



**JIANGSU NANDASOFT COMPANY LIMITED**  
**江蘇南大蘇富特軟件股份有限公司**  
(a joint stock limited company incorporated in the People's Republic of China)  
(Stock Code: 8045)

Interim Report

**2008**

**NANDASOFT**  
**南大苏富特**



## **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 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 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 RMB118,372,000 for the six months ended 30th June 2008, representing an approximately 19.4% decrease as compared with that of the corresponding period in 2007.
- Accomplished a net profit of approximately RMB6,584,000 for the six months ended 30th June 2008.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2008.

## Interim Results

The board of Directors ("Board") of Jiangsu NandaSoft Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three and six months ended 30th June 2008.

For the three months ended 30th June 2008, the unaudited turnover is approximately RMB61,530,000, representing a decrease of approximately RMB15,325,000, or approximately 19.9% in turnover as compared with that of the same period in 2007.

For the six months ended 30th June 2008, the unaudited turnover is approximately RMB118,372,000, representing a decrease of approximately RMB28,527,000, or approximately 19.4% in turnover as compared with that of the same period in 2007.

The unaudited net profit of the Group for three months and six months ended 30th June, 2008 is approximately RMB4,464,000 and approximately RMB6,584,000 respectively.

The unaudited results of the Group for the three months and six months ended 30th June 2008 together with the unaudited comparative figures for the corresponding period in 2007 are as follows:

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2008 RMB	2007 RMB	2008 RMB	2007 RMB
Revenue	2	61,529,624	76,854,963	118,372,026	146,899,330
Cost of sales		(50,325,651)	(69,402,295)	(100,708,910)	(133,111,101)
Gross profit		11,203,973	7,452,668	17,663,116	13,788,229
Other income		1,686,089	1,983,789	6,781,476	7,043,487
Distribution costs		(3,380,555)	(4,823,644)	(7,423,817)	(9,677,076)
Research and development costs		(823,293)	(781,244)	(1,463,672)	(1,829,414)
Administrative expenses		(3,528,132)	(3,078,932)	(7,978,352)	(7,394,783)
Finance costs		(87,684)	(798,500)	(385,640)	(1,754,454)
Profit/(loss) before tax	3	5,070,398	(45,863)	7,193,111	175,989
Income tax expense	4	(192,788)	(246,377)	(241,985)	(367,734)
Profit/(loss) for the period		4,877,610	(292,240)	6,951,126	(191,745)
Attributable to:					
Equity holders of the parent		4,464,220	(31,095)	6,583,913	191,387
Minority interests		413,390	(261,145)	367,213	(383,132)
		4,877,610	(292,240)	6,951,126	(191,745)
Earnings/(loss) per share					
– basic	5	0.00478	(0.00003)	0.00705	0.00020

**Consolidated Balance Sheet***As at 30th June 2008*

		<b>(Unaudited)</b> <b>30th June</b> <b>2008</b>	(Audited) 31st December 2007
	<i>Notes</i>	<b>RMB</b>	<b>RMB</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,878,834</b>	3,873,055
Intangible assets		<b>19,037,938</b>	19,128,305
Constructions in progress		<b>24,174,965</b>	24,029,553
Interest in associates		<b>9,296,430</b>	9,296,430
Available for sale investment		<b>2,061,174</b>	1,546,982
<b>Total non-current assets</b>		<b>57,449,341</b>	57,874,325
<b>Current assets</b>			
Inventories		<b>37,983,984</b>	42,394,962
Trade and other receivables	6	<b>110,664,221</b>	105,709,855
Equity investment at fair value through profit & loss		<b>272,361</b>	61,000
Due from shareholders		<b>4,888,761</b>	35,358,761
Due from associates		<b>11,220</b>	11,220
Due from minority shareholders		<b>29,642</b>	29,642
Cash and bank balances		<b>46,688,969</b>	30,577,880
<b>Total current assets</b>		<b>200,539,158</b>	214,143,320

