190,000.00					19.00%	
Nanjing Changtian Shuangjin Software Limited	979,110.00			979,110.00					40.80%	
Jiangsu Nandasoft Education Information Technology Limited	736,000.00			736,000.00	736,000.00			736,000.00	18.40%	
Nanjing Nandasoft Electronic Technology Limited	11,972.48			11,972.48	11,464.99			11,464.99	19.00%	
Jiangsu Nanda Shang Cheng High Technology Industrial Limited	771,692.05			771,692.05					15.12%	
Nanjing IOT Application Research Institute Limited	1,600,000.00			1,600,000.00					16.00%	
Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd	2,000,000.00			2,000,000.00					4.35%	
Polyrey Medical Tech. (Suzhou) Co., Ltd.	1,786,454.70			1,786,454.70					19.00%	
Jiangsu Unisource Technology Industry Co., Ltd.	2,500,000.00			2,500,000.00					12.50%	
<b>Total</b>	<b>10,575,229.23</b>			<b>10,575,229.23</b>	<b>747,464.99</b>			<b>747,464.99</b>		

### 10. Long-term equity investment

#### (1) Classification of long-term equity investment

Items	Ending Balance	Beginning Balance
Under equity method	85,332,654.47	93,833,495.21
Total of long-term equity investment	85,332,654.47	93,833,495.21
Less: provision for impairment		
Value of long-term equity investment	85,332,654.47	93,833,495.45

Note: The decrease in long-term equity investment for the current period was due to disposal of equity interests in Jiangsu Hanwin Technology Company.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Long-term equity investment (Continued)

#### (2) Long-term equity investment accounted under equity method

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Ending Balance	Ending provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced dividends or profit	Provision for impairment		
<b>Under equity method</b>										
Shenzhen Nanda Research Institute Company Limited	41,052,759.06			788,484.61						41,841,243.67
Promed Medical Technology (Suzhou) Company Limited	18,707,631.79			-514,247.77						18,193,384.02
Yantai Blue Innovation Co., Ltd.	9,416,821.60			-817,658.30						8,599,163.30
Nada pharmaceutical (HK) Limited	5,635,856.91			58,594.84						5,694,451.75
Soft Intelligent Technology (Shanghai) Co., Ltd.	2,486,217.33			-						2,486,217.33
Jiangsu NandaSoft Communication Company Limited	2,085,416.70			193,838.85						2,279,255.55
Jiangsu Fu Man Investment Limited	1,992,076.57			3,507.78						1,995,584.35
Nandasoft (Jiangsu) Health Technology Limited	1,992,756.05			-						1,992,756.05
Changshu Fu Man Services Training Centre	389,163.48			530,590.73						919,754.22
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	695,912.75			158,894.14						854,796.89
Nanjing Furuwei Medical Technologies Co., Ltd	340,279.29			-15,336.42						324,942.87
Nanjing King Wen Information Technology Limited	151,104.47			-						151,104.47
Jiagsu Hanwin Technology Company	8,887,499.20		8,887,499.20	-	-	-				-
<b>Subtotal</b>	<b>93,833,495.21</b>		<b>8,887,499.20</b>	<b>386,658.46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,332,654.47</b>

Note: On 15 October 2014, each of the Company and Jiangsu Sheng Feng Investment Company Limited, the subsidiary of the Company, have entered into the equity transfer agreements with independent third parties in relation to the sale of Jiangsu Hanwin Technology Company Limited held by the Company and Jiangsu Sheng Feng Investment Company Limited, the subsidiary of the Company, at the selling price of RMB11,102,000.00 and RMB1,911,000.00, respectively.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Investment properties

#### (1) Investment properties measured at fair value

Items	Buildings	Land use rights	Total
<b>I. Beginning Balance</b>		440,390,000.00	440,390,000.00
In which: Cost		299,943,708.15	299,943,708.15
Changes in fair value		140,446,291.85	140,446,291.85
<b>II. Changes for the current year</b>		71,410,000.00	71,410,000.00
Add: Transferred from fixed assets	16,089,315.38		16,089,315.38
Transferred from intangible assets		958,581.03	958,581.03
Changes in fair value			54,362,103.59
Less: Disposal			
<b>III. Ending Balance</b>		511,800,000.00	511,800,000.00
In which: Cost			316,991,604.56
Changes in fair value			194,808,395.44

Note 1: The increase in investment properties for the year was due to the Company's leasing out its self-used office floors.

Note 2: Investment properties of the Group were located in Nanjing, China. Investment properties were re-evaluated by an independent professionally qualified valuers on 31 December 2014.

At the end of the year, the fair value of such investment properties was determined based on the valuation by Asset Appraisal Limited (an independent third party not connected to the Group). Such valuation referred to the recent market value of similar properties in terms of areas and usage and was determined after the capitalization of net rental income when necessary.

#### (2) Investment properties analyzed by regions where they located and year

Items	Ending balance	Beginning Balance
Mainland China		
Mid-term (10-50 years)	<b>511,800,000.00</b>	440,390,000.00
Outside China		
<b>Total</b>	<b>511,800,000.00</b>	440,390,000.00



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Fixed assets

#### (1) Breakdown of fixed assets

Items	Buildings	Electronic equipment and others	Transportation equipment	Total
<b>(I) Original book value</b>				
1. Balance as at 31 December 2013	103,544,328.00	14,491,880.35	7,781,246.43	125,817,454.78
2. Increase for the period		2,665,882.36	720,497.00	3,386,380.36
(1) Purchase		2,665,882.36	720,497.00	3,386,380.36
(2) Transfers from construction in progress				
3. Decrease for the period	16,454,674.99	3,961,459.19	906,455.00	21,322,589.18
(1) Disposal or scrapped		3,961,459.19	906,455.00	4,867,914.19
(2) Transfer to investment properties	16,454,674.99			16,454,674.99
4. Balance as at 31 December 2014	87,089,653.01	13,196,303.52	7,595,288.43	107,881,244.96
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2013	3,212,262.00	9,616,441.00	4,796,996.00	17,625,699.00
2. Increase for the period	5,290,748.40	1,103,895.62	1,094,994.70	7,489,638.72
(1) Provision	5,290,748.40	1,103,895.62	1,094,994.70	7,489,638.72
3. Decrease for the period	365,359.61	3,797,613.65	862,309.09	5,025,282.35
(1) Disposal or scrapped		3,797,613.65	862,309.09	4,659,922.74
(2) Transfer to investment properties	365,359.61			365,359.61
4. Balance as at 31 December 2014	8,137,650.79	6,922,722.97	5,029,681.61	20,090,055.37
<b>(III) Impairment provision</b>				
1. Balance as at 31 December 2013				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2014				
<b>(IV) Book value</b>				
1. Book value as at 31 December 2013	100,332,066.00	4,875,439.35	2,984,250.43	108,191,755.78
2. Book value as at 31 December 2014	78,952,002.22	6,273,580.55	2,565,606.82	87,791,189.59

Note 1: The decrease in book value of buildings for the year was mainly due to part of floors of the Company's block 1 and 2 buildings located at No.19, Qingjiang South Road, Nanjing City were transferred into investment properties from self-use.

Note 2: The property ownership certificates of all properties of the Group have been obtained.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Fixed assets (Continued)

#### (2) Buildings analysed by regions where they located and year

Items	Ending balance	Opening balance
Within China		
Medium term (10-50 years)	<b>78,952,002.22</b>	100,332,066.00
Outside China		
<b>Total</b>	<b>78,952,002.22</b>	100,332,066.00

### 13. Construction in progress

#### (1) Breakdown of construction in progress

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Phase I of Shenyang Soft Science Park	<b>119,017,257.51</b>		<b>119,017,257.51</b>	113,433,572.78		113,433,572.78
Phase I of Life Science and Technology Park	<b>1,895,278.00</b>		<b>1,895,278.00</b>	1,895,278.00		1,895,278.00
<b>Total</b>	<b>120,912,535.51</b>		<b>120,912,535.51</b>	115,328,850.78		115,328,850.78

#### (2) Changes in significant construction in progress

Project Name	Beginning Balance	Increase	Transferred into fixed assets	Decrease		Ending Balance
					Other decrease	
Phase I of Shenyang Soft Science Park	113,433,572.78	5,583,684.73				<b>119,017,257.51</b>
Phase I of Life Science and Technology Park	1,895,278.00					<b>1,895,278.00</b>
<b>Total</b>	115,328,850.78	5,583,684.73				<b>120,912,535.51</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 14. Intangible assets

## (1) Breakdown of intangible assets

Items	Land use right	Software	Total
<b>(I) Original book value</b>			
1. Beginning Balance	6,492,922.64	1,859,486.10	8,352,408.74
2. Increase for the year		1,374,188.00	1,374,188.00
(1) Purchase		1,374,188.00	1,374,188.00
3. Decrease for the year	981,344.86		981,344.86
(1) Transferred into investment properties	981,344.86		981,344.86
4. Ending Balance	5,511,577.78	3,233,674.10	8,745,251.88
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	119,549.64	330,332.00	449,881.64
2. Increase for the year	190,795.23	590,584.38	781,379.61
(1) Provision	190,795.23	590,584.38	781,379.61
3. Decrease for the year	22,763.83		22,763.83
(1) Transferred into investment properties	22,763.83		22,763.83
4. Ending Balance	287,581.04	920,916.38	1,208,497.42
<b>(III) Impairment provision</b>			
1. Beginning Balance			-
2. Increase for the year			-
3. Decrease for the year			-
4. Ending Balance			-
<b>(IV) Book value</b>			
1. Ending book value	5,223,996.74	2,312,757.72	7,536,754.46
2. Beginning book value	6,373,373.00	1,529,154.10	7,902,527.10

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. Intangible assets (Continued)****(2) Land use right analysed by regions where they locate and year**

Items	Ending balance	Opening balance
Within China		
Medium term (10-50 years)	<b>5,223,996.74</b>	6,373,373.00
Outside China		
<b>Total</b>	<b>5,223,996.74</b>	6,373,373.00

**15. Research and development expenses**

Items	Beginning Balance	Increase	Recognized as intangible assets	Decrease Transfer to profit or loss for the current period	Ending Balance
Development expenses	7,653,732.00	10,660,969.46		18,314,701.46	
<b>Total</b>	7,653,732.00	10,660,969.46		18,314,701.46	

**16. Goodwill**

Name of investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision of impairment at end of the year
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	22,877,034.78			<b>22,877,034.78</b>	
SMARTFUL VENTURE HOLDINGS LIMITED	531,334.14			<b>531,334.14</b>	
<b>Total</b>	23,408,368.92			<b>23,408,368.92</b>	

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Goodwill (Continued)

The collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd was calculated based on the 5-year budget approved by the management by adopting cash flow forecast approach. Cash flow beyond 5 years was estimated with a rate not exceeding the long-term average growth rate of the IT system integration industry.

The key assumptions for adopting future cash flow discounting:

Items	Current year	Previous year
Gross profit margin	23%	22%
Growth rate	10%	10%
Discount rate	15.31%	15%

The management decided on the budget gross profit margin based on past experience and forecast of market development and adopted the interest rate before tax as the discount rate, which can reflect the specific risk of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd. The above assumption is used for the analysis on the collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd.

As at 31 December 2014, as the gross profit margin and growth rate for the IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd were expected to increase and bringing about a higher collectable amount, the impairment of goodwill has not been provided for.

### 17. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Ending Balance
Improvements of lease assets		1,814,504.48	1,242,155.8	572,348.68
<b>Total</b>		1,814,504.48	1,242,155.8	572,348.68

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	45,780,088.60	6,867,013.29	58,573,024.47	8,785,953.67
<b>Total</b>	<b>45,780,088.60</b>	<b>6,867,013.29</b>	58,573,024.47	8,785,953.67

#### (2) Deferred tax liabilities without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Investment properties	205,693,820.96	51,423,455.24	142,617,200.00	35,654,300.00
Expenses allocated as development costs			7,653,733.33	1,148,060.00
<b>Total</b>	<b>205,693,820.96</b>	<b>51,423,455.24</b>	150,270,933.33	36,802,360.41

#### (3) Breakdown of unrecognized deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary difference	10,061,440.33	5,138,450.00
Deductible loss	29,134,690.03	21,781,149.00
<b>Total</b>	<b>39,196,130.36</b>	26,919,599.00

Note: There were no deductible losses which have been recognized as deferred tax assets since it is not certain that sufficient taxable income will be acquired in future.



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Other Non-Current Assets

Item	Ending Balance	Beginning Balance
Prepayment for Vascore Medtech Medical (Suzhou) Company Limited		9,910,000.00
Prepaid land transfer payments	<b>3,500,000.00</b>	13,410,000.00
<b>Total</b>	<b>10,410,000.00</b>	13,410,000.00

Note 1: On 28 August 2008, the Company entered into an agreement with an independent third party for the acquisition of a 30% of equity interest in Vascore Medtech Medical (Suzhou) Company Limited at a consideration of US\$1,450,000.00 (approximately RMB9,910,000.00), which has been settled by the Company in full in 2008.

As the approval for the change of equity holders and business licenses applied by the investee to the local authorities have not been obtained, the Company terminated such transaction and took back the amount in full in December 2014.

Note 2: During the year ended 31 December 2012, the Company's subsidiary, NandaSoft Technology Investment Development (Wuxi) Company Limited entered into an agreement with the PRC's government for the acquisition of a parcel of land located in Wuxi at a consideration of RMB17,513,000.00, which has been partially settled by NandaSoft Technology Investment Development (Wuxi) Company Limited during that year. As at 31 December 2012, NandaSoft Technology Investment Development (Wuxi) Company Limited 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 Technology Investment Development (Wuxi) Company Limited is required to increase the registered capital to RMB50,000,000.00. During the year, NandaSoft Technology Investment Development (Wuxi) Company Limited's registered capital was increased from RMB10,000,000.00 to RMB50,000,000.00 and the paid-up capital increased from RMB10,000,000.00 to RMB18,000,000.00. 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 the Company has a good chance of successfully win the tender and the payment of RMB3,500,000.00 is recoverable.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Short-term borrowings

Category	Ending balance		Beginning balance	
	Interest rate %	Amount	Interest rate %	Amount
<b>Bank Loans</b>				
Mortgage borrowings	6	20,250,000.00	6-8.2	39,450,000.00
Secured borrowings	7.5	3,000,000.00		26,000,000.00
Guaranteed borrowings	7.2-7.5	30,000,000.00		43,000,000.00
Fiduciary borrowings			7.2	17,000,000.00
<b>Other Loans</b>				
Non-banking financial institutions	15	14,000,000.00	14-18	30,000,000.00
Others	15-30	94,750,000.00		
<b>Total</b>		<b>162,000,000.00</b>		<b>155,450,000.00</b>

Note 1: Bank loans

Mortgage borrowings of RMB20.25 million were granted with the regulated deposit of the Company amounting to RMB15 million as the security and the borrowings of RMB6 million were granted with trade receivables as the pledge.

