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**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)



Interim Report **2013**

## **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 RMB265,198,000 for the six months ended 30th June 2013, representing an approximately 10.8% increase as compared with that of the corresponding period in 2012.
- Accomplished a net profit of approximately RMB3,090,000 for the six months ended 30th June 2013.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2013.

## FIRST QUARTER 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 2013.

For the three months and six months ended 30th June 2013, the unaudited turnover is approximately RMB175,362,000 and RMB265,198,000, representing an increase of approximately RMB26,843,000 and RMB25,752,000, or approximately 18.1% and 10.8%, respectively in turnover as compared with that of the same period in 2012.

The unaudited net profit of the Group for three months and six months ended 30th June 2013 is approximately RMB309,000 and approximately RMB3,090,000 respectively, representing a decrease in the results of approximately 94.3% and 61.8% respectively as compared with the corresponding figures in 2012.

The unaudited results of the Group for the three months and six months ended 30th June 2013 together with the unaudited comparative figures for the corresponding period in 2012 are as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2013 RMB	2012 RMB	2013 RMB	2012 RMB
Revenue	2	<b>175,362,234</b>	148,519,646	<b>265,198,338</b>	239,446,768
Cost of sales		<b>(151,188,876)</b>	(122,221,096)	<b>(227,912,851)</b>	(197,459,722)
Gross profit		<b>24,173,358</b>	26,298,550	<b>37,285,487</b>	41,987,046
Other income		<b>6,533,158</b>	5,008,871	<b>12,879,762</b>	10,311,529
Distribution costs		<b>(7,488,500)</b>	(8,187,508)	<b>(12,818,208)</b>	(14,250,295)
Research and development costs		<b>(1,347,207)</b>	(1,112,667)	<b>(3,289,108)</b>	(3,522,821)
Administrative expenses		<b>(14,095,022)</b>	(13,600,308)	<b>(20,349,974)</b>	(20,398,352)
Finance Costs	3	<b>(3,338,707)</b>	(3,977,661)	<b>(6,711,502)</b>	(6,806,713)
Profit before tax	4	<b>4,437,080</b>	4,429,277	<b>6,996,457</b>	7,320,394
Income tax expense	5	<b>(2,330,904)</b>	(701,787)	<b>(2,715,866)</b>	(736,438)
Profit for the period		<b>2,106,176</b>	3,727,490	<b>4,280,591</b>	6,583,956
Attributable to Equity holders of the parent		<b>308,533</b>	5,471,807	<b>3,089,982</b>	8,095,326
Minority interest		<b>1,797,643</b>	(1,744,317)	<b>1,190,609</b>	(1,511,370)
		<b>2,106,176</b>	3,727,490	<b>4,280,591</b>	6,583,956
Earnings per share – basic	6	<b>0.0003</b>	0.0050	<b>0.0028</b>	0.0073

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30th June 2013

	For the three months ended 30th June		For the six months ended 30th June	
	2013	2012	2013	2012
	RMB	RMB	RMB	RMB
<b>Profit for the period</b>	<b>2,106,176</b>	3,727,490	<b>4,280,591</b>	6,583,956
<b>Other Comprehensive Income</b>				
Exchange differences on translation of foreign operation	-	-	<b>(138,766)</b>	(75,010)
Other comprehensive income for the period, net of tax	-	-	<b>(138,766)</b>	(75,010)
<b>Total comprehensive income for the period, net of tax</b>	<b>2,106,176</b>	3,727,490	<b>4,141,825</b>	6,508,946
Total comprehensive income attributable to:				
Owners of the Company	<b>308,533</b>	5,471,807	<b>2,951,216</b>	8,020,316
Minority interests	<b>1,797,643</b>	(1,744,317)	<b>1,190,609</b>	(1,511,370)
	<b>2,106,176</b>	3,727,490	<b>4,141,825</b>	6,508,946

