



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)

First
Quarterly Report

2010



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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 RMB61,895,000 for the three months ended 31 March 2010, representing an approximately 15.8% increase as compared with that of corresponding period in 2009.
- Accomplished an attributable net profit of approximately RMB2,963,000 for the three months ended 31 March 2010.
- The Board does not recommend the payment of dividend for the three months ended 31 March 2010.

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 2010.

For the three months ended 31 March 2010, the unaudited turnover is approximately RMB61,895,000, representing an increase of approximately RMB8,443,000, or approximately 15.8% in turnover as compared with that of the same period in 2009. The unaudited attributable profit of the Group for three months ended 31 March, 2010 is approximately RMB2,963,000 representing an increase of approximately RMB737,000, or approximately 33.1% in attributable profit as compared with that of the same period in 2009.

The unaudited results of the Group for the three months ended 31 March 2010 together with the unaudited comparative figures for the corresponding period in 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2010

	Notes	For the three months ended 31 March	
		2010 RMB	2009 RMB
Revenue	2	61,894,920	53,452,249
Cost of sales		(52,405,386)	(41,422,957)
Gross profit		9,489,534	12,029,292
Other income and gains		4,671,290	415,282
Selling and distribution costs		(4,655,005)	(3,618,967)
Research and development costs		(221,762)	(99,026)
Administrative expenses		(5,864,257)	(5,876,286)
Finance costs	3	(290,124)	(376,688)
Profit before tax		3,129,676	2,473,607
Income Tax Expense	4	(127,298)	(40,321)
Profit for the period		3,002,378	2,433,286
Attributable to			
Owners of the Company		2,963,357	2,225,925
Minority interest		39,021	207,361
		3,002,378	2,433,286
Earnings per share attributable to ordinary equity holders of the Company — basic	5	0.0032	0.0024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2010

	For the three months ended 31 March	
	2010	2009
	RMB	RMB
Profit for the period	3,002,378	2,433,286
Other Comprehensive Income		
Exchange differences on translation of foreign operation	276	—
Other comprehensive income for the period, net of tax	276	—
Total comprehensive income for the period, net of tax	3,002,654	2,433,286
Total comprehensive income attributable to:		
Owners of the Company	2,963,633	2,225,925
Minority interests	39,021	207,301
	3,002,654	2,433,286

Notes:

1. BASIS OF PRESENTATION

Jiangsu NandaSoft Technology Company Limited (the “Company”, together with its subsidiaries, the “Group”) was established in the People’s Republic of China (the “PRC”) under the Company Law of the PRC as a joint stock limited company on 30 December 1999. The Group 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, provides systems integration services and mobile phone repairing service which include the provision of information technology (“IT”) consulting.

The Company’s registered office in the PRC is located at NandaSoft Tower, 8, Jinyin Street, Shanghai Road, Nanjing, the PRC. The Company’s registered office 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 period.

	For the three months ended 31 March	
	2010	2009
	<i>RMB</i>	<i>RMB</i>
<i>Sale of goods:</i>		
Computer hardware and software products	39,271,261	38,363,383
Trading of IT related products and equipment, and mobile phones	10,354,886	4,203,666
Rendering of system integration services	12,046,933	10,885,200
Provision of IT training services	221,840	—
	61,894,920	53,452,249

3. FINANCE COST

	For the three months ended 31 March	
	2010	2009
	<i>RMB</i>	<i>RMB</i>
Interest on bank loans wholly repayable within five years	269,439	361,658
Bank charges	20,685	15,030
	290,124	376,688

4. TAX

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 25% in the succeeding three years (the "Tax Holiday"), commencing from 1 January 2008. Upon the expiry of the Tax Holiday, the usual corporate income tax rate of 25% (2009: 25%) is applicable to these subsidiaries.

Hong Kong income tax has not been provided (2009: Nil) as Hong Kong subsidiaries has available tax losses brought forward from prior years to offset the assessable profits generated during the period.

	For the three months ended 31 March	
	2010	2009
	<i>RMB</i>	<i>RMB</i>
The charge comprises:		
PRC income tax	127,298	40,321

5. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB2,963,000 (2009: RMB2,226,000) and on 934,000,000 (2009: 934,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 31 March 2010 and 2009 as there were no potential events 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 2010 and 2009.