Secured borrowings of RMB3 million were granted with personal property of Qin Jun Jun as the pledge and guarantee.

Please refer to part 2 of Note 11(2) for the guaranteed borrowings of RMB36 million

Note 2: Other loans

The non-banking financial institutions provided other loans of RMB14 million to the Group.

The Group has obtained other loans of RMB94.75 million from intra-group companies.

### 21. Notes payable

Category	Ending Balance	Beginning Balance
Bank acceptance bill	55,580,000.00	31,439,200.00
<b>Total</b>	<b>55,580,000.00</b>	<b>31,439,200.00</b>

As at the end of the year, the total notes payable due and not yet paid amounted to RMB 55,580,000.00.

Pledge details: as at the end of the year, bank acceptance bill of RMB55,580,000.00 was granted with the Group's other monetary capital of RMB41,580,000.00 as the pledge.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Accounts payable

#### (1) Accounts payable

Item	Ending Balance	Beginning Balance
<b>Total</b>	<b>225,590,647.19</b>	161,740,008.92
In which: over 1 year	<b>40,483,524.45</b>	62,128,529.00

#### (2) Aged analysis of accounts payable

An aged analysis of accounts payable as at 31 December 2014, based on the invoice date, is as follows:

Item	Ending Balance	Beginning Balance
Within one year	<b>185,107,122.74</b>	99,611,479.55
Beyond one year	<b>40,483,524.45</b>	62,128,529.37
<b>Total</b>	<b>225,590,647.19</b>	161,740,008.92

### 23. Advances from customers

#### (1) Advances from customers

Item	Ending Balance	Beginning Balance
Total	<b>63,550,968.30</b>	32,548,087.79

### 24. Employee benefits

#### (1) Classification of employee benefits

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	417,192.62	34,984,160.67	33,790,761.74	<b>1,610,591.55</b>
Post-employment benefits – Defined contribution plan	45,052.37	4,968,714.52	5,013,766.89	
<b>Total</b>	462,244.99	39,952,875.19	38,804,528.63	<b>1,610,591.55</b>

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****24. Employee benefits (Continued)****(2) Short-term payroll**

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages(including bonuses, allowances and subsidies)	358,706.61	28,691,374.47	28,446,494.65	<b>603,586.43</b>
Staff welfare	5,276.71	374,358.99	379,635.70	
Social insurance	21,929.72	2,510,689.82	2,431,074.39	<b>101,545.15</b>
Including: Medical insurance	18,892.38	2,087,736.53	2,106,628.91	
Work-related injury insurance	1,174.45	175,950.57	145,463.72	<b>31,661.30</b>
Maternity insurance	1,862.89	247,002.72	178,981.74	<b>69,883.87</b>
Housing fund	25,616.72	2,215,832.65	2,079,737.71	<b>161,711.66</b>
Others	5,662.86	1,191,904.74	453,819.29	<b>743,748.31</b>
<b>Total</b>	<b>417,192.62</b>	<b>34,984,160.67</b>	<b>33,790,761.74</b>	<b>1,610,591.55</b>

**(3) Defined contribution plan**

Items	Beginning Balance	Increase	Decrease
Basic pension insurance	41,955.45	4,621,853.61	4,663,809.06
Unemployment insurance	3,096.92	346,860.91	349,957.83
<b>Total</b>	<b>45,052.37</b>	<b>4,968,714.52</b>	<b>5,013,766.89</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	<b>16,553,423.99</b>	10,729,698.54
Corporate Income Tax	<b>6,355,027.76</b>	5,471,211.78
Including: domestic	<b>6,355,027.76</b>	5,471,211.78
Individual Income Tax	<b>71,544.25</b>	87,219.34
City Maintenance and Construction Tax	<b>222,384.66</b>	233,985.66
Education Surcharge	<b>63,710.31</b>	164,448.08
Local Education Surcharge	<b>1,569.73</b>	
Others	<b>390,945.24</b>	917,260.90
<b>Total</b>	<b>23,658,605.94</b>	17,603,824.30

### 26. Dividends payable

Item	Ending Balance	Beginning Balance
Amounts payable to the shareholders	<b>6,020,917.80</b>	7,583,624.59
<b>Total</b>	<b>6,020,917.80</b>	7,583,624.59

## 27. Other payables

### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Construction Fee	146,096,724.50	167,874,313.00
Estimated expenses	10,491,707.05	11,515,911.00
Others	174,428,751.75	174,189,538.47
<b>Total</b>	<b>331,017,183.30</b>	353,579,762.47

## 28. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	8,000,000.00	8,000,000.00
<b>Total</b>	<b>8,000,000.00</b>	8,000,000.00

Note: Please refer to Note VI. 30 for details.

## 29. Other current liabilities

Items	31 December 2014	31 December 2013
Deferred income carried forward within one year	8,469,670.64	19,412,500.00
<b>Total</b>	<b>8,469,670.64</b>	19,412,500.00



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Other current liabilities (Continued)

Items of government subsidy

Types of government subsidy	31 December 2013	Additional subsidy during the year	Included in non-operating income during the year	Other changes	31 December 2014	Related to assets/related to income
The Company						
Remote medical service system platform for the community and public based on IOT	2,412,500.00	1,500,000.00	2,053,419.36		<b>1,859,080.64</b>	Related to income
Software and Cloud computation	5,000,000.00	2,802,500.00	3,383,210.05		<b>4,419,289.95</b>	Related to income
Scan check and management system of next generation internet	8,000,000.00		8,000,000.00			Related to income
Research and development and industrialization of information security management platform based on intelligent analysis	4,000,000.00		1,808,699.95		<b>2,191,300.05</b>	Related to income
<b>Total</b>	<b>19,412,500.00</b>	<b>4,302,500.00</b>	<b>15,245,329.36</b>		<b>8,469,670.64</b>	

Note: The amount included in the non-operating income during the year was carried forward based on the research and development expenses that actually occurred.

### 30. Long-term borrowings

Category	31 December 2014	31 December 2013
Pledged borrowings	<b>52,800,000.00</b>	60,800,000.00
Less: amounts due with one year	<b>8,000,000.00</b>	8,000,000.00
<b>Total</b>	<b>44,800,000.00</b>	52,800,000.00

Pledge details: as at the end of the year, the pledged borrowings were based on the mortgage contract entered into between the Company and Cheng Bei sub-branch, Bank of Nanjing. The Company pledged the land use right of A3 land parcel located in the Science and Technology Park, Gu Lou, Nanjing as security and the guarantee provided by Nanjing Gulou Science and Technology Industry Company Limited in order to obtain borrowings of RMB80 million. As at 31 December 2014, RMB35.2 million has been repaid.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Long-term borrowings (Continued)

#### (1) Long-term loans due date analysis

Items	Ending Balance	Beginning Balance
One to two years	8,000,000.00	8,000,000.00
Two to five years	24,000,000.00	24,000,000.00
Five years above	12,800,000.00	20,800,000.00
<b>Total</b>	<b>44,800,000.00</b>	<b>52,800,000.00</b>

### 31. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	22,879,740.47	22,879,740.47
Payments for buildings	56,289,325.00	51,906,640.00
<b>Total</b>	<b>79,169,065.47</b>	<b>74,786,380.47</b>

Note 1: Payments for equity transfer were paid by the Company in agreed installments for the purchase of equity interests in Jiangsu Changtian Zhi Yuan Transportation Company Limited. The agreed payment term commenced from 2013 to January 2016.

As there were disputes between the Company and the transferors over the equity interests, Xiao Bo and Wang Dan Sheng, among the transferors, had filed a lawsuit with the people's court of Gulou District, Nanjing during 2014. Please refer to note 12.1(3)(4) for the details of the relevant matters.

Note 2: Payments for buildings were the advance receipts based on the property sales contract entered into between the Company and the related parties before 2014. The advance receipts amounted to RMB4,382,685.00 according to the contract during the year. Please refer to note 12.2 for more details.

### 32. Share capital

The changes of authorized, issued and paid-up share capital are set out as follows. All shares of the Company are the ordinary shares of nominal value of RMB0.1 each.

Items	Beginning Balance	Issue of new shares	Changes during the year (+,-)			Subtotal	Ending Balance
			Stock dividends	Converted from public reserve	Others		
Total shares	110,400,000.00	13,600,000.00			13,600,000.00	<b>124,000,000.00</b>	
Domestic shares	68,300,000.00	13,600,000.00			13,600,000.00	<b>81,900,000.00</b>	
Overseas listed foreign shares	42,100,000.00					<b>42,100,000.00</b>	

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Share capital (Continued)

Note 1: On 22 August 2014, according to the resolution of the shareholders' general meeting and the Board of the Company, the Company issued an aggregate of 136,000,000 ordinary domestic shares of nominal value of RMB0.1 each to specific investors at a price of RMB0.2 per share by way of private placement. This capital increase has been audited by Jiangsu Zhongzhen Tongren Certified Public Accountant which has issued a Capital Verification Report named Tong Ren Yan Zi [2014] No.052 for verification.

Note 2: 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.

### 33. Capital reserves

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	78,634,414.34	13,600,000.00		<b>92,234,414.34</b>
<b>Total</b>	<b>78,634,414.34</b>	<b>13,600,000.00</b>		<b>92,234,414.34</b>

Note: The increase in share capital premium of the Company during the year was primarily due to the premium in respect of which the Company has issued an aggregate of 136,000,000 new ordinary RMB domestic shares to specific investors by way of private placement.

### 34 Other comprehensive income

Items	Beginning Balance	Amount before Income tax for the year	Amount for the year		Attributable to parent company after tax	Attributable to minority shareholders after tax	Ending Balance
			Income in previous year to current profit and loss	Less: Income tax expense			
I. Item that may not be reclassified subsequently to profit and loss:							
II. Item that may be reclassified subsequently to profit and loss:							
In which: self used investment properties transferred into lease with its fair value greater than the book value at date of conversion	55,088,974.61	27,252,103.59		6,813,025.90	20,439,077.69		<b>75,528,052.30</b>
Foreign currency translation difference	-1,369,859.16	-583,158.09			-583,158.09		<b>-1,953,017.25</b>
Others	640,155.12						<b>640,155.12</b>
<b>Total</b>	<b>54,359,270.57</b>	<b>26,668,945.50</b>		<b>6,813,025.90</b>	<b>19,855,919.60</b>		<b>74,215,190.17</b>

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****35. Surplus reserves**

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	19,962,462.38			<b>19,962,462.38</b>
<b>Total</b>	<b>19,962,462.38</b>			<b>19,962,462.38</b>

**36. Undistributed profits**

Items	Current Year	Last year
Beginning balance for current year	<b>138,601,335.89</b>	149,197,380.73
Add: Net profit attributable to owners of the parent company for current Year	<b>-78,857,943.64</b>	2,176,371.26
Less: Provision of statutory surplus reserve		3,940,416.10
Ordinary share dividend payable		8,832,000.00
<b>Ending balance for current year</b>	<b>59,743,392.25</b>	138,601,335.89

As at 31 December 2014, the Group's undistributed profits attributable to the parent company included the surplus reserve of RMB4,964,461.08 withdrawn by the subsidiary of the Company.

**37. Minority shareholders' interest**

Name of subsidiaries	Proportion of minority shareholders' interests (%)	Ending Balance
Jiangsu NandaSoft Computer Equipment Company Limited	49	<b>7,518,472.77</b>
Shenyang Soft Software Development Company Limited	30	<b>2,014,223.50</b>
Nanjing BoTong Technology Company Limited	20	<b>-1,407,713.42</b>
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	49	<b>30,724,722.99</b>
Jiangxi NandaSoft Technology Co., Ltd	30	<b>-746,348.68</b>
Jiangxi NandaSoft Service Outsourcing Company Limited	30	<b>1,516,831.48</b>
Smartful Ventures Holdings Limited	40	<b>-92,219.48</b>
Jiangsu Fuyue Technology Company Limited	9	<b>-86,133.98</b>
<b>Total</b>		<b>39,441,835.17</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	<b>612,939,770.58</b>	564,355,748.66
Less: current liabilities	<b>885,498,584.72</b>	787,819,253.06
Net current assets	<b>-272,558,814.14</b>	-223,463,504.40

### 39. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	<b>1,470,488,399.74</b>	1,393,088,196.36
Less: current liabilities	<b>885,498,584.72</b>	787,819,253.06
Total assets less current liabilities	<b>584,989,815.02</b>	605,268,943.30

### 40. Loans

The summary of the loans of the Group is as follows:

Items	Ending Balance	Beginning Balance
Short-term borrowings	<b>162,000,000.00</b>	155,450,000.00
Bank borrowings	<b>53,250,000.00</b>	125,450,000.00
Non-banking financial institution	<b>14,000,000.00</b>	30,000,000.00
Others	<b>94,750,000.00</b>	
Short-term bank borrowings	<b>52,800,000.00</b>	60,800,000.00
<b>Total</b>	<b>214,800,000.00</b>	216,250,000.00

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Loans (Continued)

#### (1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans		
– due within 1 year	61,250,000.00	133,450,000.00
– due after 1 year	44,800,000.00	52,800,000.00
Subtotal	106,050,000.00	186,250,000.00
Other loans		
– due within 1 year	108,750,000.00	30,000,000.00
– due after 1 year		
Subtotal	108,750,000.00	30,000,000.00
<b>Total</b>	<b>214,800,000.00</b>	<b>216,250,000.00</b>

#### (2) Loans due date analysis

Bank loans:

Items	Ending Balance	Beginning Balance
On demand or within 1 year	61,250,000.00	133,450,000.00
1-2 years	8,000,000.00	8,000,000.00
2-5 years	24,000,000.00	24,000,000.00
Over 5 years	12,800,000.00	20,800,000.00
<b>Total</b>	<b>106,050,000.00</b>	<b>186,250,000.00</b>

Other loans:

Items	Ending Balance	Beginning Balance
On demand or within 1 year	108,750,000.00	30,000,000.00
<b>Total</b>	<b>108,750,000.00</b>	<b>30,000,000.00</b>



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Operating income & Operating cost

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	513,775,288.97	455,474,664.08	602,525,445.00	503,311,384.49
Other operation	10,546,542.83	2,167,226.15	1,144,759.20	1,069,776.43
<b>Total</b>	<b>524,321,831.80</b>	<b>457,641,890.23</b>	603,670,204.20	504,381,160.92

Note: The income from other operation during the year was mainly the income from property management and rental income.

