



# 2011

Interim Report



**NANDA**  
**SOFTECH**  
南大苏富特科技

**JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED**

**江蘇南大蘇富特科技股份有限公司**

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

(Stock Code: 8045)



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONGKONG 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 (the “Directors”) 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.*

## HIGHLIGHTS

- Achieved a turnover of approximately RMB162,365,000 for the six months ended 30th June 2011, representing an approximately 15.8% increase as compared with that of the corresponding period in 2010.
- Accomplished a net profit of approximately RMB11,392,000 for the six months ended 30th June 2011.
- The Board do not recommend the payment of an interim dividend for the six months ended 30th June 2011.

## INTERIM RESULTS

The board of Directors (“Board”) of Jiangsu NandaSoft Technology 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 2011.

For the three months and six months ended 30th June 2011, the unaudited turnover is approximately RMB99,378,000 and RMB162,365,000, representing an increase of approximately RMB20,577,000 and RMB22,186,000 respectively, or approximately 26.1% and 15.8% respectively as compared with that of the same period in 2010.

The unaudited net profit of the Group for three months and six months ended 30th June, 2011 is approximately RMB8,083,000 and RMB11,392,000 respectively, representing an increase in the results of approximately 32.4% and 25.6% respectively as compared with the corresponding figures in 2010.

The unaudited results of the Group for the three months and six months ended 30th June 2011 together with the unaudited comparative figures for the corresponding period in 2010 are as follows:

	Notes	For the three months ended 30th June,		For the six months ended 30th June,	
		2011 RMB	2010 RMB	2011 RMB	2010 RMB
Revenue	2	<b>99,377,810</b>	78,800,320	<b>162,365,334</b>	140,179,600
Cost of sales		<b>(81,053,341)</b>	(62,557,635)	<b>(132,787,870)</b>	(114,447,381)
Gross profit		<b>18,324,469</b>	16,242,685	<b>29,577,464</b>	25,732,219
Other income		<b>8,524,751</b>	3,641,022	<b>12,122,072</b>	8,299,729
Distribution costs		<b>(5,810,902)</b>	(4,871,489)	<b>(10,970,196)</b>	(9,526,494)
Research and development costs		<b>(549,229)</b>	(729,719)	<b>(1,305,084)</b>	(951,481)
Administrative expenses		<b>(10,452,456)</b>	(6,297,849)	<b>(15,511,737)</b>	(12,149,523)
Finance costs	3	<b>(1,567,195)</b>	(491,538)	<b>(2,511,550)</b>	(781,662)
Profit before tax	4	<b>8,469,438</b>	7,493,112	<b>11,400,969</b>	10,622,788
Income tax expense	5	<b>(165,510)</b>	(984,205)	<b>(261,419)</b>	(1,111,503)
Profit for the period		<b>8,303,928</b>	6,508,907	<b>11,139,550</b>	9,511,285
Attributable to					
Owners of the Company		<b>8,083,239</b>	6,104,060	<b>11,392,257</b>	9,067,417
Minority interest		<b>220,689</b>	404,847	<b>(252,707)</b>	443,868
		<b>8,303,928</b>	6,508,907	<b>11,139,550</b>	9,511,285
Earnings per share attributable to owners of the Company of the Company-basic	6	<b>0.00732</b>	0.00654	<b>0.0103</b>	0.00971

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2011

	For the three months ended 30th June,		For the six months ended 30th June,	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB
<b>Profit for the period</b>	<b>8,303,928</b>	6,508,907	<b>11,139,550</b>	9,511,285
Other Comprehensive Income				
Exchange differences on translation of foreign operation	<b>30,914</b>	7,878	<b>51,124</b>	8,154
Other comprehensive income for the period, net of tax	<b>30,914</b>	7,878	<b>51,124</b>	8,154
<b>Total comprehensive income for the period, net of tax</b>	<b>8,334,842</b>	6,516,785	<b>11,190,674</b>	9,519,439
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>8,114,153</b>	6,111,938	<b>11,443,381</b>	9,075,571
Minority interests	<b>220,689</b>	404,847	<b>(252,707)</b>	443,868
	<b>8,334,842</b>	6,516,785	<b>11,190,674</b>	9,519,439