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30th June 2013

	Notes	(Unaudited) 30th June 2013 RMB	(Audited) 31st Dec 2012 RMB
<b>Non-current assets</b>			
Property, plant and equipment		63,016,140	66,635,602
Investment properties		186,450,000	186,450,000
Prepaid land leases payments		4,102,993	4,151,593
Goodwill		22,877,035	22,877,035
Intangible assets		20,835,197	21,150,198
Interest in associates		81,929,847	81,207,073
Available for sale investment		7,804,310	7,804,310
Constructions in progress		154,016,818	140,238,855
Deposit paid		13,410,000	13,410,000
Deferred tax assets		7,067,728	7,067,728
<b>Total non-current assets</b>		<b>561,510,068</b>	550,992,394
<b>Current assets</b>			
Inventories		108,828,218	79,618,482
Trade receivables	7	288,317,737	276,345,048
Prepayments, deposits and other receivables		178,230,917	173,269,957
Due from shareholders		5,542,218	5,542,218
Financial assets at fair value through profit or loss		-	27,000,000
Pledged deposits		9,969,380	17,000,000
Restricted bank balances		3,950,000	3,950,000
Cash and bank balances		32,331,860	72,781,833
		<b>627,170,330</b>	655,507,538
Assets classified as held for sale		4,979,004	4,979,004
<b>Total current assets</b>		<b>632,149,334</b>	660,486,542

	Notes	(Unaudited) 30th June 2013 RMB	(Audited) 31st Dec 2012 RMB
<b>Current liabilities</b>			
Trade payables	8	249,928,227	252,071,892
Receipt in advance, other payables and accrued expenses		127,346,736	142,442,730
Due to shareholders		115,297	115,297
Dividend payable		5,620,700	6,069,557
Interest-bearing bank and other borrowings		190,000,000	203,500,000
Finance lease payables		54,295	54,295
Tax payable		6,804,609	11,355,658
<b>Total current liabilities</b>		<b>579,869,864</b>	<b>615,609,429</b>
<b>NET CURRENT ASSETS</b>		<b>55,279,470</b>	<b>44,877,113</b>
<b>Total assets less current liabilities</b>		<b>613,789,538</b>	<b>595,869,507</b>
<b>NON-CURRENT LIABILITIES</b>			
Deposit received		(24,124,190)	(24,124,190)
Long term payables		(26,397,257)	(26,397,257)
Interest-bearing bank and other borrowings		(64,800,000)	(60,800,000)
Finance lease payables		(27,977)	(49,771)
Deferred tax liabilities		(22,101,533)	(22,101,533)
<b>Net assets</b>		<b>476,338,581</b>	<b>462,396,756</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		110,400,000	110,400,000
Reserves		300,333,546	297,382,330
Proposed final dividend		8,832,000	8,832,000
		<b>419,565,546</b>	<b>416,614,330</b>
<b>Minority interest</b>		<b>56,773,035</b>	<b>45,782,426</b>
<b>Total equity</b>		<b>476,338,581</b>	<b>462,396,756</b>

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	<b>Six months ended 30th June 2013 RMB</b>	Six months ended 30th June 2012 RMB
Cash flows from operating activities	<b>(18,410,760)</b>	(5,847,600)
Cash flow from taxation	<b>(7,233,362)</b>	(10,132,673)
Cash flows from investing activities	<b>5,852,527</b>	(72,430,159)
Cash flows from financial activities	<b>(27,688,998)</b>	31,057,822
Net decrease in cash and cash equivalent	<b>(47,480,593)</b>	(57,352,610)
Cash and cash equivalents at the beginning of the period	<b>93,731,833</b>	95,421,284
Cash and cash equivalents at the end of the period	<b>46,251,240</b>	38,068,674



## STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Capital Reserve	Statutory Surplus Reserve	Property Revaluation Reserve	Discretionary Surplus Reserve	Translation Reserve	Retained Earnings	Proposed Final Dividend	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
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	-	-	-	-	-	-	(75,010)	8,095,326	-	8,020,316
Appropriation	-	-	-	4,922,682	-	-	-	(4,922,682)	-	-
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
At 1st January, 2013	110,400,000	78,634,414	6,756,332	55,088,974	17,819,589	277,000	(919,738)	139,725,759	8,832,000	416,614,330
Profit for the period	-	-	-	-	-	-	(138,766)	3,089,982	-	2,951,216
Appropriation	-	-	-	-	6,312,623	-	-	(6,312,623)	-	-
At 30th June 2013	110,400,000	78,634,414	6,756,332	55,088,974	24,132,212	277,000	(1,058,504)	136,503,118	8,832,000	419,565,546

## 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 30th December, 1999. The Company’s predecessor, Jiangsu NandaSoft Limited Liability Company (the “Predecessor”) was established on 18th September, 1998. By way of transformation of the Predecessor (the “Transformation”), the Company was established on 30th December, 1999. During the year, the Group was engaged in the sales of computer hardware and software products, trading of IT related products and equipment and mobile phones, and provision of IT training services, and continued to develop, manufacture and market network security software, Internet application software, education software and business application software, and provision of systems integration services which include the provision of information technology consultation services. In addition, the Group commenced and engaged in the development and trading of pharmaceutical products through the acquisition of a subsidiary, the 70% equity interest in which were subsequently disposed of in October 2012.