	Retained profits	
	2010	2009
	<i>RMB</i>	<i>RMB</i>
As at 1st January	40,874,236	25,070,831
Net profit for the period	2,963,357	2,225,924
As at 31 March	43,837,593	27,296,755

DIVIDEND

The Board does not recommend the payment of dividend for the period. (2009: Nil)

FINANCIAL REVIEW

During the period, the business diversification of the Group not only enlarge the market share in the technology market but also focusing on the development of trading of other IT related equipment and IT training business which accomplished the Group achieving a steady growth in the operational results of the first quarter of the year 2010.

For the three months ended 31 March 2010 the turnover of the Group and the net profit attributable to owners of the Company were approximately RMB61,895,000 and RMB2,963,000, representing an increase of approximately 15.8% and 33.1% respectively when compared to the same period in the previous year.

BUSINESS OBJECTIVES REVIEW

Fuelled by the 8% growth rate of the economy in the PRC despite the global financial crisis, the informatisation process continued in the PRC and the software services industry also entered a phase of stable growth. In the forthcoming years, the informatisation process will continue to develop both in depth and width, and upon closer integration with the traditional industries, the development of information technologies will be steered towards the innovation of more IT applications. Riding on the imminent changes of the PRC's economic structure and the deepening and widening of IT application, it is unquestionable that informatisation inputs will remain strong.

It is against such macro background that NandaSoft adopted the strategy of deepening industrial application and reinforcing self-development and innovations within the IT industry, leveraging on the advantages of comprehensive studies of Nanjing University. Through active deepening and unbundling of IT applications for different industries, coupled with the research and development of new products such as applications for the Internet of Things, the Company looks to the deepening and development of its IT business.

In the areas of biomedicine and the construction of NandaSoft Technology and Innovation Park, NandaSoft has achieved steady progress. An investee of the Company, Promed Medical Tech. (Suzhou) Co., Ltd., has entered into a capital increase agreement with Itochu Corporation. The capital contribution from Itochu will bring positive driving force for the development of Promed Medical.

Product Development

Network Security Total Solutions

In respect of network security total solutions, NandaSoft focused on the research of the following technologies during the period:

Research and practical application of address space layout randomisation of operation system: the major innovation and key technology comprise the technological support for the continual and recurrent address space layout randomisation. Furthermore, randomisation will be applied to the protection of key data structures (such as dtors, GOT) from specific and targeted hacking.

Also, the Company launched Green Internet 2.0 during the period. Based on Green Internet 1.0, the new version upgraded a number of functions such as console, image and video filtering, and is chiefly targeted to cater for the demand from the education sector.

Security System Integration and Service

In respect of security system integration and service, the Company focused on developing long-term business relationship with high-quality clients such as government authorities and hospitals, etc. During the period, the Company entered into the "Soho Outsourcing Agreement for the Limited Operation and Maintenance Services of IT Infrastructure" with Jiangsu Soho International Group Corporation, the "Administration of Industry and Commerce of Jiangsu Province Outsourcing Agreement for the Provincial Maintenance Service of DELL Servers" and "Administration of Industry and Commerce of Jiangsu Province Outsourcing Agreement for the Provincial Maintenance Service of the Platform Hardware System of 12315 Call Centre" with the Administration of Industry and Commerce of Jiangsu Province and the Jiangsu Province Hospital core switch purchasing project and the Jiangsu Province Hospital switch purchasing project for the government with Jiangsu Province Hospital.

The signing of these projects has further strengthened the Company's relationship with its existing clients and established a solid foundation for future business expansion.

During the period, the Company also obtained the certificate of second class of integration of intelligent architectural construction and design and the safety production license, which are key to the further expansion of the Company's intelligent architecture business.

Application-oriented Software Products

During the period, the Company developed the following application-oriented software products, with government authorities as its major clients.

1. Nandasoft Enterprise Service ESB

Designed to solve the issues of insufficient development and utilisation of information resources and relatively low level of sharing, it aims to establish a flexible, secure and reliable transmission system and a unified, standardised shared platform for information exchange compliant with the XML standards; and provide the e-administration/e-commerce application systems with a means for information sharing and data integration as well as a unified technical support.

2. Purchase Management System for District and County Governments

To perform as small-scale government purchase centres and district and county government purchase centres, the system integrates a simple business process and adopts practical online price-comparison system and e-bidding system in paper form.

Communication Technology

During the period, the Communication Company was actively engaged in the promotion of wireless video products and set its foot in the fire-fighting industry for the first time. Meanwhile, the Company continued to work on the marketing of its GPS business with the local operators in Xinjiang.

