

Interim Report  
2012



NANDA  
**SOFTECH**  
南大苏富特科技

**JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED**

**江蘇南大蘇富特科技股份有限公司**

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

(Stock Code: 8045)

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF 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 RMB239,447,000 for the six months ended 30th June 2012, representing an approximately 47.5% increase as compared with that of the corresponding period in 2011.
- Accomplished a net profit of approximately RMB8,095,000 for the six months ended 30th June 2012.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2012.

## 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 2012.

For the three months and six months ended 30th June 2012, the unaudited turnover are approximately RMB148,520,000 and RMB239,447,000, representing an increase of approximately RMB49,142,000 and RMB77,081,000, or approximately 49.5% and 47.5%, respectively in turnover as compared with that of the same period in 2011.

The unaudited net profit of the Group for three months and six months ended 30th June 2012 are approximately RMB5,472,000 and approximately RMB8,095,000 respectively, representing a decrease in the results of approximately 32.3% and 28.9% respectively as compared with the corresponding figures in 2011.

The unaudited results of the Group for the three months and six months ended 30th June 2012 together with the unaudited comparative figures for the corresponding period in 2011 are as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2012	2011	2012	2011
		RMB	RMB	RMB	RMB
Revenue	2	148,519,646	99,377,810	239,446,768	162,365,334
Cost of sales		(122,221,096)	(81,053,341)	(197,459,722)	(132,787,870)
Gross profit		26,298,550	18,324,469	41,987,046	29,577,464
Other income		5,008,871	8,524,751	10,311,529	12,122,072
Distribution costs		(8,187,508)	(5,810,902)	(14,250,295)	(10,970,196)
Research and development costs		(1,112,667)	(549,229)	(3,522,821)	(1,305,084)
Administrative expenses		(13,600,308)	(10,452,456)	(20,398,352)	(15,511,737)
Finance costs	3	(3,977,661)	(1,567,195)	(6,806,713)	(2,511,550)
Profit before tax	4	4,429,277	8,469,438	7,320,394	11,400,969
Income tax expense	5	(701,787)	(165,510)	(736,438)	(261,419)
Profit for the period		3,727,490	8,303,928	6,583,956	11,139,550
Attributable to Equity holders of the parent		5,471,807	8,083,239	8,095,326	11,392,257
Minority interest		(1,744,317)	220,689	(1,511,370)	(252,707)
		3,727,490	8,303,928	6,583,956	11,139,550
Earnings per share – basic	6	0.00496	0.00732	0.00733	0.01032

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2012

	For the three months ended 30th June		For the six months ended 30th June	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB
<b>Profit for the period</b>	<b>3,727,490</b>	8,303,928	<b>6,583,956</b>	11,139,550
<b>Other Comprehensive Income</b>				
Exchange differences on translation of foreign operation	-	30,914	(75,010)	51,124
Other comprehensive income for the period, net of tax	-	30,914	(75,010)	51,124
<b>Total comprehensive income for the period, net of tax</b>	<b>3,727,490</b>	8,334,842	<b>6,508,946</b>	11,190,674
Total comprehensive income attributable to:				
Owners of the Company	<b>5,471,807</b>	8,114,153	<b>8,020,316</b>	11,443,381
Minority interests	<b>(1,744,317)</b>	220,689	<b>(1,511,370)</b>	(252,707)
	<b>3,727,490</b>	8,334,842	<b>6,508,946</b>	11,190,674

## CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	(Unaudited) 30th June 2012 RMB	(Audited) 31st Dec 2011 RMB
<b>Non-current assets</b>		
Property, plant and equipment	179,398,580	166,393,454
Prepaid land leases payments	11,252,348	11,252,348
Intangible assets	58,909,979	19,721,833
Interest in associates	73,942,705	72,745,158
Available for sale investment	5,825,200	5,825,200
Constructions in progress	60,365,352	35,506,792
Deposit paid	23,320,000	23,320,000
Deferred tax assets	5,491,317	5,491,317
<b>Total non-current assets</b>	<b>418,505,481</b>	<b>340,256,102</b>
<b>Current assets</b>		
Inventories	116,501,854	48,076,721
Trade receivables	161,371,833	157,877,036
Prepayments, deposits and other receivables	125,530,021	130,339,337
Due from shareholders	2,364,037	2,364,037
Pledged deposits	6,000,000	12,900,000
Cash and bank balances	32,068,674	82,521,284
	<b>443,836,419</b>	<b>434,078,415</b>
Assets classified as held for sale	4,979,004	4,979,004
<b>Total current assets</b>	<b>448,815,423</b>	<b>439,057,419</b>
<b>Current liabilities</b>		
Trade payables	100,664,038	88,733,666
Receipt in advance, other payables and accrued expenses	107,853,234	65,923,020
Due to shareholders	2,185,776	2,065,573
Dividend payable	2,504,323	5,927,788
Interest-bearing bank and other borrowings	184,800,000	142,600,000
Finance lease payables	66,243	46,857
Tax payable	9,174,510	6,273,599
<b>Total current liabilities</b>	<b>407,248,124</b>	<b>311,570,503</b>

Notes

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	<b>(Unaudited)</b> <b>30th June</b> <b>2012</b> <b>RMB</b>	(Audited) 31st Dec 2011 RMB
<b>NET CURRENT ASSETS</b>	<b>41,567,299</b>	127,486,916
<b>Total assets less current liabilities</b>	<b>460,072,780</b>	467,743,018
<b>NON-CURRENT LIABILITIES</b>		
Deposit received	<b>24,124,190</b>	24,124,190
Interest-bearing bank and other borrowings	<b>64,800,000</b>	68,800,000
Finance lease payables	<b>66,980</b>	113,239
Deferred tax liabilities	<b>2,158,900</b>	2,158,900
<b>Total Non-current liabilities</b>	<b>91,150,070</b>	95,196,329
<b>Net assets</b>	<b>368,922,710</b>	372,546,689
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>110,400,000</b>	110,400,000
Reserves	<b>231,280,908</b>	223,260,592
Proposed final dividend	<b>8,832,000</b>	8,832,000
	<b>350,512,908</b>	342,492,592
<b>Minority interest</b>	<b>18,409,802</b>	30,054,097
<b>Total equity</b>	<b>368,922,710</b>	372,546,689

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	<b>Six months ended 30th June 2012 RMB</b>	Six months ended 30th June 2011 RMB
Cash flows from operating activities	<b>(5,847,600)</b>	(6,719,960)
Cash flow from taxation	<b>(10,132,673)</b>	(8,771,556)
Cash flows from investing activities	<b>(72,430,159)</b>	(24,934,436)
Cash flows from financial activities	<b>31,057,822</b>	22,420,818
Net decrease in cash and cash equivalent	<b>(57,352,610)</b>	(18,005,134)
Cash and cash equivalents at the beginning of the period	<b>95,421,284</b>	73,623,298
Cash and cash equivalents at the end of the period	<b>38,068,674</b>	55,618,164



## STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Capital Reserve	Statutory Surplus Reserve	Discretionary Surplus Reserve	Translation Reserve	Retained Earnings	Proposed Final Dividend	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
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
Appropriation	-	-	-	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
At 1st January 2012	110,400,000	78,634,414	6,017,592	12,014,086	277,000	(694,640)	127,012,140	8,832,000	342,492,592
Profit for the period	-	-	-	-	-	-	8,095,326	-	8,095,326
Appropriation	-	-	-	4,922,682	-	-	(4,922,682)	-	-
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(75,010)	-	-	(75,010)
At 30th June 2012	110,400,000	78,634,414	6,017,592	16,936,768	277,000	(769,650)	130,184,784	8,832,000	350,512,908

## 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	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB
Sale of goods:				
Computer software product	97,224,250	69,192,347	135,719,772	109,351,754
Trading of IT related products and equipment and mobile phone	1,009,209	9,138,476	1,296,276	18,496,469
Pharmaceutical products	29,730,210	-	51,606,095	-
Rendering of system integration services	20,555,977	20,246,487	50,820,652	33,255,010
Provision of IT training services	-	800,500	3,973	1,262,101
	148,519,646	99,377,810	239,446,768	162,365,334

