



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)

Third Quarterly 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 RMB215,861,000 for the nine months ended 30th September 2009, representing an approximately 16.4% increase as compared with that of the corresponding period in 2008.
- Accomplished a net profit of approximately RMB11,069,000 for the nine months ended 30th September 2009.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September 2009.

THIRD QUARTERLY 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 nine months ended 30th September 2009.

For the three months and nine months ended 30th September 2009, the unaudited turnover is approximately RMB91,072,000 and RMB215,861,000, respectively representing an increase of approximately RMB23,911,000 and RMB30,328,000, or approximately 35.6% and 16.4% in turnover as compared with that of the same period in 2008.

The unaudited net profit of the Group for three months and nine months ended 30th September 2009 is approximately RMB3,964,000 and RMB11,069,000, respectively representing an increase of approximately RMB278,000 and RMB799,000, as compared with that of the same period in 2008.

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

	Notes	For the three months ended 30th September		For the nine months ended 30th September	
		2009	2008	2009	2008
		RMB	RMB	RMB	RMB
Revenue	2	91,072,215	67,160,889	215,860,660	185,532,914
Cost of sales		(76,543,054)	(56,808,047)	(172,406,747)	(157,516,956)
Gross profit		14,529,161	10,352,842	43,453,913	28,015,958
Other income		2,487,828	2,544,534	5,640,244	9,326,010
Distribution costs		(4,067,138)	(4,525,805)	(11,164,728)	(11,949,622)
Research and development costs		(369,016)	(671,293)	(491,391)	(2,134,965)
Administrative expenses		(7,113,726)	(3,101,701)	(21,822,853)	(11,080,053)
Finance Costs	3	(581,254)	(204,202)	(1,875,369)	(589,842)
Profit before tax		4,885,855	4,394,375	13,739,816	11,587,486
Income tax expense	4	(448,908)	(130,980)	(1,297,446)	(372,966)
Profit for the period		4,436,947	4,263,395	12,442,370	11,214,520
Attributable to					
Equity holders of the parent		3,963,761	3,686,029	11,069,228	10,269,942
Minority interest		473,186	577,366	1,373,142	944,578
		4,436,947	4,263,395	12,442,370	11,214,520
Earnings per share — basic	5	0.0042	0.0039	0.0119	0.0110

Notes:

1. BASIS OF PRESENTATION

Jiangsu NandaSoft Technology Company Limited (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 30th December 1999. The Company’s predecessor, Jiangsu NandaSoft Limited Liability Company (the “Predecessor”) was established on 18th September 1998. By way of transformation of the Predecessor (the “Transformation”), the Company was established on 30th December 1999. 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 year.

	For the three months ended 30th September		For the nine months ended 30th September	
	2009	2008	2009	2008
	RMB	RMB	RMB	RMB
Sale of goods:				
Computer software products	14,793,766	5,188,356	23,891,214	7,158,766
Trading of IT related products and equipment, and mobile phones	5,340,867	—	21,827,318	195,210
Rendering of system integration services	70,937,582	61,972,533	170,142,128	178,178,938
	91,072,215	67,160,889	215,860,660	185,532,914

3. FINANCE COST

	For the three months ended 30th September		For the nine months ended 30th September	
	2009	2008	2009	2008
	RMB	RMB	RMB	RMB
Interest Expense	551,783	175,531	1,486,185	420,251
Exchange Gain/(loss)	18,877	13,789	95,062	136,240
Bank Charges	10,594	14,882	294,122	33,351
	581,254	204,202	1,875,369	589,842

4. 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 September		For the nine months ended 30th September	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
The charge comprises:				
PRC income tax	448,908	130,980	1,297,446	372,966

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.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately RMB3,964,000 and RMB11,069,000, respectively for the three months and nine months ended 30th September 2009 (2008: RMB3,686,000 and RMB10,270,000) and on 934,000,000 (2008: 934,000,000) shares in issue during the periods.

Diluted earnings per share is not presented for the three months and nine months ended 30th September 2009 and 2008 as there were no potential dilutive securities in existence during the relevant periods.

6. RESERVES

Other than the profit for the period as disclosed in the consolidated statement of changes in equity, there were no movements in reserves of the Group for the relevant periods in 2008 and 2009.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months period ended 30th September 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

For the three month and nine months ended 30th September 2009, the consolidated revenue of the Group was approximately RMB91,072,000 and RMB215,861,000, respectively representing an increase of approximately 35.6% and 16.4% as compared to the same period in the previous year. The improvement in the turnover of the Group was due to a diversifications of sales network and successful marketing efforts which provide the Company with good business development and market recognition.