		<b>(Unaudited) 30th June 2008 RMB</b>	(Audited) 31st December 2007 RMB
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	7	42,512,157	45,447,200
Receipt in advance, other creditor and accrual expenses		25,893,326	36,495,043
Due to shareholders		115,297	115,297
Interest-bearing bank and other borrowings		—	8,000,000
Tax payable		328,174	92,199
<b>Total current liabilities</b>		<b>68,848,954</b>	90,149,739
Net current assets		<b>131,690,204</b>	123,993,581
<b>Total assets less current liabilities</b>		<b>189,139,545</b>	181,867,906
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings		<b>(10,000,000)</b>	(10,000,000)
Net Assets		<b>179,139,545</b>	171,867,906
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital		93,400,000	93,400,000
Reserves		74,618,720	67,925,492
		<b>168,018,720</b>	161,325,492
<b>Minority interest</b>		<b>11,120,825</b>	10,542,414
<b>Total equity</b>		<b>179,139,545</b>	171,867,906

**Consolidated Cash Flow Statement (Unaudited)**

	<b>Six months ended 30th June 2008 RMB</b>	Six months ended 30th June 2007 RMB
Cash flows from operating activities	<b>(8,885,941)</b>	8,796,636
Cash flow from taxation	<b>(1,337,612)</b>	(4,472,068)
Cash flows from investing activities	<b>32,190,485</b>	(7,516,955)
Cash flows from financial activities	<b>(5,855,843)</b>	(40,644,693)
Net (decrease) increase in cash and cash equivalent	<b>16,111,089</b>	(43,837,080)
Cash and cash equivalents at the beginning of the period	<b>30,577,880</b>	66,371,906
Effect of foreign exchange rate changes	—	1,808
Cash and cash equivalents at the end of the period	<b>46,688,969</b>	22,536,634

**Statement Of Changes In Equity (Unaudited)**

	Share capital RMB	Share premium RMB	Statutory surplus reserve RMB	Statutory public welfare fund RMB	Exchange reserve RMB	Retained earnings RMB	Total RMB
At 1st January 2007	93,400,000	48,868,818	4,846,407	2,423,203	(45,195)	5,491,101	154,984,334
Profit for the period	—	—	—	—	—	191,387	191,387
Disposal of subsidiary	—	—	(727,853)	(366,559)	—	—	(1,094,412)
Exchange difference arising on translation of foreign operations	—	—	—	—	1,808	—	1,808
At 30th June 2007	93,400,000	48,868,818	4,118,554	2,056,644	(43,387)	5,682,488	154,083,117
<b>At 1st January 2008</b>	<b>93,400,000</b>	<b>48,868,818</b>	<b>3,211,889</b>	<b>1,605,944</b>	<b>(149,412)</b>	<b>14,388,253</b>	<b>161,325,492</b>
<b>Profit for the period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,583,913</b>	<b>6,583,913</b>
<b>Exchange difference arising on translation of foreign operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>109,315</b>	<b>—</b>	<b>109,315</b>
<b>At 30th June 2008</b>	<b>93,400,000</b>	<b>48,868,818</b>	<b>3,211,889</b>	<b>1,605,944</b>	<b>(40,097)</b>	<b>20,972,166</b>	<b>168,018,720</b>



Notes:

## 1. Basis Of Presentation

The Company 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 Company's predecessor, Jiangsu NandaSoft Limited Liability Company (the "Predecessor") was established on 18 September 1998. By way of transformation of the Predecessor (the "Transformation"), the Company was established on 30 December 1999. Upon its establishment, the Company assumed the subsidiary of the Predecessor, Nanjing NandaSoft System Integration Company Limited which 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, and provides systems integration services which include the provision of information technology consulting.

The Company's registered office and the places of business in the People's Republic of China (the "PRC") is NandaSoft Tower, 8, Jingyin Street, Shanghai Road, Nanjing, the PRC. The Company's registered office and the places of business in Hong Kong has been changed to Room 08-09, 15/F., Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong since 10 July 2008.

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. Details of the Transformation are set out in the prospectus issued by the Company dated 19 April 2001.