### 3. FINANCE COST

	For the three months ended 30th June		For the six months ended 30th June	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Interest on bank loans wholly repayable within five years	3,933,912	1,564,505	6,670,684	2,393,953
Bank charges	43,749	2,690	136,029	117,597
	<b>3,977,661</b>	1,567,195	<b>6,806,713</b>	2,511,550

### 4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the three months ended 30th June		For the six months ended 30th June	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Depreciation and amortisation on:				
– property, plant and equipment	1,618,989	403,347	2,925,704	955,786
– intangible assets (included in research and development costs)	583,302	146,679	695,344	330,858
Cost of sale	122,221,096	81,053,341	197,459,722	132,787,870

## 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 1st January 2008. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2011: 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 (2011: No assessable profit arised).

	For the three months ended 30th June		For the six months ended 30th June	
	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
The charge comprises:				
PRC income tax	<b>701,787</b>	165,510	<b>736,438</b>	261,419

## 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 RMB5,472,000 and RMB8,095,000 for the three and six months ended 30th June 2012 (2011: RMB8,083,000 and RMB11,392,000) and on 1,104,000,000 (2011: 1,104,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 30th June 2012 and 2011 as there were no potential dilutive securities in existence during the relevant periods.

## 7. TRADE RECEIVABLES

	(Unaudited) 30th June 2012 RMB	(Audited) 31st December 2011 RMB
Trade receivables	193,524,293	182,443,666
Less: accumulated impairment	(32,152,460)	(24,566,630)
	<b>161,371,833</b>	<b>157,877,036</b>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade 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:

	(Unaudited) 30th June 2012 RMB	(Audited) 31st December 2011 RMB
0-90 days	72,253,047	105,832,777
91-180 days	43,998,312	14,816,883
181-365 days	22,398,180	18,683,161
Over 365 days	22,722,294	18,544,215
	<b>161,371,833</b>	<b>157,877,036</b>

## 8. TRADE PAYABLES

Aged analysis of trade payables are as follows:–

	<b>(Unaudited)</b> <b>30th June</b> <b>2012</b> <b>RMB</b>	(Audited) 31st December 2011 <i>RMB</i>
0-90 days	<b>53,642,247</b>	55,105,614
91-180 days	<b>13,754,631</b>	20,224,768
181-365 days	<b>15,820,571</b>	2,794,303
Over 365 days	<b>17,446,589</b>	10,608,981
	<b>100,664,038</b>	88,733,666

## 9. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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.
- (e) the development and sale of pharmaceutical products

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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

	Sales of computer software products		Trading of IT related products and equipment				Training Services		Pharmaceutical Products		Total	
	six months ended		six months ended		six months ended		six months ended		six months ended		six months ended	
	30th June		30th June		30th June		30th June		30th June		30th June	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2011	2010
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Turnover</b>												
External Sales	135,719,772	109,351,754	50,820,652	33,255,010	1,296,276	18,496,469	3,973	1,262,101	51,606,095	-	239,446,768	162,365,334
<b>Result</b>												
Segment result	2,670,861	2,399,820	9,107,224	4,089,248	183,547	2,074,530	(196,005)	516,596	1,954,879	-	13,720,506	9,080,194
Investment income											336,752	4,868,415
Unallocated expense											(502,645)	(36,090)
Finance Cost											(6,234,219)	(2,511,550)
Profit before taxation											7,320,394	11,400,969
Income tax expense											(736,438)	(261,419)
Profit after taxation											6,583,956	11,139,550

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period. (2011: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Results**

During the period, Nanda Pharmaceutical Company Limited (the “Nanda Pharmaceutical”) was acquired and consolidated to the Group which contributed approximately RMB51 million which caused the turnover of the Group for the three months and six months ended 30th June 2012 was approximately RMB148,520,000 and RMB239,447,000, representing an increase of approximately 49.5% and 47.5% as compared to the same period in the previous year.

The unaudited profit attributable to shareholders of the Group for the three and six months ended 30th June 2012 were approximately RMB5,472,000 and RMB8,095,000 which represent a decrease of approximately 32.3% and 28.9% as compared to the same period in 2011. The decreasing of unaudited profit attributable to shareholders was due to the increasing of distribution and administrative expense during the period which was in relation to the acquisition of Nanda Pharmaceutical.