## CONSOLIDATED BALANCE SHEET

30th June, 2011

	(Unaudited) 30th June, 2011 RMB	(Audited) 31st Dec, 2010 RMB
Notes		
<b>Non-current assets</b>		
Property, plant and equipment	9,802,930	7,519,317
Intangible assets	23,057,574	21,388,546
Interests in associated companies	32,345,084	31,856,531
Available-for-sale investments	2,662,199	2,662,199
Construction in progress	192,154,625	181,600,471
Deposits paid	9,910,000	9,910,000
Deferred tax assets	6,776,069	6,776,069
Total non-current assets	<b>276,708,481</b>	261,713,133
<b>Current assets</b>		
Inventories	71,778,685	57,623,294
Trade receivables	7 103,628,529	120,156,736
Prepayments, deposits and other receivables	85,656,027	67,536,893
Due from shareholders	6,923,434	6,923,434
Pledged deposits	1,442,421	4,971,000
Cash and cash equivalents	54,175,744	68,652,298
	<b>323,604,840</b>	325,863,655
Non-current assets held for sale	4,979,004	4,979,004
<b>Total current assets</b>	<b>328,583,844</b>	330,842,659
<b>Current liabilities</b>		
Trade and bill payables	8 34,603,628	58,577,529
Receipts in advance, other payables, accrued expenses and deposits received	49,149,734	51,155,524
Due to shareholders	962,334	962,334
Interest-bearing bank and other borrowings	95,800,000	66,000,000
Finance lease payables	57,254	57,254
Tax payable	3,967,230	8,182,825
<b>Total current liabilities</b>	<b>184,540,180</b>	184,935,466



	<b>(Unaudited)</b> <b>30th June,</b> <b>2011</b> <b>RMB</b>	<b>(Audited)</b> <b>31st Dec,</b> <b>2010</b> <b>RMB</b>
<b>NET CURRENT ASSETS</b>	<b>144,043,664</b>	145,907,193
<b>Total assets less current liabilities</b>	<b>420,752,145</b>	407,620,326
<b>NON-CURRENT LIABILITIES</b>		
Deposits received	<b>24,124,190</b>	24,124,190
Interest-bearing bank and other borrowings	<b>71,600,000</b>	74,400,000
Finance lease payables	<b>138,962</b>	166,993
Deferred tax liabilities	<b>2,520,545</b>	2,520,545
<b>Total non-current liabilities</b>	<b>98,383,697</b>	101,211,728
<b>Net assets</b>	<b>322,368,448</b>	306,408,598
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>110,400,000</b>	110,400,000
Reserves	<b>176,935,952</b>	165,543,695
Proposed final dividend	<b>7,728,000</b>	7,728,000
	<b>295,063,952</b>	283,671,695
<b>Non-controlling interests</b>	<b>27,304,496</b>	22,736,903
<b>Total equity</b>	<b>322,368,448</b>	306,408,598

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	<b>Six months ended 30th June, 2011 RMB</b>	Six months ended 30th June, 2010 RMB
Cash flows from operating activities	<b>(6,719,960)</b>	(8,691,460)
Cash flow from taxation	<b>(8,771,556)</b>	(5,766,619)
Cash flows from investing activities	<b>(24,934,436)</b>	(45,507,707)
Cash flows from financial activities	<b>22,420,818</b>	74,829,546
Net (decrease)/increase in cash and cash equivalent	<b>(18,005,134)</b>	14,863,760
Cash and cash equivalents at the beginning of the period	<b>73,623,298</b>	25,877,702
Cash and cash equivalents at the end of the period	<b>55,618,164</b>	40,741,462



## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RMB	Share Premium RMB	Capital Reserve RMB	Statutory Surplus Reserve RMB	Discretionary Surplus Reserve RMB	Translation reserve RMB	Retained earnings RMB	Proposed final dividend RMB	Total RMB
At 1st January 2010	93,400,000	48,868,818	1,198,500	4,917,501	277,000	(186,070)	40,874,236	4,670,000	194,019,985
Profit for the period	-	-	-	-	-	-	9,067,417	-	9,067,417
Exchange difference arising on translation of foreign operations	-	-	-	-	-	3,428	-	-	3,428
At 30th June 2010	93,400,000	48,868,818	1,198,500	4,917,501	277,000	(182,642)	49,941,653	4,670,000	203,090,830
At 1st January 2011	110,400,000	78,634,414	5,796,509	6,933,787	277,000	(133,952)	74,035,937	7,728,000	283,671,695
Profit for the period	-	-	-	-	-	-	11,392,257	-	11,392,257
Appropriations	-	-	-	4,159,362	-	-	(4,159,362)	-	-
At 30th June 2011	110,400,000	78,634,414	5,796,509	11,093,149	277,000	(133,952)	81,268,832	7,728,000	295,063,952

## Notes:

### 1. BASIS OF PRESENTATION

Jiangsu NandaSoft Technology Company Limited (the "Company", together with its subsidiaries, the "Group") was established in the People's Republic of China (the "PRC") under the Company Law of the PRC as a joint stock limited company on 30 December 1999. The Group is engaged in the sales of computer hardware and equipment, and continues to develop, manufacture and market network security software, internet application software, education software and business application software, provides systems integration services and mobile phone repairing service which include the provision of information technology ("IT") consulting.

