



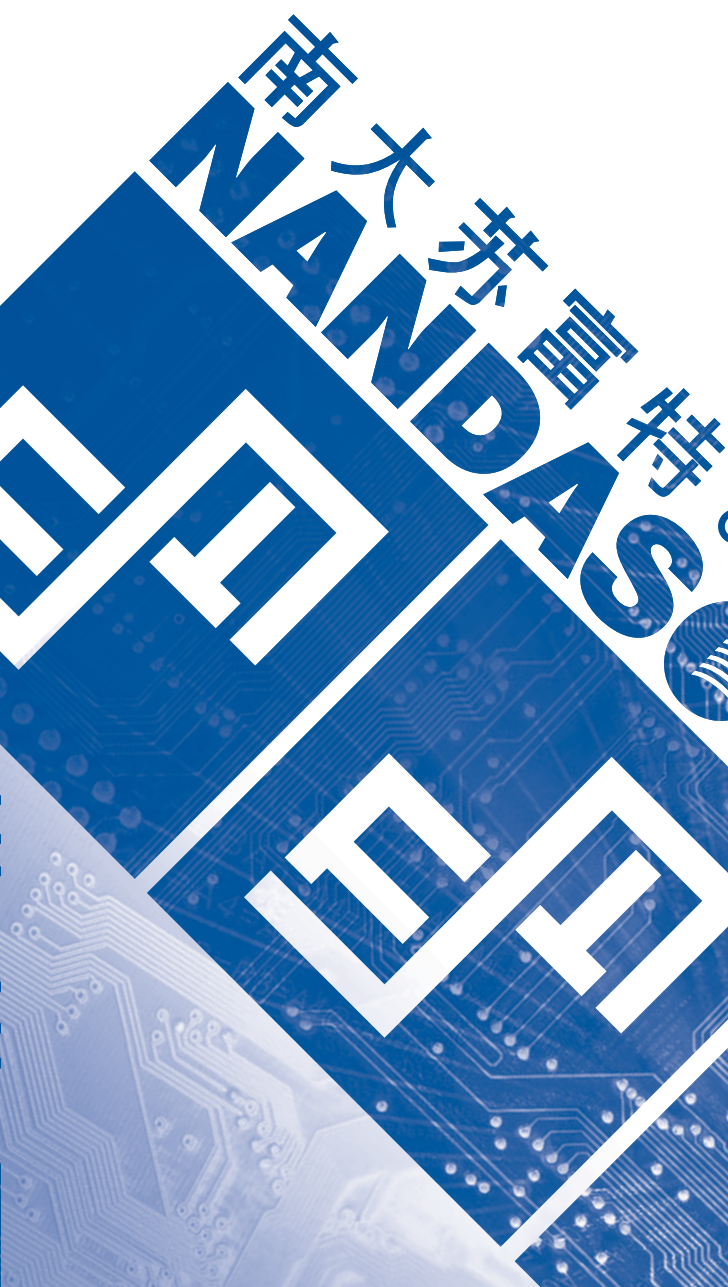
NANDASOFT
南大苏富特

JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED

江蘇南大蘇富特科技股份有限公司

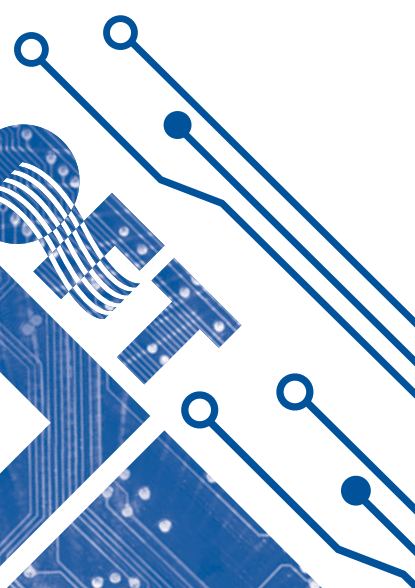
(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8045)



Interim Report

2009



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of Jiangsu NandaSoft Technology Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jiangsu NandaSoft Technology Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB124,788,000 for the six months ended 30th June 2009, representing an approximately 5.4% increase as compared with that of the corresponding period in 2008.
- Accomplished a net profit of approximately RMB7,105,000 for the six months ended 30th June 2009.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2009.

