

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONGKONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB182,117,000 for the six months ended 30th June, 2014, representing an approximately 31.3% decrease as compared with that of the corresponding period in 2013.
- Accomplished a net profit of approximately RMB74,000 for the six months ended 30th June, 2014.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2014.

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, 2014.

For the three months and six months ended 30th June, 2014, the unaudited turnover is approximately RMB106,241,000 and RMB182,117,000, representing a decrease of approximately RMB69,121,000 and RMB83,081,000, or approximately 39.4% and 31.3%, respectively in turnover as compared with that of the same period in 2013.

The unaudited net profit of the Group for three months and six months ended 30th June, 2014 is approximately RMB74,000 and approximately RMB1,081,000 respectively, representing a decrease in the results of approximately 75.9% and 65.0% respectively as compared with the corresponding figures in 2013.

The unaudited results of the Group for the three months and six months ended 30th June, 2014 together with the unaudited comparative figures for the corresponding period in 2013 are as follows:

CONSOLIDATED INCOME STATEMENT

Period ended 30th June, 2014

	Notes	For the three months ended 30th June,		For the six months ended 30th June,	
		2014 RMB	2013 RMB	2014 RMB	2013 RMB
Revenue	2	106,240,734	175,362,234	182,117,100	265,198,338
Cost of sales	4	(89,315,420)	(151,188,876)	(149,541,556)	(227,912,851)
Gross profit		16,925,314	24,173,358	32,575,544	37,285,487
Other income		7,000,597	6,533,158	13,061,384	12,879,762
Distribution costs		(5,271,115)	(7,488,500)	(10,510,654)	(12,818,208)
Research and development costs		(1,124,991)	(1,347,207)	(2,840,874)	(3,289,108)
Administrative expenses		(12,545,512)	(14,095,022)	(20,762,953)	(20,349,974)
Finance Costs	3	(3,904,805)	(3,338,707)	(7,503,620)	(6,711,502)
Profit before tax	4	1,079,488	4,437,080	4,018,827	6,996,457
Income tax expense	5	(905,975)	(2,330,904)	(1,898,655)	(2,715,866)
Profit for the period		173,513	2,106,176	2,120,172	4,280,591
Attributable to					
Equity holders					
of the parent		74,463	308,533	1,081,091	3,089,982
Minority interest		99,050	1,797,643	1,039,081	1,190,609
		173,513	2,106,176	2,120,172	4,280,591
Earnings per share – basic	6	0.0001	0.0003	0.001	0.0028

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30th June, 2014

	For the three months ended 30th June,		For the six months ended 30th June,	
	2014 RMB	2013 RMB	2014 RMB	2013 RMB
Profit for the period	175,513	2,106,176	2,120,172	4,280,591
Other Comprehensive Income				
Exchange differences on translation of foreign operation	-	-	267,890	(138,766)
Other comprehensive income for the period, net of tax	-	-	267,890	(138,766)
Total comprehensive income for the period, net of tax	175,513	2,106,176	2,388,062	4,141,825
Total comprehensive income attributable to:				
Owners of the Company	74,463	308,533	1,348,981	2,951,216
Minority interests	99,050	1,797,643	1,039,081	1,190,609
	173,513	2,106,176	2,388,062	4,141,825

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30th June, 2014

	Notes	(Unaudited) 30th June, 2014 RMB	(Audited) 31st December, 2013 RMB
Non-current assets			
Property, plant and equipment		106,150,290	108,191,755
Investment properties		440,390,000	440,390,000
Prepaid land leases payments		6,373,373	6,373,373
Goodwill		23,408,369	23,408,369
Intangible assets		8,867,886	9,182,886
Interest in associates		93,894,205	93,833,495
Available for sale investment		9,827,764	9,827,764
Constructions in progress		119,409,911	115,328,851
Deposit paid		13,410,000	13,410,000
Deferred tax assets		8,785,954	8,785,954
Total non-current assets		830,517,752	828,732,447
Current assets			
Inventories		78,162,156	68,601,457
Trade receivables	7	222,412,769	217,831,627
Prepayments, deposits and other receivables		163,038,310	163,455,341
Due from shareholders		5,872,970	5,872,970
Pledged deposits		14,250,000	23,889,210
Restricted bank balances		3,650,000	3,650,000
Cash and bank balances		49,617,170	81,055,144
Total current assets		537,003,375	564,355,749
Current liabilities			
Trade payables	8	192,536,858	193,179,209
Receipt in advance, other payables and accrued expenses		419,535,384	416,612,607
Due to shareholders		520,000	520,000
Dividend payable		9,980,637	7,583,625
Interest-bearing bank and other borrowings		139,900,000	163,450,000
Finance lease payables		-	48,449
Tax payable		1,391,244	6,425,364
Total current liabilities		763,864,123	787,819,254