#### (1) Income from main operation by category

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
Computer hardware and software products	437,619,645.84	397,042,600.28	542,944,883.00	467,057,729.00
Provision of system integration service	76,155,643.13	58,432,063.80	59,580,562.00	36,253,656.00
<b>Total</b>	<b>513,775,288.97</b>	<b>455,474,664.08</b>	602,525,445.00	503,311,384.49

### 42. Business tax and surcharges

Items	Current Year	Last Year
Business Tax	1,570,115.63	3,172,753.15
City Maintenance and Construction Tax	485,742.23	611,402.85
Education Surcharge	326,715.77	407,734.13
Local Education Surcharge	17,267.86	72,152.70
<b>Total</b>	<b>2,399,841.49</b>	4,264,042.83

Note: The business tax and surcharges for the current year decreased as compared with last year, which was mainly due to the value-added tax and business tax paid by the Group during the current year was less than that of last year.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****43. Sales Expense**

Items	Current Year	Last Year
Total	<b>21,356,893.15</b>	22,480,762.03
In which: Personnel expenses	<b>10,432,252.81</b>	10,747,576.20
Sales business expenses	<b>2,146,924.59</b>	2,845,875.82
Sales operational fees	<b>1,197,393.34</b>	4,331,738.69
Service charges	<b>2,019,208.28</b>	1,255,606.26
Logistics fees	<b>1,025,361.30</b>	756,032.50
Others	<b>4,535,752.83</b>	2,543,932.56

**44. Administration Expense**

Items	Current Year	Last Year
Total	<b>80,733,364.50</b>	73,400,738.74
In which: Research and development expenditure	<b>24,788,704.67</b>	9,596,083.00
Personnel expenses	<b>19,835,910.63</b>	16,497,552.05
Business charges	<b>2,640,711.74</b>	6,080,673.13
Office expenses	<b>2,627,199.74</b>	2,408,840.32
Others	<b>30,840,837.72</b>	38,817,590.24

Note: The significant increase in research and development expenditure during the year was due to the fact that the Company increased the investments in research and development during the year.

**45. Financial Expenses****(1) Breakdown of financial expenses**

Items	Current Year	Last Year
Interest expense	<b>25,455,678.12</b>	12,155,734.59
Less: Interest income	<b>1,205,523.62</b>	616,047.50
Add: Exchange loss	<b>67,409.13</b>	452,498.87
Add: Other expenditure	<b>1,879,787.85</b>	1,321,790.00
<b>Total</b>	<b>26,197,351.48</b>	13,313,975.96

Note: The amount of interest expense for the current year increased as compared with last year, which was mainly due to the fact that the funds borrowed from non-bank companies by the Company had higher interest rates.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Financial Expenses (Continued)

#### (2) Breakdown of interest expenses

Items	Current Year	Last Year
Interests from bank loans	<b>25,455,678.12</b>	20,567,454.59
Sub-total	<b>25,455,678.12</b>	20,567,454.59
Less: Capitalized interest		8,411,720.00
<b>Total</b>	<b>25,455,678.12</b>	12,155,734.59

The rate of capitalization of general borrowing determined in the previous year was 8.37%.

#### (3) Breakdown of interest income

Items	Current Year	Last Year
Interest income from bank deposit	<b>751,773.62</b>	616,047.50
Interest income provided at effective interest rates	<b>453,750.00</b>	
<b>Total</b>	<b>1,205,523.62</b>	616,047.50

### 46. Assets impairment losses

Items	Current Year	Last Year
Bad debts loss	<b>40,344,695.76</b>	27,114,474.21
Loss from inventory devaluation	<b>841,111.99</b>	
Loss from impairment of other asset	<b>7,653,732.00</b>	3,970,925.00
<b>Total</b>	<b>48,839,539.75</b>	31,085,399.21

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****47. Gain/loss on changes in fair value**

Items	Current Year	Last Year
Investment properties measured at fair value	<b>27,110,000.00</b>	62,212,730.14
<b>Total</b>	<b>27,110,000.00</b>	62,212,730.14

Note: The amount of investment properties measured at fair value for the current year significantly decreased as compared with last year, which was mainly attributable to that all newly acquired investment properties are transferred from self-used properties to leasing.

**48. Investment income**

Items	Current Year	Last Year
From wealth management products	<b>18,845.49</b>	259,632.88
From disposal of long-term equity investment	<b>4,125,500.80</b>	-775,409.42
From long-term equity investment under equity method	<b>386,658.46</b>	2,507,795.00
<b>Total</b>	<b>4,531,004.75</b>	1,992,018.46

**49. Non-Operating Income****(1) Breakdown of non-operating income**

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the year
Gain on disposal of non-current assets	92,771.41	12,836.95	92,771.41
In which: gain on disposal of fixed assets	92,771.41	12,836.95	92,771.41
Government grants	18,840,619.21	6,123,575.00	18,840,919.21
Others	280,230.30	3,285,227.76	279,930.30
<b>Total</b>	<b>19,213,620.92</b>	<b>9,421,639.71</b>	<b>19,213,620.92</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 49. Non-Operating Income (Continued)

#### (2) Breakdown of government grants

Items	Current Year	Related to assets/income
Tax returns	1,738,289.85	Related to income
Demonstration awards of remote medical service system platform for the community and public based on IOT	1,000,000.00	Related to income
Specialized fund for technological innovation	90,000.00	Related to income
Subsidy on technical talents	60,000.00	Related to income
Funds for technological development	60,000.00	Related to income
Specialized fund rewards for the development of software and information service industry in Nanjing	50,000.00	Related to income
Northern Suzhou's talent specialized fund	30,000.00	Related to income
Others	567,000.00	Related to income
Transfer of deferred income		
Scan check and management system of next generation internet	8,000,000.00	Related to income
Remote medical service system platform for the community and public based on IOT	2,053,419.36	Related to income
Research and development and industrialization of information security management platform based on intelligent analysis	1,808,699.95	Related to income
Software and cloud computation items	3,383,210.05	Related to income
<b>Total</b>	<b>18,840,619.21</b>	

### 50. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for current year
Loss on disposal of non-current assets	56,711.14	251,372.58	56,711.14
Including: Loss on disposal of fixed assets	22,408.03	251,372.58	22,408.03
Donating	10,000.00	105,000.00	10,000.00
Abnormal loss from products	600,553.73		600,553.73
Others	3,419,089.49	506,722.96	3,419,089.49
<b>Total</b>	<b>4,086,354.36</b>	863,095.54	4,086,354.36

Note: Other non-operating expense recorded a significant amount during the year, which was mainly due to that Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd, a subsidiary of the Company, is expected to repay the penalty of RMB2.8 million.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 51. Income tax expenses

Items	Current year	Previous year
Income tax for the year	<b>1,629,543.54</b>	7,729,274.00
Deferred income tax	<b>9,727,009.31</b>	12,982,601.00
<b>Total</b>	<b>11,356,552.85</b>	20,711,874.70

### 52. Audit fees

The audit fees charged for the current year is RMB0.68 million. (Last Year: HK\$0.65 million).

### 53. Depreciation and amortization

The depreciation/amortization recognized in the income statement for the current year was RMB8,271,018.24 (Last Year: RMB8,120,071.00).

### 54. Rental income

Rental income from land and buildings during the current year is RMB6,042,667.88 (Last Year: RMB1,144,759.20).



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 55. Earnings per share

#### (1) Basic earnings per share

Items	Current Year	Last Year
Net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-78,857,943.64</b>	2,176,371.26
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-117,370,359.01</b>	
Weighted average number of ordinary shares in issue of the Parent Company	<b>1,149,333,333.33</b>	1,104,000,000.00
Basic EPS(RMB/share)	<b>-0.076</b>	0.002
Basic EPS (RMB/share)(after deducting extraordinary items)	<b>-0.102</b>	

The calculation of the weighted average number of ordinary shares is as follows:

Items	Current Year	Last Year
Numbers of ordinary shares in issue at beginning of the year	<b>1,104,000,000.00</b>	1,104,000,000.00
Issue for the current year	<b>136,000,000.00</b>	
Numbers of ordinary shares in issue at end of the year	<b>1,240,000,000.00</b>	1,104,000,000.00

#### (2) Diluted EPS

Items	Current Year	Last Year
Adjusted net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-78,857,943.64</b>	2,176,371.26
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-117,370,359.01</b>	
Adjusted weighted average number of ordinary shares in issue of the Company	<b>1,149,333,333.33</b>	1,104,000,000.00
Diluted EPS(RMB/share)	<b>-0.076</b>	0.002
Diluted EPS (RMB/share)(after deducting extraordinary items)	<b>-0.102</b>	

### 56. Other comprehensive income

For details, please refer to the "VI. 34. Other Comprehensive Income" in this Note.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****57. Items to the cash flow statement****(1) Supplemental information for the consolidated cash flow statement**

Items	Current Year	Last Year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	<b>-77,435,330.34</b>	6,795,542.58
Add: Provision for assets impairment	<b>48,839,539.75</b>	31,085,399.21
Fixed assets depreciation	<b>7,489,638.72</b>	4,309,177.00
Intangible assets amortization	<b>781,379.61</b>	330,332.00
Amortization of long-term deferred expense	<b>1,242,155.80</b>	
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain marked as“-”)	<b>36,060.27</b>	7,790,502.00
Loss from scrapped of fixed assets (gain marked as“-”)		
Profit or loss on changes in fair value (gain marked as“-”)	<b>-27,110,000.00</b>	-62,212,730.00
Finance costs (gain marked as“-”)	<b>25,455,678.12</b>	20,567,454.00
Investment loss (gain marked as“-”)	<b>4,531,004.75</b>	1,992,018.46
Decrease in deferred tax assets(increase marked as“-”)	<b>1,918,940.38</b>	
Increase in deferred tax liabilities(decrease marked as“-”)	<b>14,621,094.83</b>	
Decrease in Inventories (increase marked as“-”)	<b>-30,223,406.26</b>	1,288,853.00
Decrease in operating receivables (increase marked as“-”)	<b>-16,675,350.26</b>	-43,951,411.00
Increase in operating payables (decrease marked as“-”)	<b>42,137,985.89</b>	94,715,301.75
Others		3,650,000.00
Net cash flow from operating activities	<b>-4,390,608.74</b>	59,060,439.00
2. Material investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Ending balance	<b>60,689,999.91</b>	81,055,144.00
Less: Beginning balance	<b>81,055,144.00</b>	76,731,833.00
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>-20,365,144.09</b>	4,323,311.00

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****57. Items to the cash flow statement (Continued)****(2) Information on disposal of subsidiaries**

Items	Current Year
Information of disposal of subsidiaries or other operating unit	
1. Consideration of disposal of subsidiaries or other operating unit	0.80
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	0.80
Less: cash and cash equivalents held by subsidiaries and other operating units	46.65
3. Net cash received from disposal of subsidiaries or other operating units	-45.85
4. Net assets of the subsidiaries disposed of	-8,604,114.67
Current asset	54,807,371.66
Non-current asset	19,153.23
Current liability	63,430,639.56
Non-current liability	-

**(3) Cash and Cash Equivalents**

Items	Ending Balance	Beginning Balance
Cash	<b>60,689,999.91</b>	81,055,144.00
Including: Cash at hand	<b>2,993,817.54</b>	141,791.00
Bank deposit available-for-use	<b>57,696,182.37</b>	80,913,353.00
Other cash fund available-for-use		
Ending Balance of Cash and Cash Equivalents	<b>60,689,999.91</b>	81,055,144.00
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****58. Assets with restricted ownerships or right to use**

<b>Items</b>	<b>Ending carrying value</b>	<b>Reasons for restriction</b>
Monetary funds	15,000,000.00	Bank deposits
Monetary funds	4,316,441.16	Bank deposits frozen due to lawsuit
Monetary funds	41,580,000.00	Security deposit for bank acceptance bill
Monetary funds	3,328,453.15	Performance security
Accounts receivable	11,002,428.96	As pledge to obtain bank loans
Investment properties (land use right costs)	17,104,521.58	
Intangible assets	5,223,996.74	

**59. Foreign currency items****(1) Foreign currency items**

<b>Items</b>	<b>Ending foreign Ecurrency balance</b>	<b>Exchange rate</b>	<b>Ending RMB balance</b>
Monetary fund			
Including: USD	1,000.00	6.119	6,119.00
HKD	279,341.77	0.7889	220,372.73
EUR	150.00	7.4556	1,118.34
Accounts receivable			
Including: HKD	662,050.00	0.7889	522,291.25
Prepayments			
Including: HKD	660,689.13	0.7889	521,217.65
Other receivables			
Including: HKD	6,897,883.22	0.7889	5,441,740.07
Accounts payable			
Including: HKD	459,800.00	0.7889	362,736.22
Other payables			
Including: HKD	3,391,214.58	0.7889	2,675,329.18

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. Foreign currency items (Continued)

#### (2) Overseas operating entities

Overseas operating entities	Principal place of business	Reporting Currency	Whether change or not
Jiangsu NandaSoft (Hong Kong) Company Limited	Hong Kong	HKD	No
Tewell Investment Limited	Hong Kong	HKD	No
Jiangsu NandaSoft (Hong Kong) Company Limited (BVI)	Hong Kong	HKD	No
SMARTFUL VENTURE HOLDINGS LIMITED	Hong Kong	HKD	No
VAST RICH ASIA LIMETED	Hong Kong	HKD	No

## 7. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Disposal of holding subsidiary

Jiangsu NandaSoft (Hong Kong) Company Limited, a subsidiary of the Company originally held 100% equity interests in NandaSoft Telecommunication Technology (Hong Kong) Limited. On 31 October 2014, Jiangsu NandaSoft (Hong Kong) Company Limited and Pailameng Commercial Real Estate Development Co. LTD entered into the equity transfer agreement, pursuant to which the 100% equity interests held by Jiangsu NandaSoft (Hong Kong) Company Limited was transferred at a consideration of HKD 1.