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 2009.

For the three months ended 30th June 2009, the unaudited turnover is approximately RMB71,677,000, representing an increase of approximately RMB10,147,000, or approximately 16.5% in turnover as compared with that of the same period in 2008.

For the six months ended 30th June 2009, the unaudited turnover is approximately RMB124,788,000, representing an increase of approximately RMB6,416,000, or approximately 5.4% in turnover as compared with that of the same period in 2008.

The unaudited net profit of the Group for three months and six months ended 30th June 2009 is approximately RMB4,880,000 and approximately RMB7,105,000 respectively, representing an increase in the results of approximately 9.3% and 7.9% respectively as compared with the corresponding figures in 2008.

The unaudited results of the Group for the three months and six months ended 30th June 2009 together with the unaudited comparative figures for the corresponding period in 2008 are as follows:

	Notes	For the three months ended 30th June,		For the six months ended 30th June,	
		2009 RMB	2008 RMB	2009 RMB	2008 RMB
Revenue	2	71,676,527	61,529,624	124,788,445	118,372,026
Cost of sales		(54,781,067)	(50,325,651)	(95,863,693)	(100,708,910)
Gross profit		16,895,460	11,203,973	28,924,752	17,663,116
Other income		2,714,457	1,686,089	3,152,416	6,781,476
Distribution costs		(3,478,622)	(3,380,555)	(7,097,590)	(7,423,817)
Research and development costs		(23,350)	(823,293)	(122,375)	(1,463,672)
Administrative expenses		(8,795,531)	(3,528,132)	(14,709,127)	(7,978,352)
Finance Costs	3	(932,060)	(87,684)	(1,294,115)	(385,640)
Profit before tax	4	6,380,354	5,070,398	8,853,961	7,193,111
Income tax expense	5	(808,216)	(192,788)	(848,537)	(241,985)
Profit for the period		5,572,138	4,877,610	8,005,424	6,951,126
Attributable to Equity holders of the parent		4,879,543	4,464,220	7,105,468	6,583,913
Minority interest		692,595	413,390	899,956	367,213
		5,572,138	4,877,610	8,005,424	6,951,126
Earnings per share – basic	6	0.00522	0.00478	0.00761	0.00705

CONSOLIDATED BALANCE SHEET

As at 30th June 2009

		(Unaudited) 30th June 2009 RMB	(Audited) 31st December 2008 RMB
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		5,109,275	3,705,929
Intangible assets		22,642,818	18,341,509
Interest in associates		7,923,117	7,923,117
Available for sale investment		1,360,053	1,360,053
Constructions in progress		37,654,811	27,675,507
Deposit paid		30,813,873	18,060,000
Total non-current assets		105,503,947	77,066,115
Current assets			
Inventories		53,634,005	45,442,795
Trade and other receivables	7	114,752,345	109,901,147
Equity investment at fair value through P&L		264,331	264,331
Due from shareholders		5,976,185	5,976,185
Cash and bank balances		22,262,358	29,423,371
Total current assets		196,889,224	191,007,829

		(Unaudited) 30th June 2009 <i>RMB</i>	(Audited) 31st December 2008 <i>RMB</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	8	53,270,815	35,390,390
Receipt in advance, other creditor and accruals		12,512,194	28,675,037
Due to shareholders		115,297	115,297
Interest-bearing bank and other borrowings		41,200,000	19,000,000
Tax payable		1,893,796	303,191
Total current liabilities		108,992,102	83,483,915
Net current assets		87,897,122	107,523,914
Net assets		193,401,069	184,590,029
Equity			
Equity attributable to equity holders of the parent			
Issued capital		93,400,000	93,400,000
Reserves		85,548,210	78,324,418
		178,948,210	171,724,418
Minority interest		14,452,859	12,865,611
Total Equity		193,401,069	184,590,029