The consolidated financial statements are presented in Renminbi, which is the same as the function 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 year.

	For the three months ended 30th June		For the six months ended 30th June	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Sale of goods:				
Computer software product	906,169	7,220,719	1,970,410	9,456,227
Import and export of IT related products and equipment	—	8,001,452	195,210	10,395,392
Rendering of system integration services	60,623,455	61,632,792	116,206,406	127,047,711
	<b>61,529,624</b>	<b>76,854,963</b>	<b>118,372,026</b>	<b>146,899,330</b>

## 3. Profit/loss from Operations

	For the six months ended 30th June	
	2008 RMB	2007 RMB
Profit/Loss from operations has been arrived at after charging:		
Depreciation and amortisation on:		
— property, plant and equipment	431,634	1,152,038
— intangible assets (included in research and development costs)	140,750	614,484
Cost of Sale	<b>100,708,910</b>	<b>133,111,101</b>

#### 4. Income Tax Expense

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

Under the relevant PRC Income Tax Law and the respective regulations, the corporate income tax for subsidiaries was calculated at rates ranging from 15% to 33%, on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. 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% reduction in the succeeding three years, commencing from the first profitable year.

	For the three months ended 30th June		For the six months ended 30th June	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
The charge comprise:				
PRC Income tax				
Current year	<b>192,788</b>	246,377	<b>241,985</b>	367,734

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1st January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1st January 2008 will decrease from 33% to 25% on 1st January 2008 and thereafter. This reduction in the income tax rate will directly reduce the Group effective tax rate prospectively from 2008.

According to HKAS 12, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. As a result, the change in the corporate income tax rate has increased the benefits arising from unrecognised tax losses of the current year.

#### 5. Earnings/(Loss) Per Share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of approximately RMB4,464,000 and RMB6,584,000 for the three and six months ended 30th June 2008 (2007: loss of RMB31,000 and profit of RMB191,000) and on 934,000,000 (2007: 934,000,000) shares in issue during the period.

Diluted earnings/(loss) per share is not presented for the three months ended 30th June 2008 and 2007 as there were no potential dilutive securities in existence during the relevant periods.

## 6. Trade and Other Receivable

	<b>(Unaudited)</b> <b>30th June</b> <b>2008</b> <b>RMB</b>	(Audited) 31st December 2007 RMB
Trade receivables	<b>94,138,850</b>	87,340,283
Less: accumulated impairment	<b>(46,548,085)</b>	(45,533,726)
	<b>47,590,765</b>	41,806,557
Notes receivables	—	330,000
Advance to suppliers	<b>36,371,604</b>	31,243,150
Other receivables	<b>23,211,734</b>	28,840,030
Other receivable from 中國石油天然氣股份有限公司	<b>3,215,000</b>	3,215,000
Deposit paid	<b>275,118</b>	275,118
<b>Total trade and other receivable</b>	<b>110,664,221</b>	105,709,855

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

	<b>(Unaudited)</b> <b>30th June</b> <b>2008</b> <b>RMB</b>	(Audited) 31st December 2007 RMB
Aged:		
0 – 90 days	<b>23,231,026</b>	22,055,483
91 – 180 days	<b>5,050,409</b>	2,785,354
181 – 365 days	<b>5,820,160</b>	7,185,412
Over 365 days	<b>13,489,170</b>	9,780,308
	<b>47,590,765</b>	41,806,557

As at 30th June 2008, the fair values of trade and other receivables approximates to the carrying amounts.