### 2. Cancellation of a subsidiary

On 21 January 2014, approved by the Department of Civil Affairs of Gaochun District of Nanjing (南京市高淳區民政局) with Decision on Approval of Cancellation Registration (Gao Min Fei Xu Zhu Zi [2014] No. 02) (《准予注銷登記決定書》(高民非許注字[2014]第02號)), Gaochun NandaSoft Service Outsourcing and Talent Training Center, a subsidiary of the Company, is registered for cancellation.

Approved by the Private Education Management Office of Gulou District of Nanjing (南京市鼓樓區民辦教育管理辦公室) with Approval of the Cancellation of Nanjing NandaSoft Service Outsourcing and Talent Training Center ((GU) Jiao Min [2013] No. 11) (關於同意南京南大蘇富特服務外包人才培訓中心注銷的批復》(鼓)教民(2013)第(11)號), Nanjing NandaSoft Service Outsourcing and Talent Training Center is registered for cancellation.

## 8. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Group companies forming the Group

Name of subsidiaries	Principal place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Nanjing NandaSoft System Integration Company Limited	Nanjing	Nanjing	Rendering of system integration services	100		set up
Jiangsu Changtian Fuyun Information Technology Co., Ltd.	Nanjing	Nanjing	R&D design	100		set up
Jiangsu Sheng Feng Investment Company Limited	Nanjing	Nanjing	Investment	100		set up
Jiangsu NandaSoft (Hong Kong) Company Limited	Hong Kong	Hong Kong	Investment	100		set up
Jiangsu NandaSoft (Hong Kong) Company Limited (BVI)	Hong Kong	Hong Kong	Investment holding	100		set up
Jiangsu Nandasoft CRO Technology Co., Ltd.	Nanjing	Nanjing	Biological medicine	100		set up
NandaSoft Technology (Shenzhen) Company Limited	Shenzhen	Shenzhen	Sale of computer hardware products and equipment	90	10	set up
Nanjing NandaSoft Property Services Co., Ltd.	Nanjing	Nanjing	Properties	100		set up
Jiangsu NandaSoft Investment Limited(Note)	Nanjing	Nanjing	Investment holding	70		set up
Jiangsu NandaSoft Computer Equipment Company Limited	Nanjing	Nanjing	Sale of computer hardware products and equipment	51		set up
Shenyang Soft Software Development Company Limited	Shenyang	Shenyang	Investment holding	70		set up
NandaSoft Technology Investment Development (Wuxi) Company Limited	Wuxi	Wuxi	Science and technology property	80	20	set up
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	Nanjing	Nanjing	Rendering of communication intelligence control system	51		Combination not under common control
Jiangxi NandaSoft Technology Co., Ltd.	Nanchang	Nanchang	Sales	70		set up
Jiangxi NandaSoft Service Outsourcing Park Co., Ltd.	Nanchang	Nanchang	Sales	70		set up
Smartful Ventures Holdings Limited	Hong Kong	BVI	Investment holding		60	set up
Tewell Investment Limited	Hong Kong	Hong Kong	Investment holding		100	set up
Jiangsu Fuyue Technology Co., Ltd.(Note)	Nanjing	Nanjing	R&D/Production		91	set up
Nanjing Botong Technology Company Limited (Note)	Nanjing	Nanjing	R&D/Sales		70	set up
Yancheng Soft Software Technology Company Limited (Note)	Yancheng	Yancheng	Sales		70	set up
VAST RICH ASIA LIMETED	Hong Kong	Hong Kong	Investment holding		60	set up
Staterich Technology (Jiangsu) Company Limited	Nanjing	Nanjing	Software outsourcing and R&D		60	set up
Beijing NandaSoft Digital Technology Company Limited	Beijing	Beijing	Sale of computer hardware products and equipment		48	set up

Note: The Company held 100% equity rights in Jiangsu NandaSoft Investment Limited. On 31 December 2014, the Company, Lu Fusheng, Sun Shengfei entered into the Equity Transfer Agreement, pursuant to which the 81% equity rights in Jiangsu NandaSoft Investment Limited held by the Company was transferred at a price of RMB4.05 million. As the payment for this equity transfer was not received, thus the equity transfer was not actually completed. Therefore, Jiangsu NandaSoft Investment Limited was included in the scope of consolidation.

Jiangsu Fuyue Technology Co., Ltd., Nanjing Botong Technology Company Limited, Yancheng Soft Software Technology Company Limited all are subsidiaries of Jiangsu NandaSoft Investment Limited.



## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (2) Significant non-wholly owned subsidiaries

Name of subsidiaries	Shareholding of minority interests (%)	Profit and loss attributable to minority shareholders for the year	Dividends declared to minority shareholders for the year	Ending balance of minority interests
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	49	6,112,720.60	–	30,724,722.99
Jiangsu NandaSoft Computer Equipment Company Limited	49	-1,257,841.74	–	7,518,472.77

#### (3) Main financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Current assets	Non-current assets	Ending Balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	245,517,935.10	6,554,648.66	252,072,583.76	189,369,067.46		189,369,067.46
Jiangsu NandaSoft Computer Equipment Company Limited	128,855,291.93	741,577.46	129,596,869.39	114,253,047.42		114,253,047.42

(Continued)

Name of subsidiaries	Current assets	Non-current assets	Beginning Balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	178,487,452.62	5,868,908.72	184,356,361.34	134,127,785.04		134,127,785.04
Jiangsu NandaSoft Computer Equipment Company Limited	151,249,272.64	957,236.28	152,206,508.92	134,295,663.00		134,295,663.00

(Continued)

Name of subsidiaries	Current year				Last year		
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	147,377,016.55	12,474,940.00	12,474,940.00	10,616,231.95	128,953,578.33	8,666,682.47	8,666,682.47
Jiangsu NandaSoft Computer Equipment Company Limited	210,710,911.14	-2,567,023.95	-2,567,023.95	4,394,092.76	247,375,230.41	6,625,462.68	6,625,462.68

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (4) Substantial restriction on the usage of assets or the settlement of liabilities of the Group

The use of RMB64,224,894.31 million in the balance of monetary capitals of the Group at end of the year was subject to restriction, of which RMB41,580,000.00 million was deposit for issuing bank acceptance bill.

In the balances of the Group's long-term assets at end of the year, the carrying amounts of investment properties and intangible assets which have been pledged for the bank borrowings granted to the Group were RMB17,104,521.58 and RMB5,223,996.74 respectively.

### 2. Interests in joint ventures or associates

#### (1) Significant joint ventures and associates

Name	Principal place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Investment in joint ventures or associates
				Direct	Indirect	
Shenzhen Nanda Research Institute Company Limited	Shenzhen	Shenzhen	Property investment	30.00		3,000,000.00
Promed Medical Technology (Suzhou) Company Limited	Suzhou	Suzhou	Development of cardiovascular stent	18.09		18,193,384.02
Yantai Blue Innovation Co., Ltd.	Yantai	Yantai	Development of system integration services	20.00		10,000,000.00
Nanjing King Wen Information Technology Limited	Nanjing	Nanjing	Computer software and hardware	40.00		200,000.00

Note 1: Texwell, a subsidiary of the Company, appointed a director to the board of directors of Promed Medical Technology (Suzhou) Company Limited to participate in the daily operation and management of the company, and the Group exercises significant influence on the company.

Note 2: The above associates were not audited by ShineWing Certified Public Accountants (Special General Partnership).

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### (2) Summarised financial information of associates

	Ending balance/ amount for the year	Opening balance/ amount for the year
Total carrying amount of investments	<b>85,332,654.47</b>	93,833,495.45
Total assets	<b>639,158,602.57</b>	703,005,317.00
Total liabilities	<b>300,885,904.34</b>	334,849,250.00
Net assets	<b>338,272,698.23</b>	368,156,067.00
Revenue	<b>139,199,404.82</b>	228,228,771.00
Net profit	<b>-1,087,116.09</b>	4,545,686.00
Combined total of the followings (according to shareholdings)		
– Net profit	<b>386,658.46</b>	2,507,795.00
– Other comprehensive income		
– Total comprehensive income	<b>386,658.46</b>	2,507,795.00

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include: Loans, receivables and payables etc. For the specific details for each instrument please see Note VI. The risks related to these financial instruments, and Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

### 1. Each kind of risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by risks on operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Each kind of risk management objectives and policies (Continued)

#### (1) Market risk

##### 1) Exchange rate risk

The Group's foreign exchange exposure is mainly related to HKD. Except for the operation conducted by the Company's subsidiaries located in Hong Kong, other main business operations are settled in RMB. As of December 31, 2014, except for assets and liabilities with balances in HKD and fragmentary USD balances depicted as below, all other assets and liabilities of the Group are denominated in RMB. The exchange rate risk arisen from those foreign currency assets and liabilities may affect the results of operation of the Group.

Items	31 December 2014	31 December 2013
Monetary funds – USD	<b>6,119.00</b>	6,622.70
Monetary funds – HKD	<b>220,372.73</b>	23,654,770.60
Monetary funds – EUR	<b>1,118.34</b>	1,320.98
Accounts receivable – HKD	<b>522,291.25</b>	2,366,611.20
Accounts receivable – USD		2,438,760.00
Prepayments – HKD	<b>521,217.65</b>	241,816.57
Other receivables – HKD	<b>5,441,740.07</b>	30,730,886.00
Accounts payables – HKD	<b>362,736.22</b>	103,051.86
Other payables – HKD	<b>2,675,329.18</b>	5,183,872.80

The Group has paid close attention to the influence generated from exchange rate changes.

##### 2) Interest rate risk

The interest rate risk of the Group generated from interest-bearing debts such as bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at December 31, 2014, most of the interest-bearing debts are borrowings contracts with fixed rates in RMB with total amount of RMB206,800,000.00 (12 December 31, 2013: RMB216,250,000.00).

##### 3) Price risk

The Group conducted the sales of computer hardware and software products, IT related products and equipment, provision of IT training services, development, manufacture and promotion of market network security software, Internet application software, education software and business application software and provision of systems integration services, research and development of medicine and medical equipment and provision of construction installation and information system integration services based on market price. Therefore, it may be impacted by the fluctuations in such prices.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Each kind of risk management objectives and policies (Continued)

#### (2) Credit risk

As at December 31, 2014, the Group's potential maximum exposure to credit risk is mainly because of the counter-parties' failure to perform their obligations leading to losses on financial assets of the Group and the financial burden assumed by the Group, including:

Book values of financial assets which have been recognized in the consolidated balance sheet; as for the financial instruments measured at fair value, the book value reflects their exposures to risks, but not the maximum exposure to risks which shall vary following the changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the recoverability of each single receivable at each balance sheet date, ensuring sufficient bad-debt provisions have been made for unrecoverable amounts. Therefore, the Management reckons that credit risks exposure of the Group have been reduced significantly.

The liquidities of the Group are deposited in banks with high credit rating, thus the credit risk of liquidities is relatively low.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no significant concentration risk of credit except for that arising from the top 5 of accounts receivable.

The total amount for the top 5 of accounts receivable is RMB54,303,670.70.

#### (3) Liquidity risk

Liquidity risk refers to the risk that the Group could not engage the financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Group reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutions to maintain credit lines and reduce liquidity risks.

One of the main sources of funding of the Group is bank borrowings. As at December 31, 2014, the unused bank borrowing facilities was RMB Nil.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)****1. Each kind of risk management objectives and policies (Continued)****(3) Liquidity risk (Continued)**

The analysis of financial assets and financial liabilities held by the Group is analyzed as below, in terms of the maturity of undiscounted remaining contractual obligations:

31 December 2014:

Items	Within 1 year	1 to 2 years	2 to 3 years	3 years or above	Total
<b>Financial assets</b>					
Monetary funds	109,914,894.22	15,000,000.00			124,914,894.22
Accounts receivable	185,687,924.80	36,638,777.16	16,463,327.27	40,659,352.88	279,449,382.12
Other receivables	87,257,842.72	21,576,831.72	33,188,313.38	28,224,565.69	170,247,553.49
Prepayments	18,855,768.73	7,533,271.25	2,132,235.37	3,534,782.15	32,056,057.50
<b>Financial liabilities</b>					
Short-term borrowing	162,000,000.00				162,000,000.00
Notes payable	55,580,000.00				55,580,000.00
Accounts payable	185,107,122.74	23,345,288.34	5,234,597.35	11,903,638.76	225,590,647.19
Other payables	46,815,718.88	168,118,153.02	92,255,611.66	23,827,699.73	331,017,183.30
Tax payable	23,658,605.94				23,658,605.94
Employee benefits	1,610,591.55				1,610,591.55
Non-current liabilities due within one year	8,000,000.00				8,000,000.00
Long-term loans		8,000,000.00	24,000,000.00	12,800,000.00	44,800,000.00

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 2. Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

#### (2) Interest rate risk sensitivity analysis

The reasonable movements of interest rate with all other variables unchanged may have the following impact on the profit or loss and equities for the current period (after tax):

Items	Interest rate change	2014		2013	
		Effect on Net profit	Effect on owner's equity	Effect on Net profit	Effect on owner's equity
Borrowings	Increase 1%	-2,068,000.00	-2,068,000.00	-2,082,500.00	-2,082,500.00
	Decrease 1%	2,068,000.00	2,068,000.00	2,082,500.00	2,082,500.00

## 10. DISCLOSURE OF FAIR VALUE

### 1. Amount of assets and liabilities measured at fair value at the end of the year and level of fair value measurement

Items	Ending fair value			Total
	Level 1	Level 2	Level 3	
Continual fair value measurement				
(1) Investment properties				
1. Land use rights for rent		5,500,000.00	506,300,000.00	
2. Buildings for rent				
Total financial assets continually measured in fair value		5,500,000.00	506,300,000.00	



**10. DISCLOSURE OF FAIR VALUE (Continued)****2. Continual and non-continual Level 2 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used**

Property held	Ending fair value	Valuation technique	Unobservable input
Commercial properties in Jianye District, Nanjing City, Jiangsu, the PRC	5,500,000.00	Direct comparison approach	Price per square meter, using direct comparables

**3. Continual and non-continual Level 2 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used**

Property held	Ending fair value	Valuation technique	Unobservable input	Range of unobservable input	Relationship between unobservable input and fair value
Commercial properties in Gulou District, Nanjing City, Jiangsu, the PRC	506,400,000.00	Market approach	Adjustment of price per square meter for the grade of each floor, using direct comparables	0.5 to 10% Base level RMB11,900/square meter	The higher of grade adjustment, the higher of fair value The higher the price, the higher of fair value

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Related party relationships

#### 1. Subsidiaries

For details of subsidiaries, please refer to relevant contents set out in 8.1. (1) Group companies forming the Group to this note.