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30th June 2009 <i>RMB</i>	Six months ended 30th June 2008 <i>RMB</i>
Cash flows from operating activities	(16,892,345)	(8,885,941)
Cash flow from taxation	(2,830,455)	(1,337,612)
Cash flows from investing activities	(13,626,106)	32,190,485
Cash flows from financial activities	26,187,893	(5,855,843)
Net (decrease)/increase in cash and cash equivalent	(7,161,013)	16,111,089
Cash and cash equivalents at the beginning of the period	29,423,371	30,577,880
Cash and cash equivalents at the end of the period	22,262,358	46,688,969

STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>RMB</i>	Share Premium <i>RMB</i>	Statutory Surplus Reserve <i>RMB</i>	Statutory Public Welfare Fund <i>RMB</i>	Exchange reserve <i>RMB</i>	Retained earnings <i>RMB</i>	Total <i>RMB</i>
At 1st January 2008	93,400,000	48,868,818	3,211,889	1,605,944	(149,412)	14,388,253	161,325,492
Profit for the period	—	—	—	—	—	6,583,913	6,583,913
Exchange difference arising on translation of foreign operations	—	—	—	—	109,315	—	109,315
At 30th June 2008	93,400,000	48,868,818	3,211,889	1,605,944	(40,097)	20,972,166	168,018,720
At 1st January 2009	93,400,000	48,868,818	4,494,493	76,000	(185,724)	25,070,831	171,724,418
Profit for the period	—	—	—	—	—	7,105,468	7,105,468
Appropriations	—	—	574,445	—	—	(574,445)	—
Exchange difference arising on translation of foreign operations	—	—	—	—	118,324	—	118,324
At 30th June 2009	93,400,000	48,868,818	5,068,938	76,000	(67,400)	31,601,854	178,948,210

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 30th 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 30th 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 24th April 2001.

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

2. REVENUE

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

	For the three months ended 30th June		For the six months ended 30th June	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Sale of goods:				
Computer software product	4,958,758	906,169	9,104,707	1,970,410
Trading of IT related products and equipment, and mobile phone	12,729,577	—	16,480,495	195,210
Rendering of system integration services	53,988,192	60,623,455	99,203,243	116,206,406
	71,676,527	61,529,624	124,788,445	118,372,026

3. FINANCE COST

	For the six months ended 30th June	
	2009 RMB	2008 RMB
Interest expense	934,402	244,720
Exchange gain	76,185	122,451
Bank charges	283,528	18,469
	1,294,115	385,640

4. PROFIT FROM OPERATIONS

	For the six months ended 30th June	
	2009	2008
	<i>RMB</i>	<i>RMB</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation on:		
– property, plant and equipment	955,786	431,634
– intangible assets (included in research and development costs)	39,162	140,750
Cost of Sale	95,863,693	100,708,910

5. INCOME TAX EXPENSE

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 has decreased from 33% to 25% on 1st 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 30th June		For the six months ended 30th June	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
The charge comprises:				
PRC income tax	808,216	192,788	848,537	241,985

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 1st January 2008 and applies to earnings after 31st 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 1st January 2008.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately RMB4,880,000 and RMB7,105,000 for the three and six months ended 30th June 2009 (2008: RMB4,464,000 and RMB6,584,000) 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 30th June 2009 and 2008 as there were no potential dilutive securities in existence during the relevant periods.

