



JIANGSU NANDASOFT COMPANY LIMITED  
江蘇南大蘇富特軟件股份有限公司

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



*Interim Report*

**2002**

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.**

**The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This announcement, for which the directors of Jiangsu NandaSoft 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 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



**NANDASOFT**

南大苏富特

# **JIANGSU NANDASOFT COMPANY LIMITED \*** **(江蘇南大蘇富特軟件股份有限公司)**

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

## **HIGHLIGHTS**

- Achieved a turnover of approximately RMB99,285,000 for the six months ended 30th June, 2002, representing an approximately 71% increase as compared with that of the corresponding period in 2001
- Accomplished a net profit of approximately RMB6,350,000 for the six months ended 30th June, 2002
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2002

## **INTERIM RESULTS**

The board of Directors (“Board”) of Jiangsu NandaSoft Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30th June, 2002.

For the three months ended 30th June, 2002, the unaudited turnover is approximately RMB56,598,000, representing a growth of approximately RMB25,705,000, or approximately 83% in turnover as compared with that of the same period in 2001. For the six months ended 30th June, 2002, the unaudited turnover is approximately RMB99,285,000, representing a growth of approximately RMB41,071,000, or approximately 71% in turnover as compared with that of the same period in 2001.

The unaudited net profit of the Group for three months and six months ended 30th June, 2002 is approximately RMB3,223,000 and approximately RMB6,350,000 respectively, representing a growth in the results of approximately both 3% as compared with the corresponding figures in 2001.

\* For identification purpose only

The unaudited consolidated financial statements of the Group for the three months and six months ended 30th June, 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**

	<i>Notes</i>	<b>For the three months ended 30th June,</b>		<b>For the six months ended 30th June,</b>	
		<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	56,597,952	30,892,530	99,284,991	58,213,813
Cost of sales		<u>45,308,524</u>	<u>27,278,586</u>	<u>76,964,868</u>	<u>47,611,149</u>
Gross profit		11,289,428	3,613,944	22,320,123	10,602,664
Other revenue		854,400	2,173,492	1,917,167	3,401,528
Distribution costs		(3,772,837)	(1,392,165)	(7,647,522)	(4,142,620)
Research and development costs		(899,048)	(401,484)	(1,595,685)	(518,231)
Administrative expenses		<u>(4,034,396)</u>	<u>(698,294)</u>	<u>(7,623,158)</u>	<u>(2,596,003)</u>
Profit from operations		3,437,547	3,295,493	7,370,925	6,747,338
Finance costs		<u>(23,037)</u>	<u>(1,728)</u>	<u>(27,837)</u>	<u>(6,076)</u>
Profit before taxation		3,414,510	3,293,765	7,343,088	6,741,262
Taxation	3	<u>71,313</u>	<u>(135,093)</u>	<u>(672,834)</u>	<u>(432,852)</u>
Net profit before minority interests		3,485,823	3,158,672	6,670,254	6,308,410
Minority interests		<u>(263,192)</u>	<u>(33,436)</u>	<u>(319,890)</u>	<u>(121,551)</u>
Net profit attributable to shareholders		<u>3,222,631</u>	<u>3,125,236</u>	<u>6,350,364</u>	<u>6,186,859</u>
Earnings per share – basic	4	<u>0.0035</u>	<u>0.0036</u>	<u>0.0068</u>	<u>0.0079</u>

## CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th June, 2002 RMB	(Audited) 31st December, 2001 RMB
Non-current assets			
Property, plant and equipment		41,299,125	37,017,961
Intangible assets		6,877,018	6,877,018
Interest in an associate		522,737	522,737
Investment in securities		1,145,572	1,145,572
Deferred taxation		1,066,000	1,066,000
		<u>50,910,452</u>	<u>46,629,288</u>
Current assets			
Inventories		16,598,981	12,406,940
Trade debtors	5	57,031,182	43,507,340
Deposits, prepayment and other debtors		22,821,763	8,429,275
Investments in securities		17,980	8,070
Amount due from an associate		–	201,236
Cash and bank balances		81,253,612	93,220,776
		<u>177,723,518</u>	<u>157,773,637</u>
Current liabilities			
Trade creditors	6	33,684,258	19,375,999
Receipt in advance, other creditors and accrued expenses		12,921,044	11,158,258
Amount due to shareholders		5,248,650	4,001,523
Provision for taxation and levies		3,531,119	3,288,500
		<u>55,385,071</u>	<u>37,824,280</u>
Net current assets		122,338,447	119,949,357
Minority interests		<u>(3,261,532)</u>	<u>(2,941,642)</u>
		<u>169,987,367</u>	<u>163,637,003</u>
Capital and reserves			
Share capital		93,400,000	93,400,000
Reserves		76,587,367	70,237,003
		<u>169,987,367</u>	<u>163,637,003</u>