#### 2. Joint ventures and associates

For related information in respect of significant joint ventures and associates of the Company, please refer to relevant contents set out in 8.2. (1) to this note. Joint ventures and associates which have related party transactions with the Company during the year or have related party balance with the Company resulted from related party transaction in prior years are listed as follows:

<b>Name of joint ventures or associates</b>	<b>Relationship with the Company</b>
Jiangsu NandaSoft Communication Company Limited	31% of its equity rights was indirectly held by the Company
Nandasoft (Jiangsu) Health Technology Limited	30% of its equity rights was indirectly held by the Company
Jiangsu NandaSoft Service Outsourcing Talent Training Institute	40% of its equity rights was indirectly held by the Company
Jiangsu Fu Man Investment Limited	40% of its equity rights was held by the Company
Soft Intelligent Technology (Shanghai) Co., Ltd.	25% of its equity rights was indirectly held by the Company
Nanjing Fineweb Import & Export Trade Co., Ltd.	19% of its equity rights was indirectly held by the Company
Jiangsu Sheng Feng Medical Company Limited	30% of its equity rights was indirectly held by the Company
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	30% of its equity rights was held by the Company
Nanjing Furuiwei Medical Technologies Co., Ltd	40% of its equity rights was held by the Company
Nanjing Nanda Pharmaceutical Company Limited	22.61% of its equity rights was indirectly held by the Company

#### 3. Other related parties

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Nanjing University Asset Administration Company Limited	A shareholder of the Company holding 11.58% voting rights
Nanjing University	High-level organization of Nanjing University Asset Administration Company Limited
Jiangsu Co-Creation Education Development Company Limited	A shareholder of the Company holding 6.79% voting rights
Jiangsu NandaSoft Information Industry Company Limited	An associated company of the Company
Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	An associated company of the Company
Liu Jian	Chairman of the Company
Pan Jian Xiang	Former CEO of the Company
Qin Junjun	A minority shareholder of Jiangsu NandaSoft Computer Equipment Company Limited, the subsidiary of the Company
Ye Hua	Spouse of Qin Junjun

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Related party transactions

#### 1. Related transaction of sales of goods

Related parties	Descriptions	Amount for the current year
Nanjing University	Sales of hardware and software	1,508,618.95
Jiangsu NandaSoft Communication Company Limited	Sales of hardware and software	317,778.83
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	Sales of hardware and software	233,504.28
Jiangsu NandaSoft Service Outsourcing Talent Training Institute	Sales of hardware and software	207,890.42
Jiangsu Co-Creation Education Development Company Limited	Sales of hardware and software	99,999.99
Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	Sales of hardware and software	17,777.79
<b>Total</b>		<b>2,385,570.26</b>

#### 2. Related transaction of provision of services

Related parties	Descriptions	Amount for the current year
Jiangsu NandaSoft Communication Company Limited	Property services	28,780.42
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	Property services	17,772.96
Jiangsu NandaSoft Service Outsourcing Talent Training Institute	Property services	37,978.80
Jiangsu NandaSoft Information Industry Company Limited	Property services	13,551.35
<b>Total</b>		<b>98,083.53</b>

#### 3. Related transaction of receipt of services

In 2013, the Group paid development cost 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.

#### 4. Related-party guarantee

Guarantor	Guaranteed party	Value Guaranteed	Commencement date of guarantee	Expiration date of guarantee	Guarantee fully fulfilled or not
The Company	Nanjing NandaSoft System Integration Company Limited	5,000,000.00	2014/6/25	2015/6/24	No
The Company		15,000,000.00	2014/1/23	2015/1/23	No
		1,000,000.00	2014/5/26	2015/5/25	No
Joint guarantee (the Company, Jiangsu NandaSoft Communication Company Limited, Nanjing NandaSoft System Integration Company Limited, Nandasoft (Jiangsu) Health Technology Limited, Nanjing Botong Technology Company Limited)	The Company	3,500,000.00	2014/5/26	2015/5/25	No
		3,500,000.00	2014/5/26	2015/5/25	No
	Nanjing Botong Technology Company Limited	6,000,000.00	2014/5/26	2015/5/25	No
	Nandasoft (Jiangsu) Health Technology Limited	6,000,000.00	2014/5/26	2015/5/25	No
	Jiangsu NandaSoft Communication Company Limited	1,000,000.00	2014/5/26	2015/5/25	No
The Company	Nandasoft (Jiangsu) Health Technology Limited	500,000.00	2013/9/27	2015/9/26	No
Liu Jian, Pan Jian Xiang, the Company	Yancheng Soft Software Technology Company Limited	3,000,000.00	2014/12/10	2016/12/9	No
Qin Junjun, the Company	Jiangsu NandaSoft Computer Equipment Company Limited	2,000,000.00	2014/4/7	2017/4/6	No
Qin Junjun		5,000,000.00	2014/4/9	2017/4/8	No
The Company	Nanjing Nanda Pharmaceutical Company Limited	6,000,000.00	2014/5/20	2016/5/19	No
		7,000,000.00	2014/5/20	2016/5/19	No

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### 5. Remuneration of key management staff

- (1) Directors and supervisors' remuneration

The remuneration of directors and supervisors for current year is as follows:

Name	Fees	Salaries and allowance	Contributions to Retirement Benefit Plan	Total
<b>Independent non-executive directors</b>				
Li Daxi		80,000.00		80,000.00
Xie Hong		80,000.00		80,000.00
Xie Man Lin		80,000.00		80,000.00
Ng Sau Lai, Derek (resigned in May)				
<b>Total</b>		<b>240,000.00</b>		<b>240,000.00</b>
<b>Executive directors</b>				
Liu Jian Bang		500,000.00		500,000.00
Qiao Ruo Gu		208,333.00		208,333.00
Liu Winson Wing Sun (resigned in November)		66,660.00		66,660.00
Pan Jian Xiang (resigned in May)				
<b>Total</b>		<b>774,993.00</b>		<b>774,993.00</b>
<b>Non-executive directors</b>				
Chen Zheng Rong (resigned in December)		100,000.00		100,000.00
Li Cheng (resigned in May)		80,000.00		80,000.00
Wong Wei Khei		80,000.00		80,000.00
<b>Total</b>		<b>260,000.00</b>		<b>180,000.00</b>
<b>Directors total</b>		<b>1,274,993.00</b>		<b>1,194,993.00</b>
<b>Supervisors</b>				
Shaw Yong Le		50,000.00		50,000.00
Gao Peng		80,000.00		80,000.00
Dong Liang		50,000.00		50,000.00
Lu Lin Hai (resigned in November)		41,660.00		41,660.00
Ngai Kei Ho (appointed in November)		8,332.00		8,332.00
Wang Da Ming (appointed in November)		13,332.00		13,332.00
<b>Supervisors total</b>		<b>243,324.00</b>		<b>243,324.00</b>

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### 2. Remuneration of key management staff (Continued)

(1) Directors and supervisors' remuneration (Continued)

There's no motivated monetary funds provided for board members joining or upon-joining the Group, and there's no compensation provided for board members resigning or upon-resigning for giving up the positions.

The remuneration for directors and supervisors is determined according to the remuneration policy of the Group, and is authorized by the Board's remuneration committee.

(2) Five highest paid employees

The five highest paid employees during the year included two (2013: two) directors, the remaining three (2013: three) highest paid employees are as follows:

Item	Amount for the current year	Amount for last year
Salaries and allowances	1,368,333.00	1,810,560.00
<b>Total</b>	<b>1,368,333.00</b>	1,810,560.00

Their emoluments were within the following bands:

Item	Current year	Last year
Nil to RMB500,000	6	3

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 3. Account balance between related parties

#### 1. Receivable items

Item	Related parties	Ending Balance		Beginning Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivables	Nanjing University	<b>2,150,401.94</b>		3,511,083.00	
	Jiangsu Co-Creation Education Development Company Limited	<b>30,000.00</b>		2,361,887.00	
Prepayments	Soft Intelligent Technology (Shanghai) Co., Ltd.	<b>5,653,552.00</b>			
	Nanjing University	<b>1,000,000.00</b>			
	Jiangsu NandaSoft Communication Company Limited	<b>58,556.40</b>			
Other receivables	Nandasoft (Jiangsu) Health Technology Limited			18,200.00	
	Jiangsu Fu Man Investment Limited	<b>2,000,000.00</b>		2,000,000.00	
	Nanjing Fineweb Import & Export Trade Co., Ltd.	<b>145,000.00</b>		145,000.00	
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	<b>2,366,699.64</b>		2,366,699.64	
	Jiangsu Sheng Feng Medical Company Limited	<b>6,454,678.49</b>		1,881,152.92	
	Jiangsu Nandasoft Communication Company Limited	<b>3,199,209.93</b>			
	Nanjing Nanda Pharmaceutical Company Limited	<b>275,731.82</b>		275,731.82	
	Soft Intelligent Technology (Shanghai) Co., Ltd.			1,682,000.00	

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)****3. Account balance between related parties****2. Payables items**

Item	Related parties	Ending Balance	Beginning Balance
Accounts payable	Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	4,179,115.40	2,273,309.72
	Jiangsu NandaSoft Communication Company Limited	112,177.60	787,349.37
	Nanjing University		520,000.00
Other payables	Nanjing University Asset Administration Company Limited	9,725,249.00	
	Nanjing Fineweb Import & Export Trade Co., Ltd.	200,000.00	200,000.00
	Nandasoft (Jiangsu) Health Technology Limited	14,100.00	818,278.93
	Nanjing Furuwei Medical Technologies Co., Ltd	774,000.00	774,000.00
	Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	117,200.00	20,000.00
	Jiangsu NandaSoft Information Industry Company Limited	100.00	
	Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	100.00	
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	60,100.00	
	Soft Intelligent Technology (Shanghai) Co., Ltd.	1,968,000.00	
	Jiangsu NandaSoft Communication Company Limited	99,000.00	2,582,347.82
	Xie Manlin	2,500,000.00	
Advance from customers	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	4,503,958.00	4,501,000.00
	Jiangsu NandaSoft Communication Company Limited	5,500.00	3,600.00
	Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	2,400.00	2,200.00

**12. CONTINGENT EVENS****1. Pending Litigations****(1) Litigation 1**

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by China Nuclear Industry Huaxing Construction Company Limited (as the plaintiff).



## 12. CONTINGENT EVENS (Continued)

### 1. Pending Litigations (Continued)

#### (1) *Litigation 1 (Continued)*

According to the civil claim, it was claimed that the Company failed to pay for construction project. The payment was approximately RMB175,400,000.00 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen assets of the Company of RMB150,000,000.00.

The main reason for the delay in payment was that the audit on the related construction work cannot be completed by the agreed time and is still incomplete. Therefore, the actual amount of construction payable by the Company is still uncertain.

The Company considered the amount claimed by the plaintiff was contentious and doubtful. Based on the advice of the legal counsel of the Company, the Company should apply to the court for an appraisal of the cost of construction and adopt the appraisal outcome as the basis of settling the construction cost for fairness and legitimacy.

As Phase II of New NandaSoft Technology and Innovation Park constructed by the Company was in use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by Teamo Sukung Investment Project Management Limited, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case will cause a significant difference in the estimated amount at the time of conversion into fixed assets, which will in turn have a material impact on the financial data of the Company.

As at 31 December 2014, the litigation was still ongoing. The Company's bank deposit frozen amounted to RMB666,441.16.

#### (2) *Litigation 2*

NandaSoft (Jiangsu) Pharmaceutical Service Outsourcing Co., Ltd. (Soft Pharmaceutical), a former subsidiary of the Company, entered into the Clinic Trial Contract with Nanchang Lijian Pharmaceutical Co., Ltd. (Lijian Company) with a contract value of RMB2.84 million (RMB1.2 million of which was already paid), which intended to provide medical examination services for Lijian Company. In 2012, Soft Pharmaceutical, Lijian Company and Nanjing Linghua Hospital Technology Co., Ltd. (Linghua Pharmaceuticals) signed a tripartite agreement to terminate the technical service contract mentioned above, and to transfer relevant rights and obligations of Soft Pharmaceutical to Linghua Pharmaceuticals.

As at 21 October 2013, Linghua Pharmaceuticals lodged a lawsuit to Intermediate People's Court of Nanchang as Soft Pharmaceutical refused to pay RMB 1.2 million, which was originally received from Lijian Company. Soft Pharmaceutical applied for liquidation to, and accepted by Nanjing Trade and Industry Bureau. The Court ruled that Soft Pharmaceutical should paid RMB1.20 million and responsible for the compensation of RMB2.40 million. The Company, the shareholder of Soft Pharmaceutical and Jiangsu Sheng Feng Investment, a subsidiary of the Company were liable for the corresponding liabilities.

## 12. CONTINGENT EVENS (Continued)

### 1. Pending Litigations (Continued)

#### (2) *Litigation 2 (Continued)*

As at 4 December 2013, according to the Civil Ruling (2013) Hong Min Er Chu Zi No. 380-1 issued by Intermediate People's Court of Nanchang Jiangxi Province, RMB3.65 million of the Company's bank deposit was frozen.