	(Unaudited) 30th June, 2014 RMB	(Audited) 31st December, 2013 RMB
NET CURRENT LIABILITIES	(226,860,748)	(223,463,505)
Total assets less current liabilities	603,657,004	605,268,942
NON-CURRENT LIABILITIES		
Deposit received	(51,906,640)	(51,906,640)
Long term payables	(22,879,740)	(22,879,740)
Interest-bearing bank and other borrowings	(48,800,000)	(52,800,000)
Deferred tax liabilities	(36,802,360)	(36,802,360)
Total Non-Current Liabilities	(160,388,740)	(164,388,740)
Net assets	443,268,264	440,880,202
Equity		
Equity attributable to owners of the Company		
Issued capital	110,400,000	110,400,000
Reserves	292,906,464	291,557,483
	403,306,464	401,957,483
Minority interest	39,961,800	38,922,719
Total equity	443,268,264	440,880,202

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30th June, 2014 RMB	Six months ended 30th June, 2013 RMB
Cash flows from operating activities	2,126,231	(18,410,760)
Cash flow from taxation	(5,560,290)	(7,233,362)
Cash flows from investing activities	(5,865,417)	5,852,527
Cash flows from financial activities	(31,777,708)	(27,688,998)
Net (decrease) increase in cash and cash equivalent	(41,077,184)	(47,480,593)
Cash and cash equivalents at the beginning of the period	108,594,354	93,731,833
Cash and cash equivalents at the end of the period	67,517,170	46,251,240

STATEMENT OF CHANGES IN EQUITY

	Share Capital RMB	Share Premium RMB	Capital Reserve RMB	Property Revaluation 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, 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
At 1st January, 2014	110,400,000	78,634,414	640,155	55,088,974	19,685,462	277,000	(1,369,858)	138,601,336	-	401,957,483
Profit for the period	-	-	-	-	-	-	267,890	1,081,091	-	1,348,981
Appropriation	-	-	-	-	4,922,682	-	-	(4,922,682)	-	-
At 30th June, 2014	110,400,000	78,634,414	640,155	55,088,974	24,608,144	277,000	(1,101,968)	134,759,745	-	403,306,464

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 Company was established on 30th December, 1999.

During the period, 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 continues to develop, manufacture and market network security software, Internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting services and encompassing research and development of medicine and medical equipment.

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 changed to suite 811, Tsimshatsui Centre, East Wing, 66 Mody Road, Tsimshatsui East, Hong Kong at 31 July 2014.

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.

Notes

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,	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sale of goods:				
Computer software product	84,033,953	90,786,847	136,204,620	142,819,108
Trading of IT related products and equipment and mobile phone	3,594,154	724,839	6,084,200	1,910,003
Rendering of system integration services	18,612,627	83,850,548	39,828,280	120,469,227
	106,240,734	175,362,234	182,117,100	265,198,338

3. FINANCE COST

	For the three months ended 30th June,		For the six months ended 30th June,	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Interest on bank loans wholly repayable within five years	3,865,455	3,067,894	7,416,270	6,400,828
Bank charges	39,350	270,813	87,350	310,674
	3,904,805	3,338,707	7,503,620	6,711,502

4. PROFIT FROM OPERATIONS

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

	For the three months ended 30th June,		For the six months ended 30th June,	
	2014 RMB	2013 RMB	2014 RMB	2013 RMB
Depreciation and amortisation on:				
Property, plant and equipment	1,535,996	2,929,152	3,216,533	4,141,909
Intangible assets (included in research and development costs)	157,550	157,550	315,000	315,000
Cost of sale	89,315,420	151,188,876	149,541,556	227,912,851

5. INCOME TAX EXPENSE

Taxes on profits assessable in the PRC have been calculated at 25%. Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality, the Company and one of the Company's subsidiaries had been designated as a new and high technology entity and were subject to the concessionary tax rate of 15%.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2014 RMB	2013 RMB	2014 RMB	2013 RMB
The charge comprises:				
PRC income tax	905,975	2,330,904	1,898,655	2,715,866

Notes

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 RMB74,000 and RMB1,081,000 for the three and six months ended 30th June, 2014 (2013: RMB309,000 and RMB3,090,000,000) and on 1,104,000,000 (2013: 1,104,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 30th June, 2014 and 2013 as there were no potential dilutive securities in existence during the relevant periods.