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

	<b>Six months ended 30th June,</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities	(14,375,768)	(2,266,076)
Cash flow from taxation	1,547,404	(2,305,991)
Cash flows from investing activities	(4,079,928)	(160,856)
Cash flows from financial activities	<u>4,941,128</u>	<u>70,702,363</u>
Net (decrease) increase in cash and cash equivalent	(11,967,164)	65,969,440
Cash and cash equivalents at the beginning of the period	<u>93,220,776</u>	<u>39,730,442</u>
Cash and cash equivalents at the end of the period	<u><u>81,253,612</u></u>	<u><u>105,699,882</u></u>

Notes:

## 1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 30th December, 1999 and its H shares were listed on the GEM (the "Listing") on 24th April, 2001, details of which are set out in the prospectus of the Company dated 19th April, 2001 (the "Prospectus"), issued in respect of the Company's H shares listed on GEM.

The above results were prepared on the basis that the existing Company's structure had been in place throughout the period from 1st January, 2001 to 30th June, 2002.

The financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on GEM.

## 2. TURNOVER

Turnover, which is stated net of value added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of IT consulting services where turnover represents the value of work done during the period, including amounts not yet invoiced.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2002 RMB	2001 RMB	2002 RMB	2001 RMB
Sales of computer software products	4,605,258	1,155,941	5,432,629	1,494,930
System integration	51,992,694	29,736,589	93,852,362	56,718,883
	<u>56,597,952</u>	<u>30,892,530</u>	<u>99,284,991</u>	<u>58,213,813</u>

## 3. TAXATION

	For the three months ended 30th June,		For the six months ended 30th June,	
	2002 RMB	2001 RMB	2002 RMB	2001 RMB

The charge comprises:

PRC income tax	<u>(71,313)</u>	<u>135,093</u>	<u>672,834</u>	<u>432,852</u>
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Pursuant to an approval documents issued by the Science and Technology Committee of Nanjing Municipality, the Company has been designated as a new and high technology entity and is exempted from income tax for the year ended 31st December, 2000 and a reduced income tax rate of 16.5% starting from the year 2001.

The subsidiary of the Company is subject to income tax rate of 33%.

#### 4. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30th June, 2002 was based on the net profit of approximately RMB3,223,000 and approximately RMB6,350,000 (three months and six months ended 30th June, 2001: net profit of approximately RMB3,125,000 and RMB6,187,000) divided by the weighted average number of shares issued during the period of 934,000,000 shares (2001: 874,200,000 shares) and 934,000,000 shares (2001: 785,800,000 shares) as if the sub-division of the Company's shares as described in Appendix VI of the Prospectus had taken place at the beginning of the relevant periods.

Diluted earnings per share is not presented for the three months and six months ended 30th June, 2002 and 2001 as there were no potential dilutive securities in existence during the relevant periods.

#### 5. TRADE DEBTORS

Aged analysis of trade debtors are as follows:

	<b>(Unaudited)</b> <b>30 June,</b> <b>2002</b> <i>RMB</i>	<b>(Audited)</b> <b>31 December,</b> <b>2001</b> <i>RMB</i>
0 - 90 days	27,025,279	32,383,390
91 - 180 days	11,304,703	7,303,722
181 - 365 days	14,880,972	2,884,211
Over 365 days	3,820,228	936,017
	<hr/> <b>57,031,182</b> <hr/>	<hr/> <b>43,507,340</b> <hr/>

#### 6. TRADE CREDITORS

Aged analysis of trade creditors are as follows:

	<b>(Unaudited)</b> <b>30 June,</b> <b>2002</b> <i>RMB</i>	<b>(Audited)</b> <b>31 December,</b> <b>2001</b> <i>RMB</i>
0 - 90 days	25,020,861	14,353,986
91 - 180 days	4,920,162	2,750,687
181 - 365 days	2,750,687	689,329
Over 365 days	992,548	1,581,997
	<hr/> <b>33,684,258</b> <hr/>	<hr/> <b>19,375,999</b> <hr/>

#### 7. CAPITAL COMMITMENTS

The Group had no capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements.



## 8. RESERVES

Other than as disclosed below, there were no movements in reserves of the Group for the relevant periods in 2001 and 2002.