## 7. Trade and Other Payables

Aged analysis of trade and other payables are as follows:

	(Unaudited) 30th June 2008 RMB	(Audited) 31st December 2007 RMB
Trade payables aged:		
0 – 90 days	18,506,699	21,671,540
91 – 180 days	3,098,805	7,512,711
181 – 365 days	6,432,385	6,985,446
Over 365 days	14,474,268	9,059,997
	<b>42,512,157</b>	<b>45,229,694</b>
Notes payable	—	217,506
	<b>42,512,157</b>	<b>45,447,200</b>

## 8. Segment Information

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

	Sales of computer software products six months ended 30th June		System Integration six months ended 30th June		Import and export of IT related products six months ended 30th June		Total six months ended 30th June	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Turnover								
External sales	1,970,410	9,456,227	116,206,406	127,047,711	195,210	10,395,392	118,372,026	146,899,330
Result								
Segment result	5,156,691	3,674,543	2,391,841	(5,522,825)	(20,797)	(119,902)	7,527,735	(1,968,184)
Investment income							113,731	4,134,452
Unallocated							(62,715)	(235,825)
Finance cost							(385,640)	(1,754,454)
Profit from operations							7,193,111	175,989
Income tax expense							(241,985)	(367,734)
Profit before taxation							6,951,126	(191,745)

## Interim Dividend

The Directors do not recommend the payment of an interim dividend for the period (2007: Nil).

## Management Discussion and Analysis

### Financial Review

#### Results

Sales from import and export of IT related products and equipment was reduced sharply during the period which leading the consolidated revenue of the Group for the six months and three months ended 30th June 2008 was approximately RMB61,530,000 and RMB118,372,000, representing a decrease of approximately 19.9% and 19.4% as compared to the same period in the previous year.

Since 2008, the Group has been adopted the operating expenditure control strategies which resulted in substantial deductions in the cost of goods sold, distribution and administration expense. Besides, finance cost was reduced in line with reducing of bank loan amount, all of the above contributed the unaudited profit attributable to shareholders of the Group for the six months and three months ended 30th June 2008 were approximately RMB4,464,000 and RMB6,584,000.

#### Financial Resources and liquidity

As at 30th June 2008, shareholders' funds of the Group amounted to approximately RMB168,019,000. Current assets amounted to approximately RMB200,539,000, of which approximately RMB46,689,000 were cash and bank deposits. The Group had non-current liabilities of RMB10,000,000 and its current liabilities amounted to approximately RMB68,849,000, mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.18. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2008, the Group had a gearing ratio of 3.88% and the Group has no short-term loan.

#### Others

Throughout the six months ended 30th June 2008, the Group did not make any material acquisitions or disposals and no proceeds was invested in any significant financial instruments.

As at 30th June 2008, there were no charges on group assets, and it is the same as the comparative six months ended 30th June 2007.

As at 30th June 2008, the Group had no material contingent liabilities and it is the same as the comparative six months ended 30th June 2007.

### ***Foreign Currency Risk***

During the six months ended 30th June 2008, 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 2008, total remuneration cost for the Group is RMB8,611,000 (2007: RMB8,819,000) and the Group had 388 employees (2007: 395 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***

NandaSoft achieved significant progress in terms of holding structure adjustment, optimization of product portfolio and enhancement of service standard. Through strengthening its independent and innovative ability, the Company achieved further development in the integration of production, research and development, as well as the transformation of technological success.

In response to the market changes and customer demands, NandaSoft launched "Network Security Integrated Protection System for Intranet" and "Security USB Mobile Media Management System" with wholly owned intellectual properties during the first half of the year. While the above systems were put to commercial operation, the Company developed new and visionary products such as "WEB Application Security Gateway", which enabled the Company to become the market leader in network security products and services industry.

Meanwhile, regarding network system integration and services, NandaSoft currently focuses on the transformation into an information system service and product system integration service provider.

## R&D of New Products

### 1. SoftESB Information Exchange And Sharing Platform

During the process of information construction in the PRC government, with the development of IT in various historical periods, different government departments adopted different technologies and system structures to construct their own information systems according to their own situation and needs based on different stages of IT development from time to time. This results in numerous isolated cross-platform heterogeneous systems. A vast number of data is generated from the running of such application systems constructed by the governmental departments. However, such data remains at the data level but are not realized into valuable information. With the development of electronic administration to date, the synergies between governmental departments have increased, a solution to the isolated information systems problem has become the primary issue for the next step of informatization construction.