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.

As at 31 December 2014, the litigation was pending. Bank balances of the Company of RMB3,650,000.00 was frozen.

#### (3) *Litigation 3*

On 10 October 2014, the Company received the Civil Ruling (2014) Gu Shang Chu Zi No. 1287 issued by Intermediate People's Court of Gulou District, Nanjing.

According to the Civil Ruling, the Company should register the 17.896% shareholding of the Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd held by the Company under the name of Wang Dansheng (the plaintiff). Wang Dansheng, the plaintiff, should paid the amount of equity transfer within 60 days after the completion of the above change of equity registration.

The Company, based on the plaintiff failed to fulfill the results commitment when holding the Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd, considered that the equity transfer claimed by the plaintiff was contentious and doubtful.

On 23 March 2015, according to the Civil Ruling(2015) Ning Shang Zhong Zi No.29 issued by Intermediate People's Court of Nanjing, Jiangsu Province, the Civil Ruling (2014) Gu Shang Chu Zi No. 1287 issued by Intermediate People's Court of Gulou District, Nanjing was revoked.

## 12. CONTINGENT EVENS (Continued)

### 1. Pending Litigations (Continued)

#### (4) *Litigation 4*

On 10 October 2014, the Company received the Civil Ruling (2014) Gu Shang Chu Zi No. 1288 issued by Intermediate People's Court of Gulou District, Nanjing.

According to the Civil Ruling, the Company should register the 26.917% shareholding of the Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd held by the Company under the name of Xiao Bo (the plaintiff). Xiao Bo, the plaintiff, should paid the amount of equity transfer within 60 days after the completion of the above change of equity registration.

The Company, based on the plaintiff failed to fulfill the results commitment when holding the Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd, considered that the equity transfer claimed by the plaintiff was contentious and doubtful.

On 23 March 2015, according to the Civil Ruling(2015) Ning Shang Zhong Zi No.28 issued by Intermediate People's Court of Nanjing, Jiangsu Province, the Civil Ruling (2014) Gu Shang Chu Zi No. 1288 issued by Intermediate People's Court of Gulou District, Nanjing was revoked.

### 2. Contingent liabilities relating to provision of financial guarantees

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB28,000,000.00 in total (2013: RMB22,500,000.00) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Nanjing Nanda Pharmaceutical Company Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2014.

## 12. CONTINGENT EVENS (Continued)

### 2. Contingent liabilities relating to provision of financial guarantees (Continued)

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB13,000,000.00 in total (2013: RMB22,500,000.00) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Nanjing Nanda Pharmaceutical Company Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2014.

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB7,500,000.00 in total (2013: RMB 0) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Nandasoft (Jiangsu) Health Technology Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2014.

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB1,000,000.00 in total (2013: RMB 0) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Jiangsu NandaSoft Communication Company Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2014.

Save for the above, the Company was also involved in the contingent liabilities in respect of guarantees to the extent of RMB77,000,000.00 in total (2013: RMB73,000,000.00) in respect of banking facilities granted to certain subsidiaries. At the end of reporting period, the subsidiaries have utilized such facilities of RMB44,000,000.00 in total (2013: RMB73,000,000.00).

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing

#### (1) Description of commercial properties of the Company

in Gulou District, Nanjing recognized as investment properties

The management of the Company proposed to recognize the leasing section of the commercial properties in Gulou District, Nanjing of the Company as investment properties in August 2012 and November 2013, respectively, shall be subsequently measured at fair value.

#### (2) The actual usage of the commercial properties of the Company in Gulou District, Nanjing

The commercial properties of the Company in Gulou District, Nanjing with an area of 70,510.82 sq. meters, in which 19,677.54 sq. meters was entered into leasing contract, 15,286.18 sq. meters was entered into sales contract from 2009 to 2013 and approximately 16,105.10 sq.meters was not yet entered into leasing and sales contract but delivered part of it to the related parties from 2011 to 2013.

#### (3) Description of the part of the commercial properties of the Company in Gulou District, Nanjing which was entered into sales contract

On 13 January 2013, Notice in respect of the advice of speculation for industrial and research and development sites from the municipal government (《市政府印發關於進一步規範工業及科技研發用地管理意見的通知》) issued by Nanjing government: Strictly managed the transfer of land: For transfer and sale of the research and development sites and the properties erected on the sites, application should be made in advance by the development Park, Zijin special area and functional blocks management unit. For changing stock of industrial land to research and development sites, application should be made by land units. The transfer and sale area of the properties must not exceed 50% of the aggregate GFA. The transfer and sale of the research and development sites and the properties erected on the sites shall be approved by development Park, Zijin special area and functional blocks management unit, and the purchaser must be the R&D enterprises or institutions eligible for the conditions required by the development Park, Zijin special area and functional blocks management unit and shall not transfer or sell to any individuals. Strengthen the land sale management: For transfer of research and development sites, land and properties must not transfer of sale as stipulated in the original transfer contract. Application for transfer and sale of land units shall be approved by the development Park, Zijin special area and functional blocks management unit with reliable conditions of scope and limitations of transfer and sale. The approved transfer and sale of GFA must not exceed 50% of the aggregate GFA and paid for the land premium as required.

## 12. CONTINGENT EVENS (Continued)

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing (Continued)

#### **(3) Description of the part of the commercial properties of the Company in Gulou District, Nanjing which was entered into sales contract (Continued)**

The land use rights of the commercial properties of the Company in Gulou District, Nanjing was research and development sites.

Based on the opinion of the Company's legal counsel, the above sale and purchase contracts are valid. According to the relevant documents of the Nanjing government, it was uncertain that whether the Company achieved the effect of the property transfer. In view of the above sale and purchase contracts are true and accurate, there were certain legal risks of failed to fulfill the above sale and purchase contracts and the Company may subject to the relevant obligations. For the parties other than natural person (the purchaser), it was possible to perform the contract obligations, unless it was not approved by development Park, Zijin special area and functional blocks management unit after the completion of relevant procedures. Once the relevant judiciary considered that the Company should perform such obligations, the Company shall pay compensation to the purchaser and continue to fulfill the contracts, return the purchase amount and interest according to the provisions of the contracts and legal requirements.

#### **(4) Description of the commercial properties of the Company in Gulou District, Nanjing which was not entered into sales contract or leasing contract**

16,105.10 sq. meter of the commercial properties of the Company in Gulou District, Nanjing was delivered to the related parties from 2011 to 2013.

As the certificate of land use rights was not transferable, the Company and the occupier had not duly entered into leasing contract or property sale contract. Currently, both parties are still under negotiations and believe that will finally enter into leasing contract or property sale contract which comply with the conditions after the final negotiations.

As at 31 December 2014, the occupier did not provide any economic benefit in respect of the unoccupied commercial properties to the Company or other parties designated by the Company. The occupier will pay the settled amount to the Company at the agreed price by both parties after entering into leasing contract or property sale contract which complies with the conditions.

### 4. As at 31 December 2014, the Group had no other major contingencies except for those mentioned above.

### 13. COMMITMENTS

#### 1. Significant commitments

##### (1) Capital expenditure commitment of the Group at the end of the year

Capital expenditure commitment contracted but not yet recognized in financial statements

Item	Balance at the end of the year	Balance at the beginning of the year
External investment (Note)	25,600,000.00	25,600,000.00
<b>Total</b>	<b>25,600,000.00</b>	25,600,000.00

Note: contribution payable to a subsidiary of the Company NandaSoft Technology Investment Development (Wuxi) Company Limited.

##### (2) Large-amount contracts signed and currently being performed or prepared to be performed

As at 31 December 2014, the Group still had large-amount contracts signed and currently being performed or prepared to be performed amounting to RMB 146,096,700. The details are as follows:

Unit: RMB 0,000

Item	Contract amount	Paid amount	Unpaid amount	Estimated period
<b>Total</b>	<b>19,537.18</b>	<b>4,927.51</b>	<b>14,609.67</b>	



### 13. COMMITMENTS (Continued)

#### 1. Significant commitments (Continued)

**(3) Signed or executed lease contracts currently being executed or to be executed and financial impact**

The Group as the lessor

At the end of the year, as the lessor, the Group's irrevocable operating lease of certain property projects owned by the Group for the following period is as follows.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>6,456,499.73</b>	2,403,292.00
2 to 5 years	<b>10,206,785.82</b>	3,805,702.00
<b>Total</b>	<b>16,663,285.55</b>	6,208,994.00

The Group as the lessee

On 31 December 2014, as the lessee, the Group's irrevocable operating lease of certain property projects owned by the Group.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>1,013,226.72</b>	958,810.00
2 to 5 years	<b>564,046.96</b>	1,222,536.00
<b>Total</b>	<b>1,577,273.96</b>	2,181,346.00



**13. COMMITMENTS (Continued)****1. Significant commitments (Continued)****(3) Signed or executed lease contracts currently being executed or to be executed and financial impact (Continued)**

The Group as the lessor

At the end of the year, as the lessor, the Group's irrevocable operating lease of certain property projects owned by the Group for the following period is as follows.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>6,456,499.73</b>	2,243,292.00
2 to 5 years	<b>10,206,785.82</b>	3,645,702.00
Total	<b>16,663,285.55</b>	5,888,994.00

2. Except for the commitments mentioned above, there's no other significant commitment within the Group at 31 December 2014.

**14. POST BALANCE SHEET EVENTS****1. Important non-adjusted items**

Item	Content	influence on financial position and operating results	Reasons for not able to estimating influence
Issuance of shares and bonds	A conditional subscription agreement was signed on 16 January 2015 by the Company and the subscribing party, by which, the Company agreed to allot and issue 163,800,000 subscription shares to the subscribing party, with conditions. The special authorization of shareholders was obtained for such item at the extraordinary general meeting and class meeting.	163,800,000 subscription shares of RMB 0.28 each (equivalent to HK\$ 0.35), amounting to RMB 45,864,000.00 (equivalent to HK\$ 57,330,000.00).	

## 14. POST BALANCE SHEET EVENTS (Continued)

### 2. Information about profit distribution

Item	Content
Profits or dividends proposed to distribute	According to the resolution of the board of directors of the Company on 27 March 2015: did not recommend any final dividends for the year ended 31 December 2014
Profits or dividends approved to declare to pay after consideration	Nil

### 3. Sales return

There were no material sales return occurred subsequent to the balance sheet date.

4. Save as the post balance sheet events disclosed above, the Group had no other material post balance sheet event.

## 15. OTHER SIGNIFICANT EVENTS

### 1. Segment information

According to the internal organizational structure of the Group, requirement for managements and internal reporting system, the operating business is classified into 4 reporting segments the computer hardware and software products, system integration service, IT-related products and property investment. These deporting segments have been laid down in the internal organization structure, requirements for management and international. The management of the Group will evaluate the operating results of these report segments to determine the distribution of resources and evaluation on its results.

By segment information is exposed in accordance with the accounting policy and standards for measurement. Such basis of measurement remains the same as the accounting policy and standards for measurement when preparing the financial statements.

**15. OTHER SIGNIFICANT EVENTS (Continued)****1. Segment information (Continued)****Reporting segments for 2014**

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	437,619,645.84	76,155,643.13		10,546,542.83			524,321,831.80
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				26,960,000.00			26,960,000.00
Operating costs	397,042,600.28	58,432,063.80		2,167,226.15			457,641,890.23
Sales tax and fees	20,938,673.13	2,818,061.51					23,756,734.64
Financing costs						25,455,678.12	25,455,678.12
Other costs (management asset impairment)						125,633,572.86	125,633,572.86
<b>Total operating profit (total loss)</b>	<b>19,638,372.43</b>	<b>14,905,517.82</b>		<b>8,379,316.68</b>		<b>-124,129,250.98</b>	<b>-81,206,044.05</b>
Total assets	460,640,130.16	130,948,283.32		594,938,706.44		283,961,279.82	1,470,488,399.74
Total liabilities	630,904,350.53	98,427,996.20		109,910,496.70		221,648,262.00	1,060,891,105.43
Supplementary information							
Capital expenditure							18,714,559.72
Impairment loss recognized for the period							48,839,539.75
Depreciation and amortization expenses							8,271,018.24

## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 1. Segment information (Continued)

#### Reporting segments for 2013 (previous year)

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	542,944,883.00	59,580,562.00		1,144,759.00			603,670,204.00
Including: Income from external transactions	542,944,883.00	59,580,562.00		1,144,759.00			
Income from inter-segment transactions							
Other gains	2,727,712.00			63,751,291.00		3,735,591.00	66,479,003.00
Operating costs						504,381,160.92	504,381,160.92
Sales tax and fees						26,744,804.86	26,744,804.86
Financing costs						13,477,524.00	13,477,524.00
Other costs (management asset impairment)							106,596,844.11
<b>Total operating profit (total loss)</b>	30,211,181.00	11,259,380.00	-4,131,347.00	-43,444.00		-18,346,896.89	18,948,873.11
Total assets	359,924,261.00	94,125,733.00	194,598.00	440,834,703.00		-498,008,901.35	1,393,088,196.36
Total liabilities	150,244,283.00	39,724,187.00		187,425,847.00		574,813,677.00	952,207,994.00
Supplementary information							
Capital expenditure	635,044.00	95,905.00	32,008.00	150,582,176.00		66,050,326.00	217,395,459.00
Impairment loss recognized for the period							
Depreciation and amortization expenses							

Note: Capital expenditure includes purchases such as buildings, transportation equipment and electronics equipments and others.

**15. OTHER SIGNIFICANT EVENTS (Continued)****1. Segment information (Continued)**

The total income from external transactions of the Group in PRC and other countries and regions, and the total amount of the non-current assets, other than financial assets and deferred income tax, of the Group in PRC and other countries and regions are as follows:

<b>External transactions</b>	<b>Amount of the year</b>	Amount of the previous year
Within China (except Hong Kong)	<b>521,765,116.99</b>	602,721,693.13
Hong Kong	<b>2,556,714.81</b>	948,511.07
<b>Total</b>	<b>524,321,831.80</b>	603,670,204.20
<b>Total non-current assets</b>	<b>Balance at the end of the year</b>	Balance at the beginning of the year
Within China (except Hong Kong)	<b>847,417,511.77</b>	821,712,272.69
Hong Kong	<b>10,131,147.39</b>	7,020,175.01
Total	<b>857,548,629.16</b>	828,732,447.70

2. No other important events require other explanations by the Group.

**16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY****1. Cash and cash equivalents**

Items	<b>31 December 2014</b>	31 December 2013
Cash	<b>18,653.51</b>	22,356.00
Bank deposits	<b>15,186,663.47</b>	20,304,943.76
Others	<b>4,479,993.86</b>	3,650,000.00
<b>Total</b>	<b>19,685,310.84</b>	23,977,299.76

Note: Among the bank deposits of the Group, RMB 15,000,000.00 was fixed term deposit. Among other monetary funds, RMB 4,316,441.16 was frozen due to litigation (please see notes for details of litigation.)