During the period, the administration expense was increased since the Group has set up 4 subsidiaries in order to match with the diversifications of sales network. Even though the operating expense was increased of 37.3%, the consolidated operating profit attributable to shareholders of the Group for the three months and nine months ended 30th September 2009 was approximately RMB3,964,000 and RMB11,069,000, representing an increase of approximately 7.5% and 7.8% when compared to the same period in the previous year.

Business Development Review

As the overall economy in the PRC further improved, the Company continued to strengthen the development of its three major businesses namely IT, the construction of NandaSoft Technology and Innovation Park and bio-medicine during the period. The Company focused on the development of business document security platform in respect of application-oriented network security total solutions, and the marketing of desktop Linux in respect of existing network security solutions, and achieved satisfactory results. The Company also continued to proceed

in the area of bio-medicine applications focused on minimally-invasive technologies, and IBM-ETP training programs in Nanjing and Changshu have started teaching. During the period, the Company participated in the 5th China (Nanjing) International Software Product Expo, and launched various new technologies and products in the areas of IT training, bio-medicine and wireless communication at the expo.

Product Development

Network Security Total Solutions

During the period, the major achievements in the R&D of network security total solutions were:

- Softinix software upgrade, in which the basic functions of x86 desktop Softinix were migrated to Loongson Box, including common software such as commonly-used office software, network software, science education, Chinese characters and system tools. The interface, style and operating procedure of the updated software are totally identical with x86 desktop system software, which overcomes the limitations on software support and automatic upgrade of original Loongson Box system, and provides ideal support to the surrounding hardware environment. The Company has conducted preliminary trial exploration on the construction of the installation process of Loongson-based hardware platform.
- Passed the inspection and approval process of the information system-based electronic administration security data exchange platform of Jiangsu Science and Technology Department;
- Obtained the large scale network hacking and defense simulated training software project of the Electronic and Information Industry Fund;
- Obtained the R&D and industrialization project of IPv6 large scale intranet and endpoint security management system with the support from the Ministry of Industry and Information Technology;

During the period, the Company secured projects with four business departments of the home electric appliance group of Midea Group in relation to document security platform. The business document security platform is an application platform which protects sensitive documents and information of enterprises and prevents such information from leaking. It can reduce the possibility of deliberate leakage of important diagrams, documents and information, which in turn enhances the competitiveness of the enterprise in the industry and protects its commercial secrets. As Midea Group is the market leader of the home appliances industry in the PRC, the cooperation may further enhance the cooperation between the Company and other large and medium scale enterprises, and may help to enhance the security standard of Chinese enterprises in relation to the protection of internal documents.

Product Promotion and Marketing Activities

During the period, the Company took out the security operating system and desktop operating system from the network total solutions developed throughout the years and marketed them through a number of professional software distributors during the period. A number of contracts were signed and the sales results were satisfactory.

During the period, the Company held the Fujian product release 2009 in Pingtan, Fujian. The Company invited end-user clients from the government sector and important channel sellers from different regions to participate in this event. During the product release, the Company mainly introduced its firewall products, data exchange platforms, mobile media management products, confidentiality inspection products, server room environmental monitoring products, as well as products distributed by the Company, such as web application firewalls (WAF) and fingerprint USB drivers. This event on the one hand maintained the Company's presence in the Fujian market, and on the other hand, deepened clients' knowledge of the new products and built up important client resources for the Company through the introduction of related new products targeting on specific clients.

Regarding the industry application software during the period, the Company deepened the cooperation with 中國電信號百集團 and entered into a joint operation project of E-learning website columns. The website focuses on the marketing and promotion of columns such as school news, discount information and games with an aim to provide good services to web users. Meanwhile, the Company also undertook the development project of exchange platform and application modules of Wuxi Enterprise Credit Foundation Database (無錫企業信用基礎數據庫).

Security System Integration and Service

The security system integration and service business has become one of the main businesses to generate stable source of cash flow to the Company. During the period, the Company secured a number of projects, including the technological service project 2009 and wireless service project 2009 of Jiangsu Expressway Network Center of Jiangsu Expressway Network Operation and Management Co., Ltd., data transmission service in the exchange area of Jiangsu Gold Guarantee Project Information Centre (江蘇省金保工程數據中心) of Jiangsu Labour and Social Security Information Centre (江蘇省勞動和社會保障信息中心), the H3C equipment maintenance project of Jiangsu Entry-Exit Inspection and Quarantine Bureau and the network system maintenance project of Jiangsu Bureau of Quality and Technical Supervision. The securing of these projects strengthened the relationship between the Company and its clients, and laid the foundation for the successful transformation into a service-oriented integrated operator.