The Company's registered office in the PRC is located at NandaSoft Tower, 8, Jinyin Street, Shanghai Road, Nanjing, the PRC. The Company's registered office in Hong Kong is located at Room 08-09, 15/F., Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

The H shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 April 2001.

The consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Company

### 2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the period.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Sale of goods:				
Computer hardware and software products	<b>69,192,347</b>	45,784,741	<b>109,351,754</b>	84,730,257
Trading of IT related products and equipment and mobile phone	<b>9,138,476</b>	2,570,170	<b>18,496,469</b>	12,842,365
Rendering of system integration services	<b>20,246,487</b>	30,069,079	<b>33,255,010</b>	42,075,174
Provision of IT training services	<b>800,500</b>	376,330	<b>1,262,101</b>	531,804
	<b>99,377,810</b>	78,800,320	<b>162,365,334</b>	140,179,600

### 3. FINANCE COST

	For the three months ended 30th June, 2011		For the six months ended 30th June, 2011	
	RMB	2010 RMB	RMB	2010 RMB
Interest on bank loans wholly repayable within five years	1,564,505	402,914	2,393,953	672,353
Bank charges	2,690	88,624	117,597	109,309
	<b>1,567,195</b>	491,538	<b>2,511,550</b>	781,662

### 4. PROFIT/LOSS FROM OPERATIONS

Profit/Loss from operations has been arrived at after charging:

	For the three months ended 30th June, 2011		For the six months ended 30th June, 2011	
	RMB	2010 RMB	RMB	2010 RMB
Depreciation and amortisation on:				
– property, plant and equipment	403,367	424,081	806,693	952,548
– intangible assets (included in research and development costs)	146,679	60,000	330,858	120,000
Cost of Sale	<b>81,053,341</b>	62,557,635	<b>132,787,870</b>	114,447,381

### 5. INCOME TAX EXPENSE

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

As certain of the Company's subsidiaries are foreign investment enterprises, after obtaining authorisation from respective tax authorities, these subsidiaries are subject to a full corporate income tax exemption for the first two years and a 50% relief from the state corporate income tax rates of either 15% and 25% in the succeeding three years (the "Tax Holiday"), commencing from 1 January 2008. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2010: 25%) is applicable to these subsidiaries.

No provision for Hong Kong profits tax has been provided as the Hong Kong subsidiaries have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2010: No assessable profit arised).

<b>For the three months ended 30th June,</b>		<b>For the six months ended 30th June,</b>	
<b>2011</b>	2010	<b>2011</b>	2010
<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>

The charge comprises:

PRC income tax	<b>165,510</b>	984,205	<b>261,419</b>	1,111,503
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#### 6. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of approximately RMB8,083,000 and RMB11,392,000 for the three months and six months ended 30th June 2011 (2010: RMB6,104,000 and RMB9,067,000) and on 1,104,000,000 (2010: 934,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months and six months ended 30th June, 2011 and 2010 as there were no potential dilutive securities in existence during the relevant periods.

#### 7. TRADE AND OTHER RECEIVABLE

	<b>(Unaudited) 30th June, 2011 <i>RMB</i></b>	<b>(Audited) 31 December 2010 <i>RMB</i></b>
Trade receivables	<b>131,579,066</b>	148,123,219
Less: accumulated impairment	<b>(27,950,537)</b>	(27,966,483)
Net carrying amount	<b>103,628,529</b>	120,156,736

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The aged analysis of trade debtors, based on the invoice date and net of provisions, is stated as follows:

	<b>(Unaudited)</b> <b>30 June,</b> <b>2011</b> <b>RMB</b>	(Audited) 31 December 2010 RMB
0-90 days	<b>39,940,206</b>	74,662,267
91-180 days	<b>37,544,968</b>	6,082,723
181-365 days	<b>18,245,668</b>	5,031,163
Over 365 days	<b>7,897,687</b>	34,380,583
	<b>103,628,529</b>	120,156,736

