

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

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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 RMB53,452,000 for the three months ended 31 March 2009, representing an approximately 6.0% decrease as compared with that of corresponding period in 2008.
- Accomplished an attributable net profit of approximately RMB2,226,000 for the three months ended 31 March 2009.
- The Board does not recommend the payment of dividend for the three months ended 31 March 2009.

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 months ended 31 March 2009.

For the three months ended 31 March 2009, the unaudited turnover is approximately RMB53,452,000, representing a decrease of approximately RMB3,390,000, or approximately 6.0% in turnover as compared with that of the same period in 2008. The unaudited attributable profit of the Group for three months ended 31 March 2009 is approximately RMB2,226,000 representing an increase of approximately RMB106,000, or approximately 5.0% in attributable profit as compared with that of the same period in 2008.

The unaudited results of the Group for the three months ended 31 March 2009 together with the unaudited comparative figures for the corresponding period in 2008 are as follows:

	Notes	For the three months ended 31st March	
		2009 RMB	2008 RMB
Revenue	2	53,452,249	56,842,401
Cost of sales		(41,422,957)	(50,383,258)
Gross profit		12,029,292	6,459,143
Other income and gains		415,282	5,095,387
Selling and distribution costs		(3,618,967)	(4,043,262)
Research and development costs		(99,026)	(640,379)
Administrative expenses		(5,913,596)	(4,450,220)
Finance Costs	3	(339,378)	(297,956)
Profit before tax		2,473,607	2,122,713
Tax	4	(40,321)	(49,198)
Profit for the period		2,433,286	2,073,515
Attributable to			
Equity holders of the parent		2,225,925	2,119,693
Minority interest		207,361	(46,178)
		2,433,286	2,073,515
Earnings per share – basic	5	0.0024	0.0023

Notes:

1. BASIS OF PRESENTATION

Jiangsu NandaSoft Technology Company Limited (the “Company”) (formerly known as “Jiangsu NandaSoft Company Limited”) 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 principal place of business in the PRC is located at NandaSoft Tower, 8, Jinyin Street, Shanghai Road, Nanjing, the PRC. The Company’s registered office and principal place of business in Hong Kong is located at Room 08-09, 15/F., Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

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

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

2. REVENUE

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

	For the three months ended 31st March	
	2009 RMB	2008 RMB
Sale of goods:		
Computer software products	4,367,202	1,064,241
Trading of IT related products and equipment and mobile phones	3,108,066	195,210
Rendering of system integration services	45,976,981	55,582,950
	53,452,249	56,842,401

3. FINANCE COST

	For the three months ended 31st March	
	2009 RMB	2008 RMB
Interest Expense	361,658	180,343
Exchange (Gain)/loss	(37,310)	93,509
Bank charges	15,030	24,104
	339,378	297,956

4. TAX

On 16 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 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 has decreased from 33% to 25% on 1 January 2008 and thereafter.

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 33% in the succeeding three years (the "Tax Holiday"), commencing from the first profitable year. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2008: 25%) is applicable to these subsidiaries.

	For the three months ended 31st March	
	2009	2008
	<i>RMB</i>	<i>RMB</i>
The charge comprises:		
PRC income tax	40,321	49,198

The above tax losses are available for a period of one to five years for offsetting against future taxable profits of the companies operating in the PRC in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB2,226,000 (2008: RMB2,120,000) and on 934,000,000 (2008: 934,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 31 March, 2009 and 2008 as there were no potential dilutive securities in existence during the relevant periods.

6. RESERVES

Other than as disclosed below, there were no movements in reserves of the Group for the relevant periods in 2009 and 2008.

	Retained profits	
	2009	2008
	<i>RMB</i>	<i>RMB</i>
As at 1st January	25,070,831	14,388,253
Net profit for the period	2,225,924	2,119,693
As at 31st March	27,296,755	16,507,946

DIVIDEND

The Board does not recommend the payment of dividend for the period (2008: Nil).

FINANCIAL REVIEW

The Group continued to be affected by the economic financial crisis and the management realized that business diversification can enlarge the market share in the technology market and thus the management focusing on the development of trading of mobile phones and other IT related equipment which make the consolidated turnover of the Group for the period ended 31 March 2009 was approximately RMB53,452,000 which represents a slightly dropped of 6.0% when compared with the same period of 2008.

On the other hand, the Group carried on the expenditure strategy since 2008 for keeping tight control on the cost of sales and sales and distribution expense. Having applied the strategy, the unaudited attributable profit to equity holders for the period ended 31 March 2009 was RMB2,226,000 which represent an increase of 5.0% when compared with the same period of 2008.