#### **Financial Resources and Liquidity**

As at 30th June 2012, shareholders’ funds of the Group amounted to approximately RMB350,513,000. Current assets amounted to approximately RMB448,815,000, of which approximately RMB38,069,000 were cash and bank deposits. The Group had its current liabilities amounted to approximately RMB407,248,000, mainly its trade payable, accruals, interest bearing bank and other borrowings and current account with shareholders. The net asset value per share was RMB0.32. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2012, the Group had a gearing ratio of 28.8% and the Group has short-term loan of RMB249,600,000.



## **Others**

Throughout the six months ended 30th June 2012, 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 2012, 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 (2011: RMB76,400,000).

## **Capital Commitments**

As at 30th June 2012, the Group had contracted but not provided for capital commitment for the construction costs of approximately RMB189,154,000.

## **FOREIGN CURRENCY RISK**

During the six months ended 30th June 2012, 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 2012, total remuneration cost for the Group is RMB22,881,000 (2011: RMB17,010,000) and the Group had 642 employees (2011: 681 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**

At the National Science and Technology Innovation Conference held in July 2012, six suggestions were specifically brought up, among which are deepening the reform of science and technology system and speeding up the process of becoming an innovative nation. It was also highlighted that the key missions in deepening the reform of science and technology system are to solve issues relating to the integration of science and technology with the economy, facilitate enterprises to become the major force in technology innovation and enhance their innovation ability. All these indicate that nation will invest more resources to promote the innovation drive of enterprises.

As a leading innovative enterprise of Jiangsu province, NandaSoft has been committed to R&D and commercialization of innovative IT products.

During the Period, the Company has been developing a mobile phone version of health terminal, which is under the intelligent elderly care project within the Company's new scope of development – the Internet of Things. At the same time, we are actively developing innovative solutions for intelligent buildings that save energy and are environmental friendly.

### **Research and Development of Software**

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

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

During the Period, the Company undertook the research and development project of Shenzhen's e-government personnel management information system.

## **Software Technology Services and System Integration**

During the Period, the Company mainly developed its technology services in the expressway industry, and won various projects of highway toll technology for expressways of Suzhou Sujiahang (蘇州蘇嘉杭), Su Huai Yan (宿淮鹽), Nanjing-Hangzhou (寧杭), Lianyungang-Xuzhou (連徐) and Yanjiang (沿江), as well as the internet safety project for the Jiangsu Expressway Network Centre. This strengthened the Company's position in serving the expressway industry. For e-government IT services, the Company signed service contracts with various authorities including the DELL server maintenance for ICAB of Jiangsu, maintenance of provincial network and 12365 for Jiangsu Bureau of Quality and Technical Supervision and facilities maintenance for Commodity Inspection Provincial Bureau of Jiangsu. The signing of these contracts will facilitate the Company's further development of providing IT services to the government sector.

During the Period, Botong Technology, a subsidiary of the Company, undertook the e-government project of Yancheng Hi-Tech Development Zone and the software development project for e-government extranet of the Yancheng International Software Park. With the success of the demonstration project, Botong Technology can then participate in e-government construction of the whole city of Yancheng (districts and counties).

## **Application of the Internet of Things and Medical Informationalization**

During the Period, as its key intelligent elderly care project, Nandasoft established a demonstration base for intelligent elderly care at Quan Ye Road, Gulou District of Nanjing, which was visited by many leaders of the city and province.

The health technology company is developing a mobile version of health terminal. Such version will supplement the internet version for intelligent elderly care to provide health information to users anytime, anywhere.

## DEVELOPMENT AND NEW PROJECT EXPANSION OF NANDASOFT GROUP

### Development of Nandasoft Group

During the period, Jiangsu Hanwin Technology Company Ltd. undertook the design of monitoring solution for Jiayuguan world cultural heritage. The software can foresee adverse factors that may pose risk to the preservation of the historical site, providing basis for taking appropriate measures timely, which will help the transition from making rescue protection to having preventive protection of Jiayuguan. During the Period, Jiangsu Hanwin also undertook the intelligent project of Phase II of Suzhou 2.5-Industrial Park, which has key significance for the Company to further develop high-end customers of intelligent buildings.