## 8. TRADE AND OTHER PAYABLES

Aged analysis of trade and other payables are as follows:-

	<b>(Unaudited)</b> <b>30th June,</b> <b>2011</b> <b>RMB</b>	(Audited) 31st December 2010 RMB
0-90 days	<b>20,133,189</b>	44,932,958
91-180 days	<b>3,977,786</b>	2,354,255
181-365 days	<b>4,298,246</b>	1,706,457
Over 365 days	<b>6,194,407</b>	9,583,859
	<b>34,603,628</b>	58,577,529

## 9. SEGMENT INFORMATION

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

- (a) the sales of computer hardware and software products segment is a supplier of the components mainly for use in the IT products;
- (b) the system integration service segment produces the IT consulting services;
- (c) the trading of IT related products and equipment, and mobile phone segment is trading the components of IT related products; and
- (d) the training services segment is the provision of IT training services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from operations. The adjusted profit before tax from operations is measured consistently with the Group's profit before tax from operations except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rendering IT services in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical segment were made.

	Sales of computer hardware and software products six months ended 30th June,		System Integration six months ended 30th June,		Trading of IT related products and equipment and mobile phones six months ended 30th June,		Trading of IT Service six months ended 30th June,		Total six months ended 30th June,	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Turnover										
External Sales	109,351,754	84,730,257	33,255,010	42,075,174	18,496,469	12,842,365	1,262,101	531,804	162,365,334	140,179,600
Result										
Segment result	2,399,820	4,857,724	4,089,248	4,715,837	2,074,530	1,413,966	516,596	208,037	9,080,194	11,195,564
Investment income									4,868,415	28,155
Unallocated (expense)/income									(36,090)	168,133
Finance costs									(2,511,550)	(769,064)
Profit from operations									11,400,969	10,622,788
Income tax expense									(261,419)	(1,111,503)
Profit before taxation									11,139,550	9,511,285



## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period. (2010: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW**

### ***Results***

During the period, the corporate strategy of the Group based not only on developing and exploring the IT business but also innovating the combining that with the medical and healthcare unit which leading the turnover of the Group as of 30th June 2011 was approximately RMB99,378,000 and RMB162,365,000, representing an increase of approximately 26.1% and 15.8% as compared to the same period in the previous year.

During the period, the Group disposed of 1.87% of the shares of Promed Medical Technology (Suzhou) Company Limited to an independent third party which generated a profit of approximately RMB4.8 million and thus the unaudited profit attributable to shareholders of the Group as of 30th June 2011 were approximately RMB8,083,000 and RMB11,392,000 which represent an increase of approximately 32.4% and 25.6% as compared to the same period pervious year.

### ***Financial Resources and liquidity***

As at 30th June 2011, shareholders' funds of the Group amounted to approximately RMB295,064,000. Current assets amounted to approximately RMB328,584,000, of which approximately RMB55,618,000 were cash and bank deposits. The non-current liabilities of the Group amounted to RMB98,384,000 and its current liabilities amounted to approximately RMB184,540,000, mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.27. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2011, the Group had a gearing ratio of 27.7% and the Group has bank and other borrowings of RMB167,400,000.

### ***Others***

Throughout the period ended 30th June 2011, the Group did not make any material acquisitions or disposals and no proceed was invested in any significant financial instruments.

### **Charge on group assets**

As at 30th June 2011, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City was pledged as security for bank loans granted to the Group (2010: RMB78,400,000).

### **Capital commitments**

As at 30th June 2011, the Group had contracted but not provided for capital commitment for the construction costs of approximately RMB80,990,900.

### **FOREIGN CURRENCY RISK**

During the six months ended 30th June 2011, 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.

### **EMPLOYEE AND REMUNERATION POLICIES**

As at 30th June 2011, total remuneration cost for the Group is 17,010,000 (2010: RMB13,360,000) and the Group had 681 employees (2010: 580 employees). Remuneration is determined by reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contribution to retirement scheme, medical scheme, unemployment insurance and housing fund.

### **BUSINESS REVIEW**

During the first half of 2011, Nandasoft actively implemented the corporate developing strategy based on innovation and endeavored to achieve a breakthrough in its IT business so as to combine IT business with medical and healthcare business for the purpose of enhancing the profit margin and innovation capacity of the Company.