The Company’s registered office in the PRC is located at NandaSoft Tower, 8 Jinyin Street, Shanghai Road, Nanjing, Jiangsu, the PRC. The Company’s registered office in Hong Kong is located at Room 212, Photonics Centre, No. 2 Science Park East Avenue, Hong Kong Science Park, Shatin, Hong Kong.

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

The consolidated financial statements are presented in Renminbi (“RMB”), 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	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Sale of goods:				
Computer software product	90,786,847	97,224,250	142,819,108	135,719,772
Trading of IT related products and equipment and mobile phone	724,839	1,009,209	1,910,003	1,296,276
Pharmaceutical products	–	29,730,210	–	51,606,095
Rendering of system integration services	83,850,548	20,555,977	120,469,227	50,820,652
Provision of IT training services	–	–	–	3,973
	175,362,234	148,519,646	265,198,338	239,446,768

### 3. FINANCE COST

	For the three months ended 30th June		For the six months ended 30th June	
	2013	2012	2013	2012
	RMB	RMB	RMB	RMB
Interest on bank loans wholly repayable within five years	3,067,894	3,933,912	6,400,828	6,670,684
Bank charges	270,813	43,749	310,674	136,029
	<b>3,338,707</b>	3,977,661	<b>6,711,502</b>	6,806,713

### 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	
	2013	2012	2013	2012
	RMB	RMB	RMB	RMB
Depreciation and amortisation on:				
– property, plant and equipment	2,929,152	1,618,989	4,141,909	2,935,704
– intangible assets (included in research and development costs)	157,550	583,302	315,000	695,344
Cost of Sale	151,188,876	122,221,096	227,912,851	197,459,722

## 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% is applicable to these PRC subsidiaries.

As one of the Company's subsidiaries is a newly incorporated systems integration enterprise, after obtaining authorisation from respective tax authority, this subsidiary is 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 25% in the succeeding three years, commencing from 1st January, 2011. Upon the expiry of the tax exemption, the usual corporate income tax rate of 25% is applicable to this PRC subsidiary.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil).

	For the three months ended 30th June		For the six months ended 30th June	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
The charge comprises:				
PRC income tax	2,330,904	701,787	2,715,866	736,438

## 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 RMB309,000 and RMB3,090,000 for the three and six months ended 30th June 2013 (2012: RMB5,472,000 and RMB8,095,000) and on 1,104,000,000 (2012: 1,104,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 30th June 2013 and 2012 as there were no potential dilutive securities in existence during the relevant periods.

## 7. TRADE RECEIVABLES

	(Unaudited) 30 June 2013 RMB	(Audited) 31st December 2012 RMB
Trade receivables	321,262,588	306,882,257
Less: accumulated impairment	(32,944,851)	(30,537,209)
	<b>288,317,737</b>	<b>276,345,048</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 2013 RMB	(Audited) 31st December 2012 RMB
0-90 days	119,640,196	194,832,863
91-180 days	82,818,006	23,532,433
181-365 days	47,532,423	21,751,953
Over 365 days	38,327,112	36,227,799
	<b>288,317,737</b>	<b>276,345,048</b>

## 8. TRADE PAYABLES

Aged analysis of trade payables are as follows:–

	<b>(Unaudited)</b> <b>30th June</b> <b>2013</b> <b>RMB</b>	(Audited) 31st December 2012 <i>RMB</i>
0-90 days	<b>174,922,133</b>	211,907,352
91-180 days	<b>40,877,832</b>	14,112,015
181-365 days	<b>22,958,216</b>	7,836,998
Over 365 days	<b>11,170,046</b>	18,215,527
	<b>249,928,227</b>	252,071,892

## 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 – 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 – trading the components of IT related products and mobile phones; and
- (d) the training services segment – 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.