7. TRADE RECEIVABLES

	(Unaudited) 30 June, 2014 RMB	(Audited) 31 December, 2013 RMB
Trade receivables	259,981,570	258,115,683
Less: accumulated impairment	(37,568,801)	(40,484,056)
	222,412,769	217,631,627

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:

Notes

	(Unaudited) 30 June, 2014 <i>RMB</i>	(Audited) 31 December, 2013 <i>RMB</i>
0-90 days	90,580,275	162,821,360
91-180 days	42,407,621	8,128,768
181-365 days	45,775,340	5,423,932
Over 365 days	43,649,533	41,257,567
	222,412,769	217,631,627

8. TRADE PAYABLES

Aged analysis of trade payables are as follows:–

	(Unaudited) 30 June, 2014 <i>RMB</i>	(Audited) 31 December, 2013 <i>RMB</i>
0-90 days	70,287,060	83,857,300
91-180 days	44,937,788	2,386,758
181-365 days	26,943,442	13,367,422
Over 365 days	18,876,568	62,128,529
	161,044,858	161,740,009
Bills payables	31,492,000	31,439,200
	192,536,858	193,179,209

Notes

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.

Notes

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rendering of 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 software products		System Integration		Trading of IT related products and equipment and mobile phones		Training Services		Total	
	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,	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Turnover										
External Sales	136,204,620	142,819,108	39,828,280	120,469,227	6,084,200	1,910,003	-	-	182,117,100	265,198,338
Result										
Segment result	1,320,209	3,003,734	10,540,316	13,381,022	407,560	(155,279)	-	-	12,268,085	16,229,477
Investment income									331,376	391,475
Unallocated									(1,077,014)	(2,912,993)
Finance Cost									(7,503,620)	(6,711,502)
Profit from operations									4,018,827	6,996,457
Income tax expense									(1,898,655)	(2,715,866)
Profit before taxation									2,120,172	4,280,591

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2013: 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, 2014 was approximately RMB106,241,000 and RMB182,117,000, representing a decrease of approximately 39.4% and 31.3% as compared to the same period in the previous year. The decreasing of turnover was mainly due to the rapid development in technology market where the unprecedented competition directly affect the market share. The management will make use of the strength of consolidated resources to enhance the proprietary innovation capability and enlarge the sales network and its product market.

The unaudited profit attributable to shareholders of the Group for the three and six months ended 30th June, 2014 were approximately RMB74,000 and RMB1,081,000 which represents a decrease of approximately 75.9% and 65.0% as compared to the same period in 2013. The decrease in the profit attributable to shareholders was mainly due to the decreased of turnover during the period.

Financial Resources and liquidity

As at 30th June, 2014, shareholders' funds of the Group amounted to approximately RMB403,306,000. Current assets amounted to approximately RMB537,003,000, of which approximately RMB67,517,000 were cash and bank deposits. The Group had its current liabilities amounted to approximately RMB763,864,000, mainly its trade payable and bills payable, accruals, interest bearing bank and other borrowings and current account with shareholders. The net asset value per share was RMB0.37. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June, 2014, the Group had a gearing ratio of 13.8% and the Group had interest bearing bank and other borrowings of RMB188,700,000.

Others

Throughout the six months ended 30th June, 2014, 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, 2014, 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 (2013: RMB56,800,000).

Capital commitments

As at 30th June, 2014, the Group had contracted but not provided for capital commitment for the construction costs of approximately RMB70,848,000.

FOREIGN CURRENCY RISK

During the six months ended 30th June, 2014, 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, 2014, total remuneration cost for the Group is RMB14,626,000 (2013: RMB23,604,000) and the Group had 458 employees (2013: 644 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

In the coming three years, the State will continue to increase investment in the construction of smart cities and urbanization construction, and the information technology sector featuring "wide broadband, large storage, Big Data" will have its golden age for 5 to 10 years. As a leading enterprise in the IT industry in Jiangsu area, NandaSoft will further cultivate its business in smart city construction. The Company has undergone an organizational structure reform centred on profitability enhancement. Through concerted efforts of the management, it will make use of the strength of consolidated resources to enhance the proprietary innovation capability and create core competitiveness of NandaSoft amid the IT reformation trend.