7. TRADE AND OTHER RECEIVABLE

	(Unaudited) 30th June 2009 RMB	(Audited) 31st December 2008 RMB
Trade receivables	94,929,263	89,955,913
Less: accumulated impairment	(42,570,748)	(42,560,101)
	52,358,515	47,395,812
Notes receivables	770,000	—
Advance to suppliers	38,973,133	31,003,894
Other receivable from 中國石油天然氣股份 有限公司	3,375,000	3,507,762
Consideration receivable from an ex- venture partner	—	2,000,000
Others	24,369,092	30,606,040
Less: Accumulated impairment	66,717,225 (6,117,352)	67,117,696 (6,117,352)
	60,599,873	61,000,344
Deposit paid and prepayments	1,023,957	1,504,991
Total trade and other receivable	114,752,345	109,901,147

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

	(Unaudited) 30th June 2009 RMB	(Audited) 31st December 2008 RMB
0 – 90 days	27,370,796	36,899,257
91 – 180 days	7,293,748	4,439,933
181 – 365 days	8,624,808	2,314,291
Over 365 days	9,069,163	3,742,331
	52,358,515	47,395,812

As at 30th June 2009, the fair values of trade and other receivables approximates to the carrying amounts.

8. TRADE AND OTHER PAYABLES

Aged analysis of trade and other payables are as follows:

	(Unaudited) 30th June 2009 RMB	(Audited) 31st December 2008 RMB
0 – 90 days	18,406,548	20,648,934
91 – 180 days	8,525,117	4,295,394
181 – 365 days	5,846,861	2,271,377
Over 365 days	10,242,289	8,174,685
	43,020,815	35,390,390
Notes payable	10,250,000	—
	53,270,815	35,390,390

9. 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		Trading of IT related products and equipment and mobile phones six months ended 30th June		Total six months ended 30th June	
	2009	2008	2009	2008	2009	2008	2009	2008
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Turnover								
External Sales	9,104,707	1,970,410	99,203,243	116,206,406	16,480,495	195,210	124,788,445	118,372,026
Result								
Segment result	5,493,634	5,156,691	2,913,308	2,391,841	1,841,809	(20,797)	10,248,751	7,527,735
Investment income							44,078	113,731
Unallocated							(144,753)	(62,715)
Finance Cost							(1,294,115)	(385,640)
Profit from operations							8,853,961	7,193,111
Income tax expense							(848,537)	(241,985)
Profit before taxation							8,005,424	6,951,126

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2008: Nil).

Financial Review

Results

During the period, the Group concentrated on the high profit margin business and the profit margin of the Group for the period ended 30th June 2009 was 23% and increased of approximately 55.3% when compared with that of 14.9% at the same period in previous year.

Besides, the Group continue to expand the sales network on trading of IT related products and equipment and new business which leading the consolidated revenue of the Group for the three months and six months ended 30th June 2009 was approximately RMB71,677,000 and RMB124,788,000, representing an increase of approximately 16.5% and 5.4% as compared to the same period in the previous year.

The unaudited profit attributable to shareholders of the Group for the three months and six months ended 30th June 2009 were approximately RMB4,880,000 and RMB7,105,000 which represent an increase of approximately 9.3% and 7.9% as compared to the same period in 2008. During the period, finance cost was increased for approximately two times when compared with the same period in the previous year and this is in line with increasing of RMB22,000,000 interest bearing and bank borrowings. Apart from that, the Group continued to adopt the operating expenditure control strategies which result in substantial deductions in the cost of goods sold.

Financial Resources and liquidity

As at 30th June 2009, shareholders' funds of the Group amounted to approximately RMB178,948,000. Current assets amounted to approximately RMB196,889,000, of which approximately RMB22,262,000 were cash and bank deposits. The Group did not have non-current liabilities and its current liabilities amounted to approximately RMB108,992,000, mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.192. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2009, the Group had a gearing ratio of 13.6% and the Group has short-term loan of RMB41,200,000.

Others

Throughout the six months ended 30th June 2009, the Group did not make any material acquisitions or disposals and no proceed was invested in any significant financial instruments.