BUSINESS OBJECTIVES REVIEW

Under a series of economic revitalisation programmes launched by the PRC government, the PRC economy revived significantly in the first quarter of 2009. Such economic stimulation programmes also brought new development opportunities for the IT industry in China. Service outsourcing in the IT industry became one of the key enhancement targets of the PRC government. Riding on the trend, NandaSoft started one of its major service outsourcing programmes in early 2009 – the NandaSoft IBM-ETP training base. Recruitment for two semesters of students was completed, and student training on foreign languages and computer operating skills is currently in progress.

In respect of network security, the Company strives to meet clients' changing demand on network security, and spotlight launched the internal core security based system reinforcement software, which integrates with the previously launched network security total solutions with an aim to provide a one-stop network security solution and service to its clients.

R&D OF PRODUCTS

Network Security Total Solutions

In respect of network security total solution, NandaSoft has focused on the R&D of the following new products during the period:

Enhanced development and industrialisation of software for internal core security based system: against a backdrop of the versatile computing environment under mobile media being prone to hacking and therefore data tempering and dissemination. NandaSoft initiated research effort on the security reinforcement operating system on mobile storage media which enables users to construct a secure computing environment conveniently in any computer and thereby realizes a handy secure mobile computing environment. Such product enables a security system structure for operating system that breaks through the security model of subject-and-object-based and visit monitor and applied the new NSET (Nandasoft Security rEinforcement Technique) developed by the Company. The product is mainly applicable for the military, government departments and corporation units in which the confidentiality requirement is more stringent.

On the other hand, the IPv6 supporting network security integrated protection system NSS-3 programme progressed smoothly since commencement of R&D work by the Company last year, and production was expected to commence this year. In addition, the mobile disk management system has completed R&D and has started marketing effort. A trial version was launched to clients for function assessment during the period.

Product Promotion and Marketing Activities

Leveraging on years of sales experiences of network security products, NandaSoft further perfected its sales strategy with a focus on the improvement on the sales model. The Company has introduced the concept of one-stop network security service in response to clients' demand. Network security service was integrated into the sales of products to provide comprehensive services to clients, including security evaluation, pre-sale proposal consultation, product sales and security support.

During the period, marketing activities were focused on the promotion of network hacking and defense products and internal network monitoring system in the military and tertiary school sectors.

Security System Integration and Service

After the successful launch of the concept of security system integration plus services, the Company has gained client recognition for its R&D strengths in the area of network security total solutions, and secured a number of stable and high quality clients throughout the years. During the period, the Company secured the Industry and Commerce Network Renovation Project Phase III from the Administration for Industry and Commerce of Jiangsu Province, and the construction project of Emergency Platform Network Equipment Expansion Project of Jiangsu Province from the government of Jiangsu province. During the period, the Company has secured the General Hospital of Nanjing Military Base as its client and entered into contracts of Network Equipment Purchase, Exchange Equipment Purchase, Voice Cabling and Data Exchange Point Changing of the Medical Department Building, representing a client base for the Company's future development into the medical sector.

Development of the NandaSoft Group

During the period, the Suzhou Company undertook the Industrial and Commercial Enterprises Online Monitoring Platform Project of Suzhou Industrial Zone. The functions of platform include platform management, enterprises information management, network declaration, online examination, application for activities and online consultation. After the promotion within the industrial zone, it is expected that its application would further promoted to other enterprises in the city.

The Beijing Company set up a government business department during the period for the development of new statistics management software products as a new profit growth point. Also, it has entered into a number of new projects during the period, including the network security of China Machinery Group Company (中國機械集團公司), electronic programme of Beijing Yihe Yuan, the software development of Financial Street Judicial Office, and electronic renovation of Hebei Meteorological Bureau.

For the outsourcing business targeted at Japan, Fuyue Technology Company Limited successfully completed the first large-scale outsourcing project of ASP (ANA) during the period, which demonstrated the company's abilities on quality assurance and technical development and also earned the confidence and trust from the clients. During the period, Fuyue Technology Company Limited has passed the ISO27001 certification, which further upgraded the company's level of information security protection.

CONSTRUCTION OF NANDASOFT SOFTWARE CITY AND EXPANSION OF NEW PROJECTS

Construction of NandaSoft Software City

The piling and the supporting piling in foundation pit of the phase I of NandaSoft Technology and Innovation Park were completed, and passed all static load examinations; the tender of civil construction was also completed.

IBM-ETP Project

The IBM-ETP training base initiated under the cooperation between the government of Gulou District, IBM, NandaSoft and Nanjing University commenced classes during the period. The project is an innovative institution built from the combination of production, academics and research. The training base aims at training elite talents in software service outsourcing industry with a global view, generating specialized service outsourcing talents with a global vision. A total of 300 students were admitted in the first semester. The principal training direction is software engineers targeted at Japan, whereas in a technical aspect, it is divided into the training of Java engineers and mainframe engineers. The entire training cycle lasts for 10 months, and the first semester of students are anticipated to graduate in January 2010.