Being the leading unit of Jiangsu Intelligent Medical Care Demonstration project during the period, the Group was liable to implement of such project. During the period, in respect of Internet of Things, the Company introduced a trial product for its intelligent elderly healthcare project-Portable Medical Box and selected the relevant community in Nanjing to carry out a trial operation.

Training of more than 1,000 staff for outsourcing service of the Group was completed during the year and all of them were employed.

The application and selection process of the first phase of establishing Soft-Nanjing University Student Venture Talent Plan, which was funded by Nandasoft, were completed with satisfactory social benefit during the period.

The background of the page features a light blue world map. Scattered across the map are several white medical icons, including pills and syringes, connected by thin, light blue lines that suggest a global network or data flow.

### **Network Security Total Solutions**

The core security products of Nandasoft included An Quan Yu Intranet Security Platform, Host Monitor and Audit System, Security USB Mobile Media Management System, Warning System for Unauthorized External Access, Security USB Computer Fingerprint Logon Protection System, Security USB Secured File and Data Centre, Information Security Encryption Checking System, Signal Blinding System for Information-leaking Mobiles and Security OA. The launch of such security products enriched the security product mix of the Company and laid a foundation for the Company to increase its market share in security product market.

### **Security Services and System Integration**


During the period, the Company completed the implementation of water conservancy command system in Nanjing and completed the check and acceptance process of high-speed video conference project. Besides, the Company entered into outsourcing projects such as a series of maintenance service contract for the year 2011 with the industrial and commercial sector, highway maintenance project for Jiangsu Province and highway informatization technology services with Lianyungang Expressway Administration.

For system integration and weak electric, the Company focused on strengthening the technology of system integration solution and planned to drive the Company's development in intelligent building by introducing several products such as real time measurement for building's power consumption and integrated building management system.

### **Applications for the Internet of Things and Medical Informationization**

During the period, NandaSoft undertook the intelligent elderly healthcare demonstration project and worked hard for the establishment of elderly healthcare information platform, setting up and coordination of facilities and incorporation and integration of external resources. Currently, three sets of product solution have been developed: single monitor + wireless gateway mode, single monitor + Bluetooth mobiles, multi parameter monitor + PAD. The facilities for the elderly, doctors, information centre, emergency center and clients have been fully functionalized and trial operation has been carried out in certain commodity in Nanjing during the period.

Being the leading unit which undertook Jiangsu Intelligent Medical Care Demonstration project, Nandasoft captured the upstream resources through undertaking the demonstration project and laid a foundation for the Company to launch relevant products and services in this field.

A world map in light blue tones serves as the background for the top half of the page. Scattered across the map are several white medical icons, including pills and band-aids, some with faint lines radiating from them, suggesting a global healthcare or technology theme.

## **Development of the Nandasoft Group and Development of New Projects**

### ***Development of the Nandasoft Group***

During the period, by virtue of the advantage in intelligent building in Jiangsu area, Jiangsu Hanwin Technology Company Ltd. won several intelligent building projects such as Phase 1 of Suzhou Phoenix City and Phase 2 of Yageer. For the Mailunsi Company, it managed the coal mines in Guizhou for its performance, providing energy-saving monitoring platform for Nanjing City and Jiangsu Province as well as worked with several Nanchang government departments for power saving. All the above projects achieved a breakthrough and their design and communication process were completed, which laid a foundation for entering into further projects.

### ***Training for Outsourcing Service Staff***

The three training bases (located in Nanjing, Gaochun and Changshu) of Jiangsu NandaSoft Institute of Service Outsourcing, the main training base for the Company's staff for outsourcing service, completed the training for nearly 1,000 participants, all of whom were employed. Meanwhile, the institute also formulated a course in relation to Android system and completed enrolling new students, which provided it with a new training direction.

## **FUTURE PROSPECTS**

Nandasoft will continue to deepen the informatization development in medical healthcare and plan to launch a new version of portable medical box during the second half of the year. By integrating quality medical resources and elderly service resources through intelligent elderly healthcare projects, together with carrying out a research project on chronic diseases management and establishing elderly information system in cooperation with professional institutions, the Company will expand its application and advance the development of elderly healthcare service through IT application.

As for the training of staff for outsourcing service, it is planned to cooperate with high schools within the province by incorporating several course into the original one to cultivate professionals for outsourcing service so as to extend the scale of the institute.

### **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. The service will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors proposed for re-election at the annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### **Directors' Remuneration**

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

### **Directors' Interests in Contracts**

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

### **Directors' Rights to Acquire Shares or Debentures**

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### **Share Option Scheme**

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the prospectus issued by the Company dated 19 April 2001. Up to 30th June 2011, no option has been granted pursuant to such share option scheme.