As at 30th June 2009, there were no charges on group assets, and it is the same as the comparative six months ended 30th June 2008.

As at 30th June 2009, the Group had no material contingent liabilities and it is the same as the comparative six months ended 30th June 2008.

Foreign Currency Risk

During the six months ended 30th June 2009, 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 2009, total remuneration cost for the Group is RMB12,212,000 (2008: RMB8,611,000) and the Group had 563 employees (2008: 388 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the business adjustment and integration in 2008, the Company set out adjustments to its strategic objectives at the beginning of 2009: the Company will continue the development of fundamental cutting-edge software businesses (including network security total solutions, system software and software service outsourcing), paralleled by efforts in the high-tech field (including bio-medicine applications focused on minimally invasive technologies and 3G communication applications). These are intended to further strengthen the Company's integrated competitiveness.

The first half of 2009 marked an obvious revival in the PRC economy. Against this backdrop, the issue of how to reinforce network information security has become a major concern. Targeting on the market demand from enterprises looking for internal electronic data protection, the Company launched the NandaSoft Electronic Document Security Protection Platform which is currently adopted by large-scale enterprises clients in the PRC. The Company kicked off one of its major service outsourcing programmes during the first half of 2009 – the NandaSoft IBM-ETP training base. Recruitment for two semesters of students was completed, and a training base was established in Changshu. Soon after its establishment, the training base was named “Creditable Education Institute” (誠信教育機構) by Modern Express (《現代快報》) and “Nanjing Readers’ Choice of the Most Satisfactory IT Training Institute 2009” (2009年度南京市讀者最滿意的IT培訓機構) by Jingling Evening News (《金陵晚報》).

R&D OF PRODUCTS

Network Security Total Solutions

Leveraging on the years of development of the Company’s network security products and its foothold in the market demand, the Company ascertained a focus on the R&D of high-end network security products and application-oriented solutions in respect of network security solutions. As to the network security total solutions, NandaSoft focused on the R&D of the following new products during the period:

Development and industrialisation of internal core security based system reinforcement software: given that the highly variable computing environment in mobile media are prone to hacking and therefore data tempering and dissemination, NandaSoft started research efforts on the security reinforcement operating system in mobile storage media which would enable users to construct a secure computing environment conveniently in any computer and thereby realize a handy secure mobile computing environment. The product would enable 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 enhanced NSET (Nandasoft Security rEinforcement Technique) developed by the Company. The product is mainly applicable for the military, government departments and corporation units that adopt more stringent confidentiality requirements.

NandaSoft Electronic Document Security Protection Platform: the platform is designed to meet enterprises' demand for confidentiality of electronic document data in their internal network and is built upon the principle of high security, high usability and expandability. The platform is equipped with functions such as storage encryption, local hard disk encryption, document automatic encryption and decryption, offline mode, security strategy sub-system and log analysis centre.

During the period, the Company upgraded the computer network hacking and defense platform to a large scale network security virtual platform suitable for network security teaching in the tertiary school sector.

Product Promotion and Marketing Activities

Leveraging on years of sales experiences of network security products, NandaSoft further enhanced its sales strategy with a focus on improving the sales model. Currently, the Company is focusing on the development of markets outside the Jiangsu province such as Fujian, Jiangxi, Henan and Anhui through close cooperation with local integration service providers to sell its network security products.

Through cooperation with the Secrecy Bureau of Guizhou Province (貴州省保密局) during the period, the promotion of the USB mobile disk management system attained good market results.

Regarding the industry application software, the Company deepened cooperation with 中國電信號百集團 and participated in its data mining service. It is also planned to commence cooperation in the data application service during the second half of the year. Meanwhile, the Company also undertook several development projects, including the hydrographic data exchange system of Jiangsu Provincial Communications Department – customer relationship management system, the upgraded development of the tax regulation database (升級開發稅收法規庫) of Jiangsu Local Taxation Bureau, the purchase management system of Suqian government, software development of the information centre of Yancheng Real Estate Computer Centre (鹽城房產計算機中心) and 無錫征信 – office automation system.