During the period, Mailunsi Company undertook the projects of upgrading the sales monitoring system for 2012 of Midea Microwave and Electrical Appliances, and the power supply measurement assessment and power monitoring system for the Tucheng Mine and Huopu Mine in the coal industry, the software for the latter project helps control power usage of coal mines and enhance the energy efficiency of enterprises.

During the period, the communication company developed the 蘇富特 RFID monitoring and management software and the 蘇富特 SUNTIME license plate monitoring system software V1.0 and obtained the software product registration certificates.

### Training for Outsourcing Service Staff

During the period, Jiangsu NandaSoft Institute of Service Outsourcing worked with Siemens to develop training for the mechanical and electrical integration system certification projects of Siemens and training for technology and product developers of Siemens. This signifies the expansion from software technology training to automatic control technology training for outsourcing service.

Also, the Institute signed agreement with the Software Institute of Nanjing University for the collaborated training of in-service software engineering masters of Nanjing University.

## Prospects

Looking forward, Nandasoft will echo the strategy of building an innovative nation and give full play to its innovative capability. It will increase investment in the research and development of cloud computing and internet of things and actively participate in the building of cloud computing platforms in various places. Meanwhile, it will apply advance energy saving and environmental friendly technology in the area of intelligent buildings and conduct R&D of related products.

## 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 19th April 2001. Up to 30th June 2012, no option has been granted pursuant to such share option scheme.

## **DIRECTORS', AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30th June 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

## Long positions in ordinary shares of the Company:

Name of Interests	Type of interest	Number of domestic shares held directly or indirectly		Number of shares	Percentage of deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's H share capital	Percentage of deemed beneficial interest in the Company's total share capital
		Directly	Indirectly				
<b>Directors</b>							
Liu Winson Wing Sun	(Note 1)	-	-	558,000	-	0.13%	0.05%
Wong Wei Khin	(Note 2)	-	-	3,000,000	-	0.71%	0.27%

### Notes:

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

Save as disclosed above, as at 30th June 2012, none of the directors, chief executive or supervisors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

At 30th June 2012, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited (Note 1)	Beneficial Owner	127,848,097	18.72%	-	-	127,848,097	11.58%
Beijing Chang Tian Guosheng Investment Co., Ltd. ("Beijing Chang Tian"), formerly known as "Beijing MengHua Investment Co., Ltd" (Note 2)	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 3)	Interest of a controlled corporation	84,159,944	12.32%	-	-	84,159,944	7.62%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	8.05%	-	-	55,000,000	4.98%
Guangzhou DingXiang Trade Co., Ltd	Beneficial Owner	50,000,000	7.32%	-	-	50,000,000	4.53%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	43,931,959	6.43%	-	-	43,931,959	3.98%
Jiangsu Co-Creation (Note 1 & 3)	Beneficial Owner	84,159,944	12.32%	-	-	84,159,944	7.62%
Leung Chiu Fun ("Ms Leung") (Note 4)	Beneficial Owner	-	-	16,244,000	3.86%	16,244,000	1.47%
Yap Siew Chin (Note 5)	Beneficial Owner	-	-	35,000,000	8.31%	35,000,000	3.17%



Notes:

- (1) On 31st August 2010, 187,000,000 H shares (the "New H Shares") has been issued and allotted which comprise of (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) As at 18th November 2011, Beijing MengHua Investment Company Ltd has changed its name to Beijing Chang Tian Guosheng Investment Co., Ltd..
- (3) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1st July 2001. The interest of Jiangsu Management Centre comprises 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 7.62% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.
- (4) Ms. Leung directly held 21,224,000 H shares, representing approximately 5.04% of the Company's total issued H share capital and approximately 1.92% of the Company's total issued share capital.

As at 5 April 2012 and 11 April 2012, Ms Leung disposed of 5,352,000 H shares and acquired 372,000 H shares respectively, and she directly held 16,244,000 H shares representing approximately 3.86% of the Company's issued H share capital and 1.47% 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 2012, 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 2012.

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 8th 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 period ended 30th June 2012 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 2012.

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

10th August 2012, Nanjing, the PRC