During the period, the Company obtained the certifications of GB/T 28001 Occupational Health and Safety Management System and GB/T24001 Environmental Management System.

R & D of Information Technology

During the period, the Company conducted the development of the “Domestic basic software and hardware cloud systems of electronic-document-based application” and “R & D and commercialization of cloud-based data management service platform” projects. The projects were mainly about the core technologies of domestic cloud platform and electronic documents, including cloud computing network, cloud computing chips, cloud computing server, cloud storage, virtualization, cloud computing management, cloud platform, cloud services, cloud security, electronic document all-process management, document technology etc, and it carried out the integration, upgrade of products and technologies of which the R & D had been completed, as well as the R & D on new technologies, striving for attainment of the standard of IBM, Oracle platforms etc. for most of the technical indicators.

During the period, in view of the upgrade and transformation needs of primary and secondary school classrooms in Jiangsu province, Staterich Technology, a subsidiary of the Group started the development of the modern smart classroom system. The modern smart classroom system integrates smart desktop cloud technology, intelligent terminal technology, wireless technology, Web application technology. These technological approaches are integrated with traditional desks and chairs organically and form a high-tech education facility. These provide powerful tools and environment for achieving the core education model of “student-oriented, interaction among teacher and students to facilitate growth in both teaching and learning”.

During the period, Changtian Zhiyuan Company carried out the software upgrade of the Linux-system based driveway toll system R & D of the station level management software as well as the development of the transport webcam network monitoring platform system and toll adjustment management platform. At the same time, the Company also completed the Guizhou highway network monitoring and management platform software. The software will allow joint monitoring and joint rescue. It brings about the sharing of traffic information in the highway network by various highway monitoring systems under a unified operation model and technology standard. It allows the monitoring system to achieve the purposes of intelligence, information, networking and socialization, and become comprehensive, specific and operational.

IT services

During the period, the Company secured several IT service projects such as the procurement and installation project of intelligence equipments for the removal and construction of the blood donation station in the centre of Yangzhou city, the provision of goods and system integration services of the network optimization and reform project of Jiangsu Province Meteorological Data Centre, the procurement integration project of data remote backup of Jiangsu Provincial Tobacco Corporation Nanjing Company, the video conference project of Jiangsu Provincial Human Resources and Social Security Office, the modernization of education project of Pizhou city, Summer Palace World Culture Heritage monitoring and warning system platform construction (Phase 2) project and Jiangsu Radio Administration Bureau's repair and maintenance service for the year 2014.

In the intelligent transportation aspect, during the period, Jiangsu Changtian Zhiyuan Transportation Research Company Limited entered into contracts for taking up several projects, namely the construction contract of the electrical and mechanical services project of Xianyang-Xunyi Expressway, the construction of the upgrade and transformation of the high speed monitoring system of Suqian-Huaiyan-Yancheng Expressway in Jiangsu and the consultancy, design and development of the call centre 12328 system of Guizhou province, construction of electrical and mechanical engineering project of Hu Ning Highway Changzhou Qinglong Connection, Nanjing Transportation Integrated Digital Centre and construction project of the PT-1 section of transportation monitoring and warning platform, all enhanced the competitiveness of the Company in the smart transportation domain.

Future Prospects

In the future, the Company will rely closely on the overall strengths of Nanjing University, seize the development opportunities of the smart city and small city and town construction backed by the State's promotion, and make achievement in the application domains of the Big Data, cloud computing, mobile internet and internet of things, especially explore project opportunities in the education and transport industry, swiftly enhance the position of the key business of IT, make use of the advantages of the Group in the consolidation of brand, talent, technology, capital, government and international cooperation, so that NandaSoft will be the pioneer for Nanjing University in serving the local economic construction, promoting the integration of government, industry, academic and research and development, and pushing forward the commercialization of technological achievements.

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, 2014, 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, 2014, 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	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 Company's total share capital
		Directly	Indirectly				
Directors							
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 30 June, 2014, 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 30 June, 2014, 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") (Notes 1 & 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 (Notes 1 & 2)	Beneficial Owner	84,159,944	12.32%	-	-	84,159,944	7.62%

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.

Save as disclosed above, as at 30 June, 2014, 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, 2014.

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 period ended 30th June, 2014 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, 2014.

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

8th August, 2014, Nanjing, the PRC