Security System Integration and Service

As the security system integration service built on the Company's solid technological strengths continued to gain client recognition, the Company continued to secure projects with a number of stable existing clients during the period, including the Industry and Commerce Network Renovation Project Phase III from the Administration for Industry and Commerce of Jiangsu Province, the construction project of Emergency Platform Network Equipment Expansion Project of Jiangsu Province from the government of Jiangsu province and Jiangsu Expressway (江蘇省高速公路). On top of that, the Company also secured new clients such as Nanjing Flood and Drought Prevention Command Centre (南京市防汛防旱指揮中心) and Jiangsu Bureau of Quality and Technical Supervision. Regarding system integration, the Company won the bid for the construction of equipment of the system Engineering project of Changzhou Highway Management Integrated Service Centre (常州市公路管理綜合服務中心).

Development of the NandaSoft Group

During the first half of the year, the Suzhou Company entered into contracts for several major projects including Kunshan Recruitment and Admission System (昆山招辦中招錄取系統), World Heritage Information Input System of Suzhou Gardens Administration Bureau (蘇州園林局世界遺產資料錄入系統), Price Forecast System of Suzhou Price Bureau (蘇州市物價局價格預警系統) and Talent Database System of Suzhou Women Association (蘇州市婦聯人才庫系統). In particular, product planning and marketing were conducted on secondary school recruitment management software products and postgraduate school recruitment management software products which mainly involved the updating of student recruitment websites, arrangement of recruitment products white paper, and coordinated with search engine companies for online marketing etc. These efforts laid a solid foundation for the full launch of products in the second half of the year. For intelligent system integration, the Suzhou Company entered into contracts such as the intelligent project of Aoyun Garden Phase II Community (澳韻二期社區智慧化工程) and 水雲居二期小區 of 中新蘇州工業園區置地有限公司 and the control renovation project of Suzhou Municipal Social Welfare Home.

In respect of 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 capabilities in quality assurance and technical development and also earned the confidence and trust from the clients. During the period, Fuyue Technology Company Limited passed the ISO27001 certification, which further upgraded the company's position in the area of information security protection. The company was also awarded "Top 10 Software Outsourcing in Nanjing" (南京市軟件外包十強).

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, electronic renovation of Hebei Meteorological Bureau, electronic programme of 北京大龍建設集團有限公司, and toxicology information security system of Capital Medical University.

CONSTRUCTION OF NANDASOFT SOFTWARE CITY AND EXPANSION OF NEW PROJECTS

Construction of NandaSoft Software City

The structural work of block 01 basement of NandaSoft Software City was completed during the period.

IBM-ETP Project

The IBM-ETP training base initiated under the cooperation of the government of Gulou District, IBM, NandaSoft and Nanjing University commenced classes during the period. The project is an innovative institution that combines 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. Currently, student recruitment for two semesters was completed. NandaSoft IBM-ETP training base was set up in Changshu during the period.

Communication Technology

The communication technology company focused on the application and R&D of GPS technology in communication and public transport, 3G based wireless video control system and other industries. During the period, the company successfully cooperated 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 successfully entered into the police sector of Jiangsu province.

Bio-medicine

The business of Promed Medical Tech (Suzhou) Co., Ltd and Vascore Medtech Medical (Suzhou) Co., Ltd (in which the Company has certain equity interests) developed smoothly. During the period, Prostant rapamycin-eluting stents system has completed the clinical trial of random examination and implant in seventeen renowned clinical institutions in China with satisfactory feedbacks of various indices recorded in 3-month and 6-month follow-up visits. In accordance with the relevant requirements from the State Food and Drug Administration for the application for the permission of launch of products, the Prostant project has entered to the stage of angiographic follow-up 270 days after the implant and various tasks have been progressing smoothly.