	Share premium		Retained profits	
	2002	2001	2002	2001
	RMB	RMB	RMB	RMB
As at 1st January,	48,868,818	–	19,209,617	6,550,883
Net profit for the period	–	–	3,127,733	3,061,623
As at 31st March,	48,868,818	–	22,337,350	9,612,506
Net profit for the period	–	–	3,222,631	3,125,236
Issue of shares under placement	–	65,995,488	–	–
Share issuing expenses	–	(17,126,670)	–	–
As at 30th June,	48,868,818	48,868,818	25,559,981	12,737,742

## 9. SEGMENT INFORMATION

The Group's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no geographical segments were presented. The Group has two business segment engaged in the sale of computer software products and system integration. An analysis by business segment is as follows.

	Sales of computer software products		System integration		Total	
	six months ended		six months ended		six months ended	
	30th June,		30th June,		30th June,	
	2002	2001	2002	2001	2002	2001
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover						
External sales	5,432,629	1,494,930	93,852,362	56,718,883	99,284,991	58,213,813
Result						
Segment result	2,997,147	731,631	2,893,553	2,614,179	5,890,970	3,345,810
Investment income					1,572,772	2,036,920
Unallocated corporate expenses					(92,817)	1,364,608
Profit from operations					7,370,925	6,747,338

## **10. EMPLOYEE INFORMATION**

The remuneration for the employees of the Group amounted to approximately RMB7,762,000 including the directors' emoluments of approximately RMB314,000 during the six months ended 30th June, 2002 (2001: approximately RMB2,829,000, including the directors' emoluments of approximately RMB91,000). The increase in employee remuneration resulted from the increase in number of employees from 230 to 471 and the increase in bonus to individual staff during the period.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period. (2001: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### *Results*

The Group has achieved a stable and sustained growth in the operational results of the interim of this financial year. For the three months ended 30th June, 2002, the Group has accomplished a revenue of approximately RMB56,598,000 and a net profit of approximately RMB3,223,000. This represented a growth of 83% in total revenue as compared to the same period in the previous year. For the six months ended 30th June, 2002, the Group has accomplished a revenue of approximately RMB99,285,000 and a net profit of approximately RMB6,350,000, representing a growth of 71% in revenue. The improvement in the sale of the Group was due to a combination of sales network expansion and successful marketing efforts which provide the Company with good business development and market recognition.

#### *Financial Resources and liquidity*

As at 30th June, 2002, shareholders' funds of the Group amounted to approximately RMB169,987,000. Current assets amounted to approximately RMB177,723,000, of which approximately RMB81,254,000 were cash and bank deposits. The Group had no non-current liabilities and its current liabilities amounted to approximately RMB51,691,000, mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.18. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June, 2002, the Group had a gearing ratio of zero since the Group did not have any bank borrowing and long-term debts.

During the six months ended 30th June, 2002, as all the Group's sales and purchases were substantially denominated in Renminbi, the Board of Directors considers that the potential foreign exchange exposure of the Group is limited.

#### *Others*

During the six months ended 30th June, 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies and it is the same for the comparative six months ended 30th June, 2001.

As at 30th June, 2002, the Group had no significant investment held, and it is the same as the comparative six months ended 30th June, 2001.

As at 30th June, 2002, there were no charges on group assets, and it is the same as the comparative six months ended 30th June, 2001.

As at 30th June, 2002, the Group had no future plans for material investments except that capital assets will be purchased in accordance with the details set out in the section headed “Statement of business objectives” in the prospectus of the Company dated 19th April, 2001.

As at 30th June, 2002, the Group had no material contingent liabilities and it is the same as the comparative six months ended 30th June, 2001.

## **BUSINESS OBJECTIVES REVIEW**

The following section compares the Group’s actual business progress to the information provided in the section headed “Statement of business objectives” as set out in the Prospectus:

	<b>Anticipated progress of projects</b>	<b>Actual progress of projects</b>
<b>1. Launch of New Products</b>		
<b>1.1 Network Security Solution</b>	Formal launch the family and corporate version of SoftWall personal edition, which includes information filter technology	Completed
	Launch SoftNet (VPN system), it has the functions of data encryption and verification of data integrity	Completed
	Launch Linux based SoftWall kit that can be integrated with VPN and with more advanced information filter and intrusion prevention technologies	Completed
	Launch the $\beta$ testing version of B1 level SoftOS, it has the functions of mandatory access control, prevention of false identity, security audit, intrusion detection and Chinese customisation, and achieves the State security standard of GB17859	Completed
	Launch the $\beta$ testing version of B1 level SoftBase, it has the functions of mandatory access control, establishing authorised visiting route and information protection	Completed