Targeting on the issue of data sharing in electronic administration, NandaSoft developed a SoftESB based information exchange and sharing platform. SoftESB information exchange and sharing platform connects the data level and the application level organically, separating the application of electronic administration and data storage. It also standardizes the data exchange format, enables the connection between different applications, and also ensures the mutual independence and low-coupling of various application systems. Meanwhile, an information exchange and sharing platform provides good functional and technological protection for the processing of a vast number of data, which in turn enhances the operational efficiency and safety of the system in general.

### 2. Network Security Integrated Protection System

With the popularity and wide application of computer systems and networks, related security and protection constructions still face a number of difficulties, such as difficulties in security and protection planning, design and construction, the management and maintenance of security and protection system, difficulties in upgrading the overall protection ability of the security and protection system, the low target and effectiveness of security and protection construction, difficulties in obtaining a picture of the overall security status of the protected network and reacting on the security status in a timely manner etc.



In this regard, the Company developed a network security integrated protection system. This product provides an integrated security structure focused on a strategic based united security management. Relying on the distributed visit control and audit technology, it links up border security and host security measures organically which were originally provided by firewall and operation system respectively. Such linkage facilitates the security function to penetrate deeply into the network and even extend to external visitors. This not only enables the visit control and audit the communications between external network and the intranet, but also monitors and controls the communications among users within the intranet and the operation by individuals on the host. The product contains border protection function which prevents external attack, audit and monitoring functions which prevent internal attack and information leakage, as well as security management function which evaluates the risk condition on the network.

### 3. IPv6 Network Integrated Protection System

IPv6 has become an inevitable trend of the technological development of the next generation network (NGI), but due to different reasons, the long-term coexistence of IPv4/IPv6 will become a common situation on the internet. The issue of how to protect the network security of enterprises during the transitional period is also a wide concern in the industry. In view of such demand, the Company has developed a network security protection system which adapts to the IPv4/IPv6 combined network environment.

The product uses technologies such as SIIT static news translation mechanism, NAT-PT address — agreement translation mechanism, DNS-ALG application level translation and domain name visit control, combined agreement network visit control and FTP-ALG application level agreement translation etc. in order to realize functions such as status-based combined network address agreement conversion, connection status-based combined agreement — network border visit control, DNS-ALG-based domain name analysis under a combined network agreement environment, intranet server security visit on a combined network border, a domain name based border visit control under a combined network agreement environment, such functions ensure network security during the transition period of IPv4/IPv6.

#### 4. Mobile Storage Media Management System

With the extensive usage of USB storage media, there is an increasing demand for USB storage media management. The Company has developed a mobile storage media management system to ensure a USB storage media usage standard. After the implementation of the system, a physical registration is required for the USB facility needed which records the owner's identity of the facility and usage authorization; any unregistered USB facility and those marked as unauthorized are not allowed to be used in the administration system, related default operation will be record in relevant alarm log.

##### *Product Promotion and Marketing Activities*

Building on NandaSoft's self-owned products, the Company self-developed a ASIC structured wire speed high-end firewall product, and applied it successfully to 13 cities business network of Bureau of Radio Administration of Jiangsu Province. The Company is currently developing a B/S based structure firewall management system in order to replace the outdated C/S format. The system was awarded the National's First Information Service Emergency Service Quality Certification, and was also awarded two gold prizes and one innovation award at the Twelfth Beijing International Software Exhibition.

After the renovation project of Xuzhou Post Network, the Company participated in the pilot project of front-end customers marketing data mining of 中國電信號百集團 in 江蘇號百, through in-depth communication and practical research with 號百集團 and 江蘇號百, the Company has gained recognition from customers. On the other hand, the research center of the Company involved in the network hacking and defense platform project, in which it was the only partner qualified for undertaking the project.

The Company participated in the Jiangsu and national agent conference of H3C, and was granted the H3C Industry Market Technological Expert Award for the second half of 2007. This has raised NandaSoft's position in the industry and has opened up new paths for future development.

##### *Security System Integration and Service*

The entering into system projects with Administration for Industry and Commerce of Jiangsu Province and Jiangsu Expressway has extended the business scope of system integration department to provide more comprehensive services for customers and to lay a sound foundation for further business expansion.