Communication Technology

The intelligent public transit project developed by the communication technology company established by the Company in the last year achieved substantial progress, with in-depth cooperation with Argos initiated and the R&D of the system in smooth progress. The Company also implemented successful cooperation with communication operators in GPS operations, and GPS operating platforms have been set up in Xinjiang Telecom and Gansu Unicom. The wireless video products of the Company have entered into the police sector of Jiangsu province.

Future Prospects

Targeting on the new trend of network security market development, apart from further developing new network security products that focus on the demand for mobile devices, NandaSoft will also pay close attention on the demand for security of large scale network in order to develop large scale network based security products.

In addition, continuously increasing the weight of security services' in the revenue of the Company will become the next key concern of the management of the Company.

The communication company will continue to introduce various GPS versions suited for different industries and launch mobile phone client software. The intelligent public transit project is also expected to conduct trial run in Nanjing during the second quarter.

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 a term of 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 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' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARE

During the period ended 31 March 2009, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 31 March 2009, 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 period.

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the prospectus issued by the Company dated 19 April 2001. Up to 31 March 2009, no option has been granted pursuant to such share option scheme.

Directors', and Supervisors' Interests and Short Positions in Shares and Underlying Shares

At 31 March 2009, 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	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			
Directors						
Xie Li	Personal (Note 1)	11,900,000	—	—	1.70%	1.27%

Notes:

(1) These shares are directly held by the individual director and supervisor.

Save as disclosed above, as at 31 March 2009, 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 31 March 2009, 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	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%
Shenyang Cheng Fa Commercial Software Company Limited (Note 4 and note 5)	Beneficial Owner	85,000,000	12.14%	—	—	85,000,000	9.10%
Guangzhou DingXiang Trade Co., Ltd (Note 4)	Beneficial Owner	55,000,000	7.86%	—	—	55,000,000	5.89%
Jiangsu Provincial IT Industrial Investment Company Limited (Note 6)	Beneficial Owner	46,850,000	6.69%	—	—	46,850,000	5.02%
Jiangsu Co-Creation (Note 7)	Beneficial Owner	89,750,000	12.82%	—	—	89,750,000	9.61%

Notes:

- (1) On 24 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% domestic shares (100,000,000 domestic shares) in the Company held by Nanjing University Asset Administration Company Limited to Beijing Menghua Investment Co., Ltd.
- (2) On 7 December 2007, Jiangsu Furen Group Company Limited entered into a Share Transfer Agreement with Guangzhou DingXiang Trade Co., Ltd. (“GZ DingXiang”) for the transfer of 10.71% domestic shares (100,000,000 shares) in the Company held by Jiangsu Furen Group Company Limited to GZ 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 26 December 2007, Jiangsu Management Centre entered into a Share Transfer Agreement with Liaoning Guotai Housing Development Company Limited (“Liaoning Guotai”) for the transfer of 6.42% domestic shares (60,000,000 domestic shares) in the Company held by Jiangsu Management Centre to Liaoning Guotai.
- (4) On 12 January 2009, GZ DingXiang entered into a Share Transfer Agreement with Shenyang Cheng Fa Commercial Software Company Limited (“Cheng Fa”) for the transfer of 2.68% domestic shares (25,000,000 domestic shares) in the Company held by GZ DingXiang to Cheng Fa.
- (5) On 12 January 2009, Liaoning Guotai entered into another Share Transfer Agreement with Cheng Fa for the transfer of 6.42% domestic shares (60,000,000 domestic shares) in the Company held by Liaoning Guotai to Cheng Fa.
- (6) On 8 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 domestic shares in the Company held by him to Jiangsu Provincial IT Industrial Investment Company Limited.
- (7) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1 July 2001. The interest of Jiangsu Management Centre comprises 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 31 March 2009, 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.

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 24 April 2001.

The Company established an audit committee on 8 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 for the period ended 31 March 2009 and internal control system of the Group. The audit committee has reviewed the first quarterly report for 2009 and concludes the meeting with agreement to the contents of the first quarterly report. The audit committee comprises the three Independent Non-executive Directors, Mr. Xu Huan Liang, Mr. Yim Hing Wah and Dr. Daxi Li.

For the three months ended 31 March 2009, 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 31 March 2009.

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 three months ended 31 March 2009.

On behalf of the Board
Jiangsu Nandasoft Technology Company Limited
Xie Li
Chairman

13 May 2009, Nanjing, the PRC