Future Prospects

In respect of network security total solution, the Company will increase its efforts in the marketing of high-end network security products. Meanwhile, the Company will also target on the development of Linux and increase its R&D inputs in this aspect. As to application-oriented network security protection, the Company will continue to market its NandaSoft electronic document security protection solution with a view to increase the number of enterprise users.

In the second half of the year, the Company will co-operate with China Mobile Jiangsu Branch in the area of mobile-based application to launch “Employment Service” (「就業通」) in order to increase the revenue from services.

For IT training, the Company will continue to establish NandaSoft IBM-ETP training bases nationwide, and it is anticipated that training centres will be set up in regions such as Nanchang and Shanyang.

The communication company will continue to introduce various GPS versions applicable in different industries. Through cooperation with the postage industry, it is planned to launch GPS-based application for postage system in the second half of the year. The Company will take the police sector as a starting point and continue to stretch out the promotion of 3G network-based wireless video products. It will also introduce the application system of integrated GPS and wireless video products under the support of the public transport sector.

Regarding the area of biomedicine, the Nanjing Invasive Medical Equipment New Material and Technological Engineering Centre (南京介入醫療器械新材料與技術工程中心) established under the support of NandaSoft will commence the R&D project of invasive medical technology.

Regarding the area of biomedicine, the Nanjing Invasive Medical Equipment New Material and Technological Engineering Centre (南京介入醫療器械新材料與技術工程中心) established in May 2009 under the support of NandaSoft will commence the R&D project of invasive medical technology. The Centre has introduced advance technology and experienced experts both domestically and from overseas, it also pays close attention on the present condition and the development trend of cardiovascular stent products and has commenced the R&D and preparation work of the next generation products.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company 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 30th June 2009, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30th June 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 19th April 2001. Up to 30th June 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 30th June 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
		<i>Direct</i>	<i>Indirect</i>			
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 30th June 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 30th June 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	Beneficial Owner	136,340,000	19.48%	–	–	136,340,000	14.60%
Jiangsu Furen Group Company Limited	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")	Interest of a controlled corporation	89,750,000	12.82%	–	–	89,750,000	9.61%

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
Shenyang Cheng Fa Commercial Software Company Limited (Note 1 and note 2)	Beneficial Owner	85,000,000	12.14%	—	—	85,000,000	9.10%
Guangzhou DingXiang Trade Co., Ltd (“GZ DingXiang”)	Beneficial Owner	55,000,000	7.86%	—	—	55,000,000	5.89%
Jiangsu Provincial IT Industrial Investment Company Limited	Beneficial Owner	46,850,000	6.69%	—	—	46,850,000	5.02%
Jiangsu Co-Creation (Note 3)	Beneficial Owner	89,750,000	12.82%	—	—	89,750,000	9.61%

Notes:

- (1) On 12th 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.
- (2) On 12th January 2009, Liaoning Guotai Housing Development Company Limited (“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.
- (3) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1st July 2001. The interest of Jiangsu Management Centre comprises 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 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 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 for the period ended 30th June 2009 and internal control system of the Group. The audit committee has reviewed the interim report for 2009 and concludes the meeting with agreement to the contents of the interim report.

As one of our Independent Non-executive Director, Mr. Yim Hing Wah has been deceased on 14th July 2009 and the audit committee comprises only two Independent Non-executive Directors, namely Mr. Xu Huan Liang and Dr. Daxi Li as at the date of this report. Accordingly, the Company is not able to meet with the requirements of rules 5.28 of the GEM Listing Rules and the requirement of the codes on corporate governance practices.

For the six months ended 30th June 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 except for the deviation from code provision A.3 of the Code.

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 30th June 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 six months ended 30th June 2009.

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

7th August 2009, Nanjing, the PRC