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 2. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	<b>93,423,912.40</b>	65,553,508.57
Less: provision for bad debts	<b>30,999,449.28</b>	20,078,452.62
Net amount	<b>62,424,463.12</b>	45,475,055.95

#### (1) Aging analysis

Aging	Ending Balance	Beginning Balance
Within 3 months(inclusive)	<b>21,303,016.52</b>	22,587,038.00
3 to 6 months(inclusive)	<b>4,862,622.03</b>	913,932.00
7 to 12 months(inclusive)	<b>5,014,973.72</b>	2,220,860.00
Over 1 year	<b>31,243,850.85</b>	19,753,225.95
Net amount	<b>62,424,463.12</b>	45,475,055.95

#### (2) Classification of accounts receivable

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	<b>93,423,912.40</b>	<b>100.00</b>	<b>30,999,449.28</b>	<b>33.18</b>	<b>62,424,463.12</b>	65,553,508.57	100.00	20,078,452.62	30.63	45,475,055.95
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>93,423,912.40</b>	<b>100.00</b>	<b>30,999,449.28</b>	<b>33.18</b>	<b>62,424,463.12</b>	65,553,508.57	100	20,078,452.62	30.63	45,475,055.95

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 2. Accounts receivable (Continued)

#### (2) Classification of accounts receivable (Continued)

1) Accounts receivable in portfolio of which provision was made using ageing analysis method:

Aging	Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months(inclusive)	21,303,016.52		
3 to 6 months(inclusive)	5,065,231.28	202,609.25	4
7 to 12 months(inclusive)	5,451,058.39	436,084.67	8
Over 1 year	61,604,606.21	30,360,755.36	49.28
<b>Total</b>	<b>93,423,912.40</b>	<b>30,999,449.28</b>	<b>33.18</b>

Items	Accounts receivable	Opening Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	22,587,038.00		
3 to 6 months (inclusive)	952,012.50	38,080.50	4.00
7 to 12 months (inclusive)	2,413,978.26	193,118.26	8.00
Over 1 year	39,600,479.81	19,847,253.86	50.12
<b>Total</b>	<b>65,553,508.57</b>	<b>20,078,452.62</b>	<b>30.63</b>

#### (3) The five largest accounts receivable assembled by debtors

Company name	Ending Balance	Aging	Proportion of ending balance of accounts receivables in total (%)	Ending balance of bad debts provision
No.1	6,825,576.48	Over 3 years	7.31	
No.2	6,359,455.49	Over 2 years	6.81	
No.3	4,614,618.00	1-2 years	4.94	
No.4	3,542,058.80	Over 2 years	3.79	2,042,058.80
No.5	3,162,558.00	0-6 months	3.39	25,492.00
<b>Total</b>	<b>24,504,266.77</b>		<b>26.23</b>	<b>2,067,550.80</b>



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 3. Prepayments

#### (1) Aging analysis of prepayments

Items	<b>31 December 2014</b>	31 December 2013
Total	<b>18,970,739.38</b>	27,071,259.41

#### (2) Prepayments from the five largest suppliers assembled by the subject receiving prepayments as at 31 December 2014

Company name	Amount	Aging	Proportion of ending balance of prepayments in total (%)
No. 1	5,653,552.00	1-2 years	20.28
No. 2	4,349,606.60	over 2 years	15.60
No. 3	4,477,699.00	over 3 years	16.06
No. 4	3,010,000.00	3-2 years	10.80
No. 5	1,994,706.25	7 months- over 3 years	7.15
<b>Total</b>	<b>19,485,563.85</b>		<b>69.89</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 4. Other receivables

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	192,112,766.34	100	11,099,558.76	5.78	181,013,207.58	151,263,219.78	100	10,766,401.18	7.12	140,496,818.60
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>192,112,766.34</b>	<b>100</b>	<b>11,099,558.76</b>	<b>5.78</b>	<b>181,013,207.58</b>	<b>151,263,219.78</b>	<b>100</b>	<b>10,766,401.18</b>	<b>7.12</b>	<b>140,496,818.60</b>

Note: The ending balance of other receivables significantly increased as compared with its beginning balance, which was mainly due to the borrowings.

#### (2) Other receivables by nature

Nature	Book balance at end of the year	Book balance at beginning of the year
Security deposit, imprest and cash pledge	9,268,553.78	17,040,180.89
Current accounts	182,844,212.56	134,223,038.89
<b>Total</b>	<b>192,112,766.34</b>	<b>151,263,219.78</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 4. Other receivables (Continued)

#### (3) The five largest other receivables assembled by debtors

Company name	Nature	Ending Balance	Aging	Proportion of ending balance of other receivables in total (%)	Ending balance of bad debts provision
No. 1	Current accounts	38,138,932.90	7 months-3 years	19.85	
No. 2	Current accounts	35,200,000.00	0-3 months	18.32	
No. 3	Current accounts	23,789,900.00	0-3 years	12.38	
No. 4	Current accounts	11,917,809.60	1-2 years	6.2	2,383,561.92
No. 5	Current accounts	8,045,439.47	0-2 years	4.19	805,387.44
<b>Total</b>		<b>117,092,081.97</b>		<b>60.95</b>	<b>3,188,949.36</b>

### 5. Inventories

#### (1) Classification

Items	Ending Balance Inventory			Beginning Balance Inventory		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Merchandise inventories	4,161,354.49	4,161,354.49	-	4,161,354.49	3,412,037.37	749,317.12
Goods in transit	23,164,599.58		23,164,599.58	17,067,227.51		17,067,227.51
Engineering construction	4,401,696.74		4,401,696.74	11,058,473.77		11,058,473.77
<b>Total</b>	<b>31,727,650.81</b>	<b>4,161,354.49</b>	<b>27,566,296.32</b>	<b>32,287,055.77</b>	<b>3,412,037.27</b>	<b>28,875,018.40</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 5. Inventories (Continued)

#### (2) Inventory impairment

Items	Beginning Balance	Increase during the year	Decrease during the year		Ending Balance
			Reversal	Transferred out	
Merchandise inventories	3,412,037.37	749,317.12			<b>4,161,354.49</b>
<b>Total</b>	3,412,037.37	749,317.12			<b>4,161,354.49</b>

### 6. Available-for-sale financial assets

#### (1) Description of available-for-sale financial assets

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument Measured at cost	<b>9,406,119.23</b>	<b>747,464.99</b>	<b>8,658,654.24</b>	9,406,119.23	747,464.99	8,658,654.24
<b>Total</b>	<b>9,406,119.23</b>	<b>747,464.99</b>	<b>8,658,654.24</b>	9,406,119.23	747,464.99	8,658,654.24

### 7. Long-term equity investment

#### (1) Classification of long-term equity investment

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	<b>137,628,175.62</b>		<b>137,628,175.62</b>	140,128,175.62		140,128,175.62
Investment in associates and joint ventures	<b>19,294,802.84</b>		<b>19,294,802.84</b>	27,945,599.61		27,945,599.63
<b>Total</b>	<b>156,922,978.46</b>		<b>156,922,978.46</b>	168,073,775.25		168,073,775.25

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 7. Long-term equity investment (Continued)

#### (2) Investment in subsidiaries

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision for impairment	Ending balance of provision for impairment
Jiangsu Changtian Zhi Yuan Technology Company Limited	51,592,986.81			51,592,986.81		
Jiangxi NandaSoft Service Outsourcing Company Limited	7,000,000.00			7,000,000.00		
Jiangsu NandaSoft (Hong Kong) Limited	1,810,150.42			1,810,150.42		
Jiangsu NandaSoft Computer Fixtures Company Limited	5,100,000.00			5,100,000.00		
Jiangxi NandaSoft Technology Company Limited	1,400,000.00			1,400,000.00		
Shenyang Soft Software Development Company Limited	7,000,000.00			7,000,000.00		
Nanjing NandaSoft Service Outsourcing and Talent Training Center	2,000,000.00		2,000,000.00	0.00		
Gaochun NandaSoft Service Outsourcing and Talent Training Center	500,000.00		500,000.00	0.00		
Jiangsu Sheng Feng Investment Limited	10,000,000.00			10,000,000.00		
Nanjing NandaSoft System Integration Company Limited	20,000,000.00			20,000,000.00		
Jiangsu NandaSoft CRO Technology Co., Ltd.,	5,225,038.39			5,225,038.39		
Nanjing NandaSoft Property Services Company Limited	500,000.00			500,000.00		
NandaSoft Technology Investment Development (Wuxi) Company Limited	14,400,000.00			14,400,000.00		
Jiangsu NandaSoft Investment Company Limited	5,000,000.00			5,000,000.00		
NandaSoft Technology (Shenzhen) Company Limited	3,600,000.00			3,600,000.00		
Jiangsu Changtian Fuyun Information Technology Co., Ltd.	5,000,000.00			5,000,000.00		
<b>Subtotal</b>	140,128,175.62		2,500,000.00	137,628,175.62		

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 7. Long-term equity investment (Continued)

#### (3) Investment in associates

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year						Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced cash dividends or profit	Provision for impairment	Others		
<b>Under equity method</b>											
Shenzhen Nanda Research Institute Company Limited	4,705,394.23			926,570.46							5,631,964.69
Yantai Blue Innovation Co., Ltd.	9,416,821.60			-817,658.30							8,599,163.30
Nanjing King Wen Information Technology Limited	151,104.47										151,104.47
Nanjing Qi Ming Financial Consultation Company Limited	430,768.70										430,768.70
Jiangsu Fu Man Investment Limited	1,992,076.57			3,507.78							1,995,584.35
Soft Intelligent Technology (Shanghai) Co., Ltd.	2,486,217.33										2,486,217.33
Jiangsu Hanwin Technology Company	8,763,216.73		8,763,216.73								
Subtotal	27,945,599.63		8,763,216.73	112,419.94	0.00	0.00	0.00	0.00	0.00		19,294,802.84

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 8. Investment properties

#### (1) Investment properties measured at fair value

Items	Buildings	Land use rights	Total
<b>I. Beginning Balance</b>	435,040,000.00		435,040,000.00
In which: Cost	296,659,783.70		296,659,783.70
Changes in fair value	138,380,216.30		138,380,216.30
<b>II. Changes for the current year</b>	71,260,000.00		71,260,000.00
Add: Transferred from fixed assets	16,089,315.38		16,089,315.38
Transferred from intangible assets		958,581.03	958,581.03
Changes in fair value		54,212,103.59	54,212,103.59
Less: Disposal			
<b>III. Ending Balance</b>	506,300,000.00		506,300,000.00
In which: Cost	313,707,680.11		313,707,680.11
Changes in fair value	192,592,319.89		192,592,319.89

Note 1: The increase in investment properties for the year was due to the Company's leasing out its self-used office floors.

Note 2: Investment properties of the Group were located in Nanjing, China. Investment properties were re-evaluated by an independent professionally qualified valuers on 31 December 2014.

#### (2) Investment properties analyzed by regions where they located and year

Items	Ending balance	Beginning Balance
Mainland China		
Mid-term (10-50 years)	<b>506,300,000.00</b>	435,040,000.00
Outside China		
<b>Total</b>	<b>506,300,000.00</b>	435,040,000.00



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 9. Fixed assets

#### (1) Breakdown of fixed assets

Items	Buildings	Electronic equipment and others	Transportation equipment	Total
<b>(I) Original book value</b>				
1. Balance as at 31 December 2013	103,466,328.00	8,244,232.88	2,968,028.98	114,678,589.86
2. Increase for the period	–	2,467,408.58	–	2,467,408.58
(1) Purchase		2,467,408.58		2,467,408.58
(2) Transfers from construction in progress	–			
3. Decrease for the period	16,454,674.98	3,837,610.20	548,375.00	20,840,660.18
(1) Disposal or scrapped		3,837,610.20	548,375.00	4,385,985.20
(2) Transfer to investment properties	16,454,674.98			16,454,674.98
4. Balance as at 31 December 2014	87,011,653.02	6,874,031.26	2,419,653.98	96,305,338.26
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2013	3,165,604.00	5,239,930.00	2,186,573.00	10,592,107.00
2. Increase for the period	5,114,534.04	494,679.12	454,939.40	6,064,152.56
(1) Provision	5,114,534.04	494,679.12	454,939.40	6,064,152.56
3. Decrease for the period	365,359.61	3,709,907.90	536,518.67	4,611,786.18
(1) Disposal or scrapped		3,709,907.90	536,518.67	4,246,426.57
(2) Transfer to investment properties	365,359.61			365,359.61
4. Balance as at 31 December 2014	7,914,778.43	2,024,701.22	2,104,993.73	12,044,473.38
<b>(III) Impairment provision</b>				
1. Balance as at 31 December 2013	–			
2. Increase for the period	–			
3. Decrease for the period	–			
4. Balance as at 31 December 2014	–			
<b>(IV) Book value</b>				
1. Book value as at 31 December 2013	100,300,724.00	3,004,302.88	781,455.98	104,086,482.86
2. Book value as at 31 December 2014	79,096,874.59	4,849,330.04	314,660.25	84,260,864.88

Note 1: The decrease in book value of buildings for the year was mainly due to part of floors of the Company's block 1 and 2 buildings located at No.19, Qingjiang South Road, Nanjing City were transferred into investment properties from self-use.

Note 2: The property ownership certificates of all properties of the Group have been obtained.