During the first half of the year, NandaSoft has placed its business focus on services with product sales as secondary. The Company is transforming from a system integration product provider to a system integration service provider gradually. Such transformation can increase the profit margin of the department, reduce occupancy of capital and provide solid basis for a sustainable co-operation between operational department and customers.

#### *Development of the NandaSoft Group*

During the period, Suzhou Company applied for and obtained 6 software copyright certificates, and signed new contracts with Suzhou Industrial Park Science & Technology Development Center and 蘇州風雲網絡服務有限公司 for facilities purchasing. Suzhou Company plans to expand the software market in recruitment industry. Currently many recruitment centers are based on high schools or recruitment units with enormous administrative works, their work efficiency would be significantly enhanced through system upgrade. The market concentration rate in that sector is rather low as there is absence of software provider with large market share. With over three years of experience in the recruitment sector and high school background, Suzhou is optimistic about the market prospects.

Beijing Company has signed contracts with the Beijing Jinrong Road Subdistrict Office for the third phrase of informatization, China National Machinery Industry Corporation for network facility construction, China National Machinery Industry Corporation for technological services, Summer Palace in Beijing for technological services, Capital Medical University for toxicology information system, China Water and Electric Corporation for external corporate facility purchasing and 內蒙古晟基房地產公司 for technological services.

Fuyue Technology Company Limited obtained the certificate for major enterprise of international service outsourcing in Jiangsu Province, the registration certificate for software product (Fuyue Smart Document Warehouse Software V1.0), registration certificate for computer software copyright; (Fuyue Smart Document Warehouse Software V1.0). New version of co-processing platform V5.0 was being developed during the period, while the original product has obtained certain market share in Jiangsu market. The development of new version creates a new platform, which is important for further expansion to surrounding markets and increase customers satisfaction.

### *Future Prospects*

In order to further enhance the profitability of the Company, in addition to the strengthening and expansion of existing business, NandaSoft will move forward to the construction of NandaSoft Technology & Innovation Park. The total investment in NandaSoft Technology & Innovation Park amounts to approximately RMB600 million to RMB800 million. The gross floor area of the project is 120,000 m<sup>2</sup> and will be constructed in two phrases. The construction work of the phrase I project with a gross floor area of 42,000 m<sup>2</sup> will commence soon, after the completion of phrase I, it is expected to create RMB500 million to RMB600 million of software assets. After the completion of the entire project, software and related technological assets are expected to amount to billions of dollars and the project can also contribute a stable rental income to the Company.

In addition, the Company is currently selecting high-technology projects proactively such as biomedics, mobile communications and training for outsourcing of software services and is identifying investment targets and partners with the objective to more new profit growth-points.

### **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 which 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', and supervisors' interests and short positions in shares and underlying shares***

At 30th June 2008, 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 shares*

Name	Type of interests	Number of domestic shares held directly or indirectly		Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's total share capital
		Direct	Indirect			
<b>Directors</b>						
Xie Li	Personal (Note)	11,900,000	–	–	1.70%	1.27%
Chen Dao Xu	Personal (Note)	500,000	–	–	0.07%	0.05%
<b>Supervisors</b>						
Zhou Ming Hai	Personal (Note)	5,000,000	–	–	0.71%	0.54%
Shi Jian Jun	Personal (Note)	500,000	–	–	0.07%	0.05%

*Note:*

These shares are directly held by the individual directors and supervisors.

Save as disclosed above, as at 30th June 2008, 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.

***Directors' rights to acquire shares or debentures***

At no time during the year 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 2008, no option has been granted pursuant to such share option scheme.