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		System Intrgration		Trading of IT related products and equipment and mobile phones		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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Turnover												
External Sales	142,819,108	135,719,772	120,469,227	50,820,652	1,910,003	1,296,276	-	3,973	-	51,606,095	265,198,338	239,446,768
Result												
Segment result	3,003,734	2,670,861	13,381,022	9,107,224	(155,279)	183,547	-	(196,005)	-	1,954,879	16,229,477	13,720,506
Investment income											391,475	336,752
Unallocated											(2,912,993)	(502,645)
Finance Cost											(6,711,502)	(6,234,219)
Profit from operations											6,996,457	7,320,394
Income tax expense											(2,715,866)	(736,438)
Profit after taxation											4,280,591	6,583,956

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the period. (2012: Nil)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Results**

During the period, the turnover of the Group for the three months and six months ended 30th June 2013 was approximately RMB175,362,000 and RMB265,198,000, representing an increase of approximately 18.1% and 10.8% as compared to the same period in the previous year. The increased in turnover was mainly due to the acquisition of Jiangsu Changtian Zhi Yuan Transportation Company Limited in September 2012, it contributed approximately RMB66,417,000 for the period ended 30th June 2013. In addition, the Group discontinued the pharmaceutical operation which reduced approximately RMB51,606,000 turnover when compared to the same period in the previous years.

With the rapid economic development in China, the inflation rate affects the cost of sale of the product which caused the gross profit margin for the period ended 30th June 2013 was dropped from 17.5% to 14.1% and thus the unaudited profit attributable to shareholders of the Group for the three and six months ended 30th June 2013 were approximately RMB309,000 and RMB3,090,000 which represents a decrease of approximately 94.3% and 61.8% as compared to the same period in 2012.

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

As at 30th June 2013, shareholders' funds of the Group amounted to approximately RMB419,566,000. Current assets amounted to approximately RMB632,149,000, of which approximately RMB32,332,000 were cash and bank deposits. The Group had its current liabilities amounted to approximately RMB579,870,000, mainly its trade payable, accruals, interest bearing bank and other borrowings and current account with shareholders. The net asset value per share was RMB0.38. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2013, the Group had a gearing ratio of 21.3% and the Group had interest bearing bank and other borrowings of RMB254,800,000.



## **Others**

Throughout the six months ended 30th June 2013, 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 2013, 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 (2012: RMB80,000,000)

### **Capital commitments**

As at 30th June 2013, the Group had contracted but not provided for capital commitment for the construction costs of approximately RMB53,335,000.

## **FOREIGN CURRENCY RISK**

During the six months ended 30th June 2013, 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 2013, total remuneration cost for the Group is RMB23,604,000 (2012: RMB22,881,000) and the Group had 644 employees (2012: 642 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**

After the 18th National Congress, the Chinese government promoted a deepened reform of technological system, acceleration in the country's innovative system and construction of a technological innovative system which is enterprise-based, market-oriented and integrates production, learning and research. Nandasoft swam with the tide and was committed to the development of its business operation. The Company also focused on the demand of clients and technological development. By innovation in research and development of products, the Company strived to enhance its innovation in order to create a base of innovative research and development. Such a base is market-oriented, profit-driven, dependent on the research on technology of the Internet of things and cloud computing and mainly supported by key focuses, high-end and brand. This base fully supported the enterprise's important field of technology and the development of clients' brand and business, acting as the driving force for the transition and advancement of the Company's business. The Company continued to be one of the Top 100 PRC Enterprises by Software Revenue in 2013.

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

During the period, the Company submitted the project "Research and development and industrialization of software system and solutions for secured electronic records of domestic software and hardware" to National Electronic Records Assessment Centre for assessment.

The Company conducted the research and development of the products including Soft Desktop Cloud System and Soft Flexible Cloud Platform.

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

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

During the period, the Company undertook various IT service projects such as the outsourcing of DELL server maintenance for ICAB of Jiangsu and the repair and maintenance of network equipment.

In the field of intelligent traffic, Jiangsu Changtian Zhiyuan Transportation Research Co.,Ltd signed various projects during the period, including the construction of Sutong Bridge North-line toll station expansion and electrical and mechanical services, the intelligent project of Wuxi Metro control centre and affiliated facilities, the construction of the monitoring, communication and toll system of the expansion of Nanjing Airport Highway, purchase and system integration of cameras and surveillance for the logistics centre of subsidiary agricultural products of Nantong City. This has strengthened the Company's competitiveness in the field of intelligent traffic.