## Directors', and Super visors' Interests and Short Positions in Shares and Underlying Shares

At 30th June, 2011, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part X V of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

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

Name	Type of interests	Number of domestic shares held directly or indirectly		Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's H share Capital	Percentage of deemed beneficial interest in the total share capital
		Direct	Indirect				
<b>Directors</b>							
Liu Winson	Personal (Note 1)	-	-	558,000	-	0.13%	0.05%
Wing Sun							
Wong Wei Khin	Personal (Note 1)	-	-	3,000,000	-	0.71%	0.27%

#### Notes:

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

Save as disclosed above, as at 30th June 2011, none of the directors, chief executive or supervisors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



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

At 30th June 2011, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited (Note 1)	Beneficial Owner	127,848,097	18.72%	-	-	127,848,097	11.58%
Beijing MengHua Investment Co., Ltd	Beneficial Owner	100,000,000	14.64%	-	-	100,000,000	9.06%
Shenyang Cheng Fa Commercial Software Company Limited	Beneficial Owner	85,000,000	12.45%	-	-	85,000,000	7.70%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") (Note 1 & Note 2)	Interest of a controlled corporation	84,159,944	12.32%	-	-	84,159,944	7.62%
Shanghai Shiyuan Network Technology Company Limited ("Shiyuan") (Note 3)	Beneficial Owner	55,000,000	8.05%	-	-	55,000,000	4.98%
Guangzhou DingXiang Trade Co., Ltd ("GZ DingXiang")	Beneficial Owner	50,000,000	7.32%	-	-	50,000,000	4.53%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	43,931,959	6.43%	-	-	43,931,959	3.98%
Jiangsu Co-Creation (Note 1 & 2)	Beneficial Owner	84,159,944	12.32%	-	-	84,159,944	7.62%

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Leung Chiu Fun (Note 4)	Beneficial Owner	-	-	21,224,000	5.05%	21,224,000	1.92%
Yap Siew Chin (Note 5)	Beneficial Owner	-	-	35,000,000	8.31%	35,000,000	3.17%
Cam Global Funds SPC	Beneficial Owner	-	-	30,000,000	7.13%	30,000,000	2.72%

**Notes:**

- (1) On 31 August 2010, 187,000,000 H shares (the "New H Shares") has been issued and allotted which comprise of (i) 170,000,000 New H Shares and (ii) 17,000,000 H Shares converted from the same number of Domestic Shares transferred from each of the State Shareholders on a pro rata basis to the National Social Security Fund Council of PRC (the "NSSF Council") (National Social Security Fund Council of PRC), which is in aggregate equivalent to 10% of New H Shares issued pursuant to the New Issue.
- (2) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1 July 2001. The interest of Jiangsu Management Centre comprises 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 7.62% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.
- (3) On 8 November 2010, Shiyuan entered into a Share Transfer Agreement with GZ DingXiang for the transfer of 8.05% domestic shares (55,000,000 domestic shares) in the Company held by GZ DingXiang.

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

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

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

As at 11 April 2011, Ms Leung disposed of 5,690,000 H shares and she directly held 21,224,000 H shares, representing approximately 5.05% of the Company's issued H shares capital and 1.92% of the Company's total issued share capital.

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

Save as disclosed above, as at 30th June 2011, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section "Directors', chief executive's and supervisors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



## **DIRECTOR'S INTERESTS IN A 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.

## **CORPORATE GOVERNANCE AND AUDIT COMMITTEE**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors of the company has complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30th June 2011.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

The Company has complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM. The Board has adopted the Corporate Governance Code, ensuring greater transparency and quality of disclosure as well as more effective risk control.

### **AUDIT COMMITTEE**

The Company established an audit committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Dr Daxi Li, Ms Xie Hong and Mr Xie Man Lin. The primary duties of the audit committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The audit committee has reviewed the interim report for the year ended 30th June 2011 and concludes the meeting with agreement to the contents of the interim report. The committee also oversees the audit process and performs other duties as assigned by the Board. Terms of reference of the Audit Committee which have been adopted by the Board and posted on the Company's website. All the members of our Audit Committee are Independent Non-Executive Directors.

### **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 2011.

On behalf of the Board  
**Jiangsu NandaSoft Technology Company Limited**  
**LIU JIAN (alias Liu Jian Bang)**  
*Chairman*

8th August, 2011, Nanjing, the PRC