### ***Substantial shareholders' and other persons' interests and short positions in shares and underlying shares***

At 30th June 2008, 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 position in shares*

<b>Shareholder</b>	<b>Capacity</b>	<b>Number of domestic shares</b>	<b>Percentage of domestic shares</b>	<b>Number of H shares</b>	<b>Percentage of H shares</b>	<b>Number of domestic and H shares</b>	<b>Percentage of domestic and H shares</b>
Nanjing University Asset Administration Company Limited (Note 1)	Beneficial Owner	136,340,000	19.48%	–	–	136,340,000	14.60%
Jiangsu Furen Group Company Limited (Note 2)	Beneficial Owner	100,000,000	14.29%	–	–	100,000,000	10.71%
Beijing MengHua Investment Co., Ltd	Beneficial Owner	100,000,000	14.29%	–	–	100,000,000	10.71%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") (Note 3)	Interest of a controlled corporation	89,750,000	12.82%	–	–	89,750,000	9.61%
Guangzhou DingXiang Trade Co., Ltd (Note 2)	Beneficial Owner	80,000,000	11.43%	–	–	80,000,000	8.57%
Liaoning Guotai Housing Development Company Limited (Note 3 and Note 4)	Beneficial Owner	75,000,000	10.71%	–	–	75,000,000	8.03%
Jiangsu Provincial IT Industrial Investment Company Limited (Note 5)	Beneficial Owner	46,850,000	6.69%	–	–	46,850,000	5.02%
Jiangsu Co-Creation (Note 4 and Note 6)	Beneficial Owner	89,750,000	12.82%	–	–	89,750,000	9.61%

*Notes:*

- (1) On 24th December 2007, Nanjing University Asset Administration Company Limited entered into a Share Transfer Agreement with Beijing Menghua Investment Co., Ltd. for the transfer of 10.71% shares (100,000,000 shares) in the Company held by Nanjing University Asset Administration Company Limited to Beijing Menghua Investment Co., Ltd.
- (2) On 7th December 2007, Jiangsu Furen Group Company Limited entered into a Share Transfer Agreement with Guangzhou DingXiang Trade Co., Ltd. ("Guangzhou DingXiang") for the transfer of 10.71% shares (100,000,000 shares) in the Company held by Jiangsu Furen Group Company Limited to Guangzhou DingXiang. On 12 March 2008, Guangzhou DingXiang entered into a share transfer agreement with Mr.Zhang Bingyuan for the transfer of 2.14% Shares (i.e. 20,000,000 Domestic Shares) in the Company to Mr. Zhang Bingyuan.
- (3) On 26th December 2007, Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School entered into a Share Transfer Agreement with Liaoning Guotai Housing Development Company Limited for the transfer of 6.42% shares (60,000,000 shares) in the Company held by Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School to Liaoning Guotai Housing Development Company Limited.
- (4) On 26th December 2007, Jiangsu Co-Creation entered into a Share Transfer Agreement with Liaoning Guotai Housing Development Company Limited for the transfer of 1.606% shares (15,000,000 shares) in the Company held by Jiangsu Co-Creation to Liaoning Guotai Housing Development Company Limited.
- (5) On 8th August 2007, Mr. Wang Dao Wu, a natural person, entered into a transfer agreement with Jiangsu Provincial IT Industrial Investment Company Limited for the transfer of 1,000,000 shares in the Company held by him to Jiangsu Provincial IT Industrial Investment Company Limited.
- (6) 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 89,750,000 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 9.61% 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 30th June 2008, 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.

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

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **Directors' and Supervisors' Rights to Acquire H Share**

During the year ended 30th June 2008, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30th June 2008, none of the Directors or the Supervisors nor their spouses or children under the age of 18 had any rights to acquire H shares in the Company or had executed any such right during the year.

### **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 complied with the Code of Best Practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since its listing on 24th April 2001.

The Company established an audit committee on 8th December 2000 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. 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 2008 and concludes the meeting with agreement to the contents of the interim report. The audit committee comprises the three Independent Non-executive Directors, Mr. Xu Huan Liang, Mr. Yim Hing Wah and Professor Wang Zhi Jian.

For the six months ended 30th June 2008, the Company 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 Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period ended 31st March 2008.

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.

### **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 2008.

On behalf of the Board  
**Jiangsu NandaSoft Company Limited**  
**Xie Li**  
*Chairman*

11th August 2008, Nanjing, the PRC