## **Application of the Internet of Things**

During the period, Health Technology Company obtained software registration certificated for the Soft Intelligent Elderly Safety Service System Software, Soft Intelligent Elderly Cloud Service Platform Software, Soft Intelligent Elderly Call Service System Software, Soft Intelligent Elderly Dynamic File Management System Software, Soft Intelligent Elderly Government Classification Monitoring System Software and Soft Intelligent Elderly Service Business Management System Software. Health Technology Company also won the project to build informationalized elderly care in Shandong Province. This project will become the first elderly care informationalized platform and service system in China at the provincial level.

During the period, the Company conducted research and development of the products Health Circles 2.0, Blood Sugar Defence 1.1 and Doctor at the Door 1.0 based on cloud-based healthcare platform.

## PROSPECTS

### DEVELOPMENT OF NANDASOFT GROUP

During the period, Jiangsu Hanwin Technology Company became the first batch of members of the Alliance of Cloud Computing Industry of Suzhou Industrial Park. We continued to be the leader in the industry of intelligent heritage. We signed contracts of monitoring and management platform software with various heritage sites, such as the Giant Wild Goose Pagoda in Xi'an, Great Wall of Han Dynasty and Xinjiao Temple Pagoda, Xi'an Daming Palace and the Grave of Zhang Qian.

Looking forward, Nandasoft will accelerate the integration and construction of production and enhance the integrated competitiveness of software, hardware and services by strengthening co-operation with local and international higher education institutes, scientific research institutes and upstream and downstream enterprises in the areas of production, learning and research. Meanwhile, the research and development of products such as cloud computing, the Internet of things and mobile Internet has been accelerated. Competitive core products were introduced.

### Directors' and Supervisors' Service Contracts

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

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

### Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors 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 2013, 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 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

## Long positions in ordinary shares of the Company:

Name of Interests	Type of interest	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		Company's interest in the domestic share capital	Company's H share capital	Company's total share capital
<b>Directors</b>							
Liu Winson Wing Sun	(Note 1)	-	-	6,558,000	-	1.56%	0.59%
Wong Wei Khin	(Note 2)	-	-	3,000,000	-	0.71%	0.27%

### Notes:

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

Save as disclosed above, as at 30th June 2013, 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 2013, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares	Number of H shares	Percentage of H shares	Number of domestic and H shares	Percentage of domestic and H shares
Nanjing University Asset Administration Company Limited (Note 1)	Beneficial Owner	127,848,097	18.72%	-	-	127,848,097	11.58%
Beijing Chang Tian Guosheng Investment Co., Ltd.	Beneficial Owner	100,000,000	14.64%	-	-	100,000,000	9.06%
Shenyang Cheng Fa Commercial Software Company Limited	Beneficial Owner	85,000,000	12.45%	-	-	85,000,000	7.70%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") (Note 1 & Note 2)	Interest of a controlled corporation	84,159,944	12.32%	-	-	84,159,944	7.62%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	8.05%	-	-	55,000,000	4.98%
Guangzhou DingXiang Trade Co., Ltd	Beneficial Owner	50,000,000	7.32%	-	-	50,000,000	4.53%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	43,931,959	6.43%	-	-	43,931,959	3.98%
Jiangsu Co-Creation (Note 1 & 2)	Beneficial Owner	84,159,944	12.32%	-	-	84,159,944	7.62%
Yap Siew Chin (Note 3)	Beneficial Owner	-	-	35,000,000	8.31%	35,000,000	3.17%

*Notes:*

- (1) On 31st August, 2010, 187,000,000 H shares (the “New H Shares”) has been issued and allotted which comprise of 170,000,000 New H Shares and (ii) 17,000,000 H Shares converted from the same number of Domestic Shares transferred from each of the State Shareholders on a pro rata basis to the National Social Security Fund Council of PRC (the “NSSF Council”) (National Social Security Fund Council of PRC), which is in aggregate equivalent to 10% of New H Shares issued pursuant to the New Issue.
- (2) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1st July, 2001. The interest of Jiangsu Management Centre comprises 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 7.62% of the Company’s total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.
- (3) These shares are also directly held by Low Hin Choong who is also the spouse of Yap Siew Chin.

Save as disclosed above, as at 30th June 2013, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section “Directors’, chief executive’s and supervisors’ interests and short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.


## **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 2013.





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 four Independent Non-Executive Directors, Dr Daxi Li, Ms Xie Hong, Mr Xie Man Lin and Mr Ng Sau Lai Derek. The primary duties of the audit committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The audit committee has reviewed the interim report for the period ended 30th June 2013 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 2013.

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

16th August 2013, Nanjing, the PRC