Development of the NandaSoft Group

The Suzhou Company has completed its shareholding reform and was renamed as Jiangsu Hanwin Technology Company Ltd. During the period, it undertook several projects, including the information management platform systems for the cultural landscape of Hangzhou Landscapes Cultural-Relics Bureau and of Hangzhou Xihu. The attainment of these placed Hanwin Technology in the position as a leading software developer and service provider in the field of cultural heritage.

The Beijing Company completed the R&D of its statistics management software products. Trials were conducted in the region level under the National Bureau of Statistics and positive feedbacks were received from the users.

In respect of the outsourcing business targeted at Japan, other than Fuyue Technology Company Limited, the Company set up Jiangxi NandaSoft Technology Company in Jiangxi, which is principally engaged in the promotion of the Company's major software products localised for Jiangxi. Leveraging on the lower costs in the region, it is intended to be the Company's second development base for its outsourcing business.

Construction of NandaSoft Software City and Development of New Projects

Construction of NandaSoft Software City

The main building of the NandaSoft Software City 01 Building Project was accepted upon inspection on 15 January 2010. To date, 70% of the construction work of water, electricity supplies and pipeline facilities was completed, the installation of the keel of the curtain wall was completed substantially and 80% of the indoor plastering was completed. It is expected to open for occupation within this year.

IBM-ETP Project

The third cohort of the IBM-ETP Project in the Nanjing base has commenced. Graduates of the first two cohorts are largely employed, some of whom are employed by international corporations such as IBM and Infosys and were favourably commented by their employers. Meanwhile, the Company actively took part in the planning of the construction work in the Gaochun base, with a view to commence operation and training of students for the first cohort in May.

Bio-medicine

During the period, Itochu Corporation entered into a formal capital increase agreement with Promed Medical Tech. (Suzhou) Co., Ltd. (an investee of the Company), pursuant to which, Itochu Corporation would provide capital in an amount of US\$3,990,000, representing 12.09% of the equity of Promed Medical after the capital increase. The capital contribution by Itochu Corporation will further enhance the business development of Promed Medical.

Future Prospects

In view of the trend of informatisation development, the Company will cooperate with IBM to launch application software solutions based on the Internet of Things, such as remote medical solutions. Meanwhile, in respect of the training of IT talents, the Company will establish Jiangsu NandaSoft Training School for Outsourcing Services Talents to further develop its training business.

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. The service will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

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

At 31 March 2010, 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 2010, 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 2010, 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 ("Cheng Fa") (Note 1 and note 2)	Beneficial Owner	85,000,000	12.14%	—	—	85,000,000	9.10%

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
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 12 January 2009, GZ DingXiang entered into a Share Transfer Agreement with Cheng Fa, where Mr Liu Winson Wing Sun, a non-executive director of the Company, also holds the office of directorship in Cheng Fa. Furthermore, Mr. Liu Su Ke, father of Mr. Liu Winson Wing Sun, is a shareholder of Cheng Fa, indirectly holding 50% of the total issued share capital of 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 12 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 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 2010, no person, other than the directors, chief executive and supervisors of the Company, whose interests are set out in the section “Directors’, chief executive’s and supervisors’ interests and short positions in shares and underlying shares above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors’ 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 2010, no option has been granted pursuant to such share option scheme.

Director’s Interests in a Competing Interests

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

Corporate Governance and Audit Committee

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors of the company has complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the three months ended 31 March 2010.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

The Company has complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM. The Board has adopted the Corporate Governance Code, ensuring greater transparency and quality of disclosure as well as more effective risk control.

Audit Committee

The Company established an audit committee on 8 December 2000, it comprises three Independent Non-Executive Directors, Mr. Xu Huan Liang, Dr. Daxi Li and Ms. Xie Hong. The primary duties of the audit committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The audit committee has reviewed the first quarterly report for the period ended 31 March 2010 and concludes the meeting with agreement to the contents of the first quarterly report. The committee also oversees the audit process and performs other duties as assigned by the Board. Terms of reference of the Audit Committee which have been adopted by the Board and posted on the Company's website. All the members of our Audit Committee are Independent Non-Executive Directors.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended 31 March 2010.

On behalf of the Board

Jiangsu Nandasoft Technology Company Limited

Xie Li

Chairman

11 May 2010, Nanjing, the PRC