Development of the Nandasoft Group

During the period, the Suzhou NandaSoft Technology Company Limited secured projects in relation to software development, which mainly included World Heritage Monitoring Platform Final Project (世界遺產監測平台後期項目) of Suzhou Gardens Administration Bureau, Premium Rental Management System Phase II (優租房管理系統二期) of Suzhou Industrial Zone Information Centre (蘇州工業園區信息中心), Xihu Hangzhou Landscape Monitoring Consultation Project (杭州西湖景觀監測諮詢項目) of Hangzhou Xihu Museum, as well as the Price Monitoring

Platform and Website Project (價格監督平臺及網站專案) of Suzhou Price Bureau. Regarding intelligent architecture, the Company mainly secured projects including the intelligentization project of 水雲居二期 of 中新園區置業, Youngor Future City Phase III (雅戈爾未來城三期) of Youngor Real Estate and R2 and R3 Phase 1 Project of Phoenix City (鳳凰城) of Junyu Properties.

Jiangsu Fuyue Technology Company Limited continued to develop in the service outsourcing business and developed multi-language version of file system and intelligent document storage during the period. It also developed multi-language version compatible in Japanese and English environment built on the Chinese version previously developed.

The Beijing NandaSoft Digital Technology Company Limited entered into a number of new projects during the period, including the electronic programme of 雲南昆明中銘公司弱電工程, electronic renovation of the laboratory building of Capital Medical University, equipment purchase of Hebei Meteorological Bureau, security equipment purchase of China International Water & Electric Corp. and the technological services of the Data Management Centre of National Bureau of Statistics of China.

Development of New Projects

Construction of NandaSoft Technology and Innovation Park

The construction project of block 01 of NandaSoft Technology and Innovation Park, which is situated at Jiangdong Software Park in Gulou District, Nanjing, has seen the completion of the 10-storey main building. It is expected that the building will be capped in mid-November.

Shenyang Software Development Company Limited has obtained 52 mu of land for scientific research industry in “Shenyang International Software Park” located in Manrong Economic Development Zone, Dongning, Shenyang. The land is planned for the construction of Shenyang NandaSoft Technology and Innovation Park, which will be used for the introduction service outsourcing and other projects. The construction is expected to commence next year.

IBM-ETP Project

During the period, the second semester of Nanjing IBM-ETP Project and Changshu IBM-ETP Project has commenced. A number of students of the first semester have been employed by IBM.

Communication Technology

During the period, the Jiangsu NandaSoft Communication Company Limited (“the Communication Company”) entered into GPS application agreement with 南汽汽車租賃有限公司 to establish a model client of GPS application. Meanwhile, it also cooperated with 克拉瑪依電信公司 and 阿勒泰電信公司 in Xinjiang to promote the continuous development of the GPS business. The Company entered into an agreement with Nanjing Municipal Environmental Monitoring Center, signifying the official application of the Company’s wireless video monitoring system in the environmental protection sector.

Bio-medicine

During the period, the production line of balloon (the auxiliary of ProStent rapamycineluting stents system) was installed and tested, and is currently under trial production. Since then, Promed Medical processes the production ability of a complete coronary stent system, enabling it to become one of the few production, research and development-oriented enterprises in the PRC that possess the abilities of balloon R&D and production, stent design and cutting, medicine spray coating, stent crimp and product packaging. Meanwhile, 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) was officially established under the support of NandaSoft.

Future Prospects

The Company will further enhance the business document security platform through its application in the Midea Group, with the aim to position it as an internal security system product adopted by technological advanced enterprises in the PRC.

The Company will continue to expand the mobile application business in order to increase the service revenue.

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

The Communication Company will continue to introduce different GPS versions applicable in different industries. Wireless video will also be promoted to other sectors through the application in the police and environmental protection sector.

Regarding the area of bio-medicine, the R&D of several products to be launched by the Company has entered the stage of substantive work.

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 September 2009, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30th September 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 30th September 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 September 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 30th September 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 September 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%
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	Beneficial Owner	55,000,000	7.86%	—	—	55,000,000	5.89%

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
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 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 September 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 September 2009 and internal control system of the Group. The audit committee has reviewed the third quarterly report for 2009 and concludes the meeting with agreement to the contents of the quarterly 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 nine months ended 30th September 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 September 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 nine months ended 30th September 2009.

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

2nd November 2009, Nanjing, the PRC