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 10. Intangible assets

#### (1) Breakdown of intangible assets

Items	Land use right	Software	Total
<b>(I) Original book value</b>			
1. Beginning Balance	6,492,922.64	409,527.54	6,902,450.18
2. Increase for the year		1,374,188.00	1,374,188.00
(1) Purchase		1,374,188.00	1,374,188.00
3. Decrease for the year	981,344.86		981,344.86
(1) Transferred into investment properties	981,344.86		981,344.86
4. Ending Balance	5,511,577.78	1,783,715.54	7,295,293.32
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	119,549.64	276,955.00	396,504.64
2. Increase for the year	190,795.23	31,957.75	222,752.98
(1) Provision	190,795.23	31,957.75	222,752.98
3. Decrease for the year	22,763.83		22,763.83
(1) Transferred into investment properties	22,763.83		22,763.83
4. Ending Balance	287,581.04	308,912.75	596,493.79
<b>(III) Impairment provision</b>			
1. Beginning Balance			–
2. Increase for the year			–
3. Decrease for the year			–
4. Ending Balance			–
<b>(IV) Book value</b>			
1. Ending book value	5,223,996.74	1,474,802.79	6,698,799.53
2. Beginning book value	6,373,373.00	132,572.54	6,505,945.54

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 11. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	41,348,940.00	6,202,341.00	41,348,940.00	6,202,341.00
<b>Total</b>	<b>41,348,940.00</b>	<b>6,202,341.00</b>	41,348,940.00	6,202,341.00

#### (2) Deferred tax liabilities without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Investment properties	203,231,263.08	50,807,815.77	139,724,696.00	34,931,173.70
Expenses allocated as development costs			7,653,732.00	1,148,060.00
<b>Total</b>	<b>203,231,263.08</b>	<b>50,807,815.77</b>	147,378,428.00	36,079,233.70

### 12. Other Non-Current Assets

Item	Ending Balance	Beginning Balance
Prepayments for purchase of long-term assets		9,910,000.00
<b>Total</b>		9,910,000.00

Note: Please refer to 6.19 for more details.

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 13. Short-term borrowings

Borrowings category	Ending Balance		Beginning Balance	
	Interest rates	Amount	Interest rates	Amount
<b>Bank loans</b>				
Mortgage borrowings	6	14,250,000.00	6-8.2	20,000,000.00
Secured borrowings			7.2	17,000,000.00
Other loans				
Non-bank financial institutions	15	7,000,000.00	14-18	13,000,000.00
Others	15-30	94,750,000.00		
<b>Total</b>		<b>116,000,000.00</b>		<b>50,000,000.00</b>

Note 1: Bank loans: The mortgage borrowings of RMB14.25 million were granted with the time certificate of deposit of the Company amounting to RMB 15 million as the pledge.

Note 2: The secured borrowings of RMB3 million was granted with the personal property of Qin Junjun as the pledge and guarantee.

### 14. Accounts payable

Item	Ending Balance	Beginning Balance
Total	68,378,733.79	40,292,426.47
In which: over 1 year	12,361,502.77	13,491,167.00

### 15. Advances from customers

Item	Ending Balance	Beginning Balance
Total	24,574,077.56	17,427,230.32

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 16. Other payables

#### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Project funds	106,640,482.09	133,892,571.00
Pledged deposits	1,491,606.34	11,583,621.00
Others	216,813,548.51	54,288,781.16
<b>Total</b>	<b>324,945,636.94</b>	199,764,973.16

### 17. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	22,879,740.46	22,879,740.46
Payments for buildings	56,289,325.00	51,906,640.01
<b>Total</b>	<b>79,169,065.46</b>	74,786,380.47

Please refer to note 6.31 for more details.

### 18. Operating revenue and cost

Items	Current Year		Last Year	
	Revenue	Cost	Revenue	Cost
Main operating businesses	90,298,454.74	83,033,495.42	99,059,972.16	70,784,633.43
Other businesses	6,042,667.88	794,611.25		
<b>Total</b>	<b>96,341,122.62</b>	<b>83,828,106.67</b>	99,059,972.16	70,784,633.43

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 19. Taxes and surcharges

Items	Current Year	Last Year
Taxes and surcharges	<b>10,256.75</b>	152,452.40
Urban construction & maintenance tax	<b>170,113.11</b>	123,108.51
Education surcharges	<b>121,509.39</b>	73,865.11
Local education surcharges		49,243.40
<b>Total</b>	<b>301,879.25</b>	398,669.42

### 20. Sales Expense

Items	Current Year	Last Year
Total	<b>6,725,900.52</b>	5,308,036.24
In which: Personnel expenses	<b>3,542,094.08</b>	2,775,451.82
Sales business expenses	<b>2,164,666.00</b>	1,324,082.90
Others	<b>1,019,140.44</b>	1,208,501.52

### 21. Administrative expenses

Items	Current Year	Last Year
Total	<b>51,772,439.92</b>	25,500,454.12
In which: Research and development expenditure	<b>23,541,946.33</b>	9,596,083.00
Personnel expenses	<b>6,247,122.24</b>	3,647,457.54
Office expenses	<b>2,074,325.86</b>	459,999.55
Business expenses	<b>1,810,883.75</b>	4,157,935.97
Others	<b>18,098,161.74</b>	7,638,978.08

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 22. Financial Expenses

#### (1) Financial Expenses Category

Items	Current Year	Last Year
Interest expenditure	<b>20,620,216.54</b>	6,666,985.43
Less: Interest income	<b>605,893.66</b>	22,561.25
Add: Exchange loss	<b>67,409.11</b>	93,331.11
Add: Other expenditure	<b>42,159.86</b>	150,000.00
<b>Total</b>	<b>20,123,891.85</b>	6,887,755.29

Note: The Interest expenditure incurred this year increased as compared with last year, which is mainly attributable to the relatively high borrowing rate from the non-banking companies this year.

#### (2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans	<b>20,620,216.54</b>	13,520,650.18
Interests from bank loans due within 5 years		
Subtotal	<b>20,620,216.54</b>	13,520,650.18
Less: Capitalized interest		6,853,664.75
<b>Total</b>	<b>20,620,216.54</b>	6,666,985.43

The capitalization of general loan interest is 8.37% last year.

#### (3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	<b>17,325.44</b>	22,561.25
Interest income is accrued by effective interest rate	<b>453,750.00</b>	
<b>Total</b>	<b>471,075.44</b>	22,561.25



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 23. Assets impairment losses

Items	Current Year	Last Year
Bad debts	<b>17,315,317.62</b>	7,803,128.55
Loss from inventory devaluation	<b>749,317.12</b>	
Impairments of other assets		3,970,925.00
<b>Total</b>	<b>18,064,634.74</b>	11,774,053.55

### 24. Gain or loss on changes in fair value

Items	Current Year	Last Year
Investment properties measured at fair value	<b>26,960,000.00</b>	62,212,730.14
<b>Total</b>	<b>26,960,000.00</b>	62,212,730.14

Note: the Investment properties measured at fair value decreased significantly as compared with last year, which is mainly attributable to the additional investment properties were changed from own use to rental this year.

### 25. Investment income

Items	Current Year	Last Year
From disposal of long-term equity investment	<b>1,573,200.00</b>	11,320,447.70
From long-term equity investment under equity method	<b>-2,591,062.98</b>	
<b>Total</b>	<b>-1,017,862.98</b>	11,320,447.70

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 26. Non-Operating Income

#### (1) Non-Operating Income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the year
Gain on disposal of non-current assets	<b>92,771.41</b>	12,836.95	92,771.41
In which: gain on disposal of fixed assets	<b>92,771.41</b>	12,836.95	92,771.41
Government grants	<b>18,450,619.21</b>	3,284,446.29	18,450,619.21
Others		1,526.50	
<b>Total</b>	<b>18,543,390.62</b>	3,298,809.74	18,543,390.62

#### (2) Government grants category

Items	Current Year	Related withsets /income
Tax return Related with income	<b>1,738,289.85</b>	Related income
Award for the remote communities and public health care system demonstration based on Internet of Things	<b>1,000,000.00</b>	Related income
Financial incentives for the Nanjing software and information services development project	<b>50,000.00</b>	Related income
Others	<b>417,000.00</b>	Related income
<b>Transfer of deferred income</b>		
Next generation internet vulnerability scanning and patch management system	<b>8,000,000.00</b>	Related income
Platform for remote communities and public health care system demonstration based on Internet of Things	<b>2,053,419.36</b>	Related income
Development and industrialization of the information security management platform based on intelligent analysis	<b>1,808,699.95</b>	Related income
Software and cloud computing	<b>3,383,210.05</b>	Related income
<b>Total</b>	<b>18,450,619.21</b>	

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 27. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for Current Year
Loss on disposal of non-current assets	34,303.11	2,845.45	34,303.11
Including: Loss on disposal of fixed assets	34,303.11	2,845.45	
Donations		105,000.00	
Others	103,735.79	205.31	103,735.79
<b>Total</b>	<b>138,038.90</b>	108,050.76	138,038.90

### 28. Income tax expenses

Items	Current Year	Last Year
Current income tax	-999,012.04	2,791,427.93
Deferred income tax	7,823,090.37	12,934,718,000
<b>Total</b>	<b>6,824,078.33</b>	15,726,145.93

### 29. Audit fees

The audit fees charged for the year is RMB0.68 million (last year: HK\$0.65million).

### 30. Depreciation and amortization

The total depreciation/amortization for the year is RMB 6,286,905.54 (last year: RMB 4,309,177.00).

### 31. Rental income

Rental income from land and buildings for the year is RMB6,042,667.88 (last year: RMB1,144,759.75).

## 17. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 27 March 2015.

## PARTICULARS OF PROPERTIES

31 December 2014

### Investment properties

<b>Location</b>	<b>Use</b>	<b>Tenure</b>	<b>Attributable Interest of the Group</b>
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%

# SUPPLEMENTAL INFORMATION OF FINANCIAL STATEMENTS

31 December 2014

## 1. STATEMENT OF NON-OPERATING PROFIT AND LOSS

According to the No. 1 Notice on publicly listed company financial information disclosure – Non-operating gains and losses (2008), issued by China Securities Regulatory Commission, the non-operating gains and losses are disclosed as below:

Items	Current Year	Explanation
Gains and losses from disposal of non-current assets	36,060.27	
Casual tax rebate or tax exemption with ultra vires or without formal approval	1,738,289.85	
Government grants expensed	17,102,329.36	
Funds usage fees from non-financial institutions expense		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associate		
Gains and losses from non-monetary assets exchange		
Gains and losses from commissioned investment or assets management		
Force majeure, provision for impairment of assets due to natural disaster		
Gains and losses from debt restructuring		
Corporate restructuring expenditures		
Gains and losses from the non-arm's length transactions		
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date	18,845.49	
Gains and losses from non-operating business contingencies		
Gains and losses on changes in fair value from Financial assets/liabilities held-for-trading; and Realized gain on disposal of Financial assets/liabilities held-for-trading, Financial assets available-for-use, except for the operation related hedging transactions	27,110,000.00	
Reversals of provision for impairment reserves from receivables with individual impairment test	349,110.49	
Reversals of provision for impairment reserves from receivables with individual impairment test		
Gains and losses on changes in fair value, arisen from subsequent measurement of Investment property using fair value model		
The impact of one-time adjustment of current profit and loss, according to the laws and regulations of taxation or accounting		
Trustee fee income from entrusted operation		
Other non-operating income and expense except for the above items	-3,749,412.92	
Other non-operating profit and loss define	4,512,159.26	
Subtotal	46,768,271.31	
Income tax impact	9,442,582.18	
Impact on non-controlling shareholder's equity (after-tax)	-1,186,726.24	
Total	38,512,415.37	

Jiangsu NandaSoft Technology Company Limited  
27 March 2015

# FIVE YEAR FINANCIAL SUMMARY

31 December 2014

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.

	2014 RMB	2013 RMB	2012 RMB	2011 RMB	2010 RMB
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>524,321,831.80</b>	602,525,445	643,001,427	475,966,732	396,673,507
Cost of sales	<b>457,641,890.23</b>	(503,311,385)	(523,156,836)	(374,758,938)	(324,699,507)
Gross profit	<b>66,679,941.57</b>	99,214,060	119,844,591	101,207,794	71,974,000
Other income and gains	<b>46,768,271</b>	71,975,401	17,135,272	28,430,776	35,745,473
Selling and distribution costs	<b>23,756,735</b>	(26,744,805)	(27,247,158)	(28,374,424)	(24,276,046)
Research and development costs	<b>24,788,705</b>	(9,596,083)	(5,222,011)	(407,145)	(444,444)
Administrative expenses	<b>104,784,200</b>	(96,371,427)	(57,421,602)	(51,624,115)	(37,771,540)
Finance costs	<b>26,197,351</b>	(13,477,524)	(10,586,360)	(11,630,005)	(1,387,003)
Share of profits/(losses) of associates	<b>–</b>	2,507,795	(1,200,930)	35,928,663	4,470,127
PROFIT BEFORE TAX	<b>66,078,777</b>	27,507,417	35,301,802	73,531,544	48,310,567
Income tax expense	<b>11,356,553</b>	(20,711,875)	(4,000,002)	(5,678,065)	(6,277,694)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<b>77,435,330</b>	6,795,542	31,301,800	67,853,479	42,032,873
<b>DISCONTINUED OPERATION</b>					
Profit for the year from a discontinued operation	<b>–</b>	–	5,113,474	–	–
PROFIT FOR THE YEAR	<b>77,435,330</b>	6,795,542	36,415,274	67,853,479	42,032,873
Attributable to:					
Owners of the Company	<b>78,857,944</b>	2,176,371	28,089,862	66,888,502	42,905,987
Non-controlling interests	<b>1,422,613</b>	4,619,171	8,325,412	964,977	(873,114)
	<b>80,280,557</b>	6,795,542	36,415,274	67,853,479	42,032,873
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
TOTAL ASSETS	<b>1,470,488,399</b>	1,393,088,196	1,211,478,936	779,313,521	592,555,792
TOTAL LIABILITIES	<b>1,060,891,105</b>	(952,207,994)	(749,082,180)	(406,766,832)	(286,147,194)
NON-CONTROLLING INTERESTS	<b>39,441,835</b>	(38,922,719)	(45,782,426)	(30,054,097)	(22,736,903)
	<b>370,155,459</b>	401,957,483	416,614,330	342,492,592	283,671,695