	<b>Anticipated progress of projects</b>	<b>Actual progress of projects</b>
<b>1.2 Internet Application Software</b>	Launch electronic government platform	Completed the electronic government platform overall planning and under trial run stage.
	Launch computer co-operative supporting system	Plan had amended according to actual market condition. The Group had completed the application development of ERP in library publication business
	Launch the $\beta$ testing version of electronic commerce platform and CA system	Had launched the electronic commerce platform of library publication and $\beta$ testing version of CA system
<b>1.3 Educational Software</b>	Launch the $\beta$ testing version of distance multimedia education platform	Plan had amended according to actual market condition. The Group had focused on the development of GIS system
	Launch distance multimedia education material	Plan had amended according to actual market condition. The Group had focused on the development of GLS System
<b>2. Research and Development</b>		
<b>2.1 Network Security Solution</b>	Research on Level-B network security co-operative technology	Completed
	Develop and test B1 level of SoftOS and SoftBase	Completed
<b>2.2 Internet Application</b>	Design and develop the next generation of WebOA, an integrated (hardware and software) web based office automation solution based on the existing infrastructure of the Group's WebOA and WebOA2.0	Integrated with e-government to develop applicable government office WebOA

	<b>Anticipated progress of projects</b>	<b>Actual progress of projects</b>
<b>3. Sales, Marketing and Business Development</b>		
<b>3.1 Network Security Solution</b>	Focusing efforts on marketing SoftOS SoftNet and to the Group's network and system integration customers and the Group's distribution agents across the PRC	Completed
<b>3.2 Internet Application software</b>	Market electronic commerce platform to corporate customers in Jiangsu Province, distribution agents across the PRC and Internet companies	Completed
	Market electronic government platform to the government Sector	Completed
<b>3.3 Trade Fairs, Training Courses and Seminars</b>	Participate in the National Technology Innovation Product Trade Fairs across the PRC	Completed to arrange the national roadshow for network security solution
	Participate in the National Electronic & Software Product Exhibition in Beijing	Completed
<b>3.4 Sales Channels and Business Development</b>	Complete the development of sales and distribution channel in eastern region of the PRC	Completed
	Set up regional sales and service offices in Hubei and Fujian Provinces and Beijing and Tianjin Municipality in the PRC	Had set up offices in Shandong, Zhejiang, Shanghai, Fujian, Anhui and Beijing
<b>3.5 Promotions and Ads</b>	Post advertisements on national IT related publications	Completed
<b>3.6 Application for certificate of S.I. business</b>	Apply for Grade 2 certificate to Ministry of Information Industry	Under application

## **BUSINESS REVIEW**

### **Product Development**

#### *Network Security Solutions*

During the period, computer security operation system for government and household use was launched. The security database, namely SoftBase, passed the tests conducted by the Computer Product Quality Supervision And Test Centre of the Ministry of Public Security, proving that it comprises satisfactory functions of data encryption and data completeness verification. SoftWall passed the examination of the State Cryptography Bureau and became one of the few firewall products with “Five Certificates”.

#### *Internet Application Software*

An e-government platform integrating CA (Certificate of Authority), security e-mail, security government service automation functions was launched and is being put on test-run. Research and development effort was made on e-commerce platform and ERP system for books publication industry. The new generation of “WebOA” which integrates e-government platform is being developed for government office use.

### **Market and Business Development**

During the period, the Group made major efforts to promote security operation system and personal firewall products through established sales channels. This complemented the system integration business and helped to increase its market share. At the same time, the Group successfully organized the national road show for NandaSoft’s network security total solutions and favorable responses were received in Hangzhou, Zhejiang and Jinan, Shandong. For the sales channel development, the Group further built up its sales channels in the Eastern China, increased the number of agents throughout the PRC and established offices in Beijing and Fujian. For promotion and advertising, the Group promoted itself through influential information technology media such as China’s Computer Newspaper and has built an hyperlink with the website of Sina.com.. Therefore, the Company’s products gained wider public awareness.

In order to further tap into the PRC market and operate in a larger scale, the Company established three subsidiaries, namely, Shanghai NandaSoft Information Company Limited, Nanjing NandaSoft Chak Tong Technology Company Limited and Jiangsu Nanda Jing An Information Technology Centre Company Limited.

### **FUTURE PROSPECTS**

Following the PRC’s accession to the World Trade Organization, there will be much more room for high technology development and one of the main beneficiaries is software companies. The Board of the Company is confident that, with the Company’s expertise, management strengths, sales and marketing abilities, we are expected to achieve better results and rapid growth in the coming years.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th June, 2002, except for those shares as set out below, none of the Directors and the supervisors of the Company (the "Supervisors") or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

Name	Type of interests	Number of shares	Percentage of deemed beneficial interest in the Company's share capital
<i>Directors</i>			
Xie Li	Others (Note 1)	11,900,000	1.27%
Zhang Yun Xia	Personal (Note 2)	9,000,000	0.96%
You Xue Gui	Others (Note 1 & 3)	8,000,000	0.86%
Zhang Jin Quan	Others (Note 1 & 4)	1,500,000	0.16%
Chen Dao Xu	Others (Note 1)	500,000	0.05%

Name	Type of interests	Number of shares	Percentage of deemed beneficial interest in the Company's share capital
<i>Supervisors</i>			
Zhou Ming Hai	Others (Note 1)	5,000,000	0.54%
Xiong Xian Gen	Others (Note 1)	2,000,000	0.21%
Wang Dao Wu	Others (Note 1)	1,000,000	0.11%
Zhou Wen Da	Others (Note 1)	780,000	0.08%
Shi Jian Jun	Others (Note 1)	500,000	0.05%

Notes:

- (1) These shares are held through the Worker Union of Jiangsu Educational Instrument Corporation (the "Union"). The Union, being a social organisation legal person established under the laws of the PRC, holds 110,000,000 shares, or approximately 11.78% shareholding in the Company for and on behalf of the staffs of the Company including Directors and Supervisors and owns 15% equity interest in Jiangsu Co-Creation Education Development Company Limited ("Jiangsu Co-Creation").
- (2) These shares are directly held by an ex-director of the Company, who is also the spouse of Zhang Yun Xia.
- (3) Mr. You Xue Gui has resigned as director of the Company on 17th May, 2002.
- (4) Mr. Zhang Jin Quan has resigned as director of the Company on 12th April, 2002.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during six months ended 30th June, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th June, 2002, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

## SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principle terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the Prospectus. Upto 30th June, 2002, no option has been granted pursuant to such share option scheme.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital:

Shareholder	Number of shares	Approximate effective interests in the Company
Nanjing University	200,000,000	21.41%
Jiangsu Zongyi Company Limited ("Zongyi") (Note 1)	181,540,000	19.44%
Jiangsu Educational Instrument Corporation ("Jiangsu Educational") (Note 2)	136,500,000	14.61%
The Union (Note 3)	123,500,000	13.22%

Notes:

- (1) The interest of Zongyi comprises:
  - (a) 160,000,000 shares (representing approximately 17.13% of the Company's issued share capital) held by Zongyi; and
  - (b) 21,540,000 domestic shares (representing approximately 2.31% of the Company's issued share capital) held through Jiangsu High-tech Industry Investment Company Limited (formerly known as Jiangsu Property Business Company Limited and adopting the present name on 26th April, 2001), which is approximately 53.85% owned by Zongyi.



- (2) Jiangsu Management Center is a professional unit entity established by changing the name from Jiangsu Educational Instrument Corporation on 1st July, 2001 pursuant to the PRC law. The interest of Jiangsu Management Center comprises:
- (a) 60,000,000 shares (representing approximately 6.42% of the Company's issued share capital) held by Jiangsu Management Center; and
  - (b) 76,500,000 shares (representing approximately 8.19% of the Company's issued share capital) held through Jiangsu Co-Creation, which is approximately 85% owned by Jiangsu Management Center.
- (3) The interest of the Union comprises:
- (a) 110,000,000 shares (representing approximately 11.78% of the Company's issued share capital) held by the Union; and
  - (b) 13,500,000 shares (representing approximately 1.44% of the Company's issued share capital) held through Jiangsu Co-Creation, which is approximately 15% owned by the Union.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

### **COMPETING INTERESTS**

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

### **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (“Core Pacific – Yamaichi”), neither Core Pacific – Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2002 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 18th April, 2001 entered into between the Company and Core Pacific – Yamaichi, Core Pacific – Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 24th April, 2001 to 31st December, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

### **AUDIT COMMITTEE**

The Company established an audit committee on 8th December, 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Mr. Xu Huan Liang and Professor Wang Zhi Jian, and Chairman, Mr. Xie Li.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30th June, 2001.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the accounting period covered by the 2002 interim announcement.

On behalf of the Board

**Xie Li**

*Chairman and President*

26th July, 2002, Nanjing, the PRC