



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)



2010

INTERIM REPORT

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

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

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

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This report, for which the directors of Jiangsu NandaSoft 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 RMB140,180,000 for the six months ended 30th June 2010, representing an approximately 12.3% increase as compared with that of the corresponding period in 2009.
- Accomplished a net profit of approximately RMB9,067,000 for the six months ended 30th June 2010.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2010.

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 2010.

For the three and six months ended 30th June 2010, the unaudited turnover is approximately RMB78,800,000 and RMB140,180,000, representing an increase of approximately RMB7,124,000 and RMB15,391,000 respectively, or approximately 9.9% and 12.3% respectively in turnover as compared with that of the same period in 2009.

The unaudited net profit of the Group for three months and six months ended 30th June, 2010 is approximately RMB6,104,000 and approximately RMB9,067,000 respectively, representing an increase in the results of approximately 25.1% and 27.6% respectively as compared with the corresponding figures in 2009.

The unaudited results of the Group for the three months and six months ended 30th June 2010 together with the unaudited comparative figures for the corresponding period in 2009 are as follows:

	Notes	For the three months ended 30th June,		For the six months ended 30th June,	
		2010	2009	2010	2009
		RMB	RMB	RMB	RMB
Revenue	2	78,800,320	71,676,527	140,179,600	124,788,445
Cost of sales		(62,557,635)	(54,781,067)	(114,447,381)	(95,863,693)
Gross profit		16,242,685	16,895,460	25,732,219	28,924,752
Other income		3,641,022	2,714,457	8,299,729	3,152,416
Distribution costs		(4,871,489)	(3,478,622)	(9,526,494)	(7,097,590)
Research and development costs		(729,719)	(23,350)	(951,481)	(122,375)
Administrative expenses		(6,297,849)	(8,886,348)	(12,149,523)	(14,785,312)
Finance Costs	3	(491,538)	(841,243)	(781,662)	(1,217,930)
Profit before tax	4	7,493,112	6,380,354	10,622,788	8,853,961
Income tax expense	5	(984,205)	(808,216)	(1,111,503)	(848,537)
Profit for the period		6,508,907	5,572,138	9,511,285	8,005,424
Attributable to Equity holders of the parent		6,104,060	4,879,543	9,067,417	7,105,468
Minority interest		404,847	692,595	443,868	899,956
		6,508,907	5,572,138	9,511,285	8,005,424
Earnings per share – basic	6	0.00654	0.00522	0.00971	0.00761

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30th June 2010

	For the three months ended 30th June,		For the six months ended 30th June,	
	2010	2009	2010	2009
	RMB	RMB	RMB	RMB
Profit for the period	6,508,907	5,572,138	9,511,285	8,005,424
Other Comprehensive Income				
Exchange differences on translation of foreign operation	7,878	—	8,154	—
Other comprehensive income for the period, net of tax	7,878	—	8,154	—
Total comprehensive income for the period, net of tax	6,516,785	5,572,138	9,519,439	8,005,424
Total comprehensive income attributable to:				
Owners of the Company	6,111,938	4,879,543	9,075,571	7,105,468
Minority interests	404,847	692,595	443,868	899,956
	6,516,785	5,572,138	9,519,439	8,005,424

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	(Unaudited) 30th June, 2010	(Audited) 31st Dec, 2009
Notes	<i>RMB</i>	<i>RMB</i>
Non-current assets		
Property, plant and equipment	5,407,042	5,397,362
Prepaid land leases payments	8,193,873	8,193,873
Intangible assets	21,425,179	21,954,626
Interest in associates	12,745,074	12,645,074
Available for sale investment	962,199	962,199
Constructions in progress	115,676,046	69,705,508
Deposit paid	10,010,000	10,010,000
Total non-current assets	174,419,413	128,868,642
Current assets		
Inventories	47,688,544	46,338,913
Trade receivables	76,762,404	68,435,767
Prepayments, deposits and other receivables	82,690,881	64,034,938
Equity investment at fair value through P&L	42,500	5,430
Due from shareholders	6,212,165	6,212,165
Cash and bank balances	40,741,462	25,877,702
	254,137,956	210,904,915
Assets classified as held for sale	4,979,004	4,979,004
Total current assets	259,116,960	215,883,919

		(Unaudited) 30th June, 2010 RMB	(Audited) 31st Dec, 2009 RMB
	Notes		
Current liabilities			
Trade payables	8	37,380,433	36,877,836
Receipt in advance, other payables and accrued expenses		36,866,740	30,202,110
Due to shareholders		1,575,297	1,575,297
Interest-bearing bank and other borrowings		53,600,000	15,600,000
Tax payable		912,038	822,886
Total current liabilities		130,334,508	85,078,129
NET CURRENT ASSETS		128,782,452	130,805,790
Total assets less current liabilities		303,201,865	259,674,432
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(78,400,000)	(48,400,000)
Net assets		224,801,865	211,274,432
Equity			
Equity attributable to owners of the Company			
Issued capital		93,400,000	93,400,000
Reserves		105,020,830	95,949,985
Proposed final dividend		4,670,000	4,670,000
Minority interest		203,090,830	194,019,985
		21,711,035	17,254,447
		224,801,865	211,274,432

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30th June, 2010 <i>RMB</i>	Six months ended 30th June, 2009 <i>RMB</i>
Cash flows from operating activities	(8,691,460)	(16,892,345)
Cash flow from taxation	(5,766,619)	(2,830,455)
Cash flows from investing activities	(45,507,707)	(13,626,106)
Cash flows from financial activities	74,829,546	26,187,893
Net (decrease)/increase in cash and cash equivalent	14,863,760	(7,161,013)
Cash and cash equivalents at the beginning of the period	25,877,702	239,423,371
Cash and cash equivalents at the end of the period	40,741,462	22,262,358

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RMB	Share Premium RMB	Capital Reserve RMB	Statutory Surplus Reserve RMB	Discretionary Surplus Reserve RMB	Translation Reserve RMB	Retained Earnings RMB	Proposed Final Dividend RMB	Total RMB
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
Appropriation	-	-	-	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
At 1st January 2010	93,400,000	48,868,818	1,198,500	4,917,501	277,000	(186,070)	40,874,236	4,670,000	194,019,985
Profit for the period	-	-	-	-	-	-	9,067,417	-	9,067,417
Exchange difference arising on translation of foreign operations	-	-	-	-	-	3,428	-	-	3,428
At 30th June 2010	93,400,000	48,868,818	1,198,500	4,917,501	277,000	(182,642)	49,941,653	4,670,000	203,090,830

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 30th 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 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,	
	2010 <i>RMB</i>	2009 <i>RMB</i>	2010 <i>RMB</i>	2009 <i>RMB</i>
Sale of goods:				
Computer hardware and software products	45,784,741	19,748,996	84,730,257	58,018,608
Trading of IT related products and equipment and mobile phone	2,570,170	12,335,399	12,842,365	16,480,495
Rendering of system integration services	30,069,079	39,592,132	42,075,174	50,289,342
Provision of IT training services	376,330	—	531,804	—
	78,800,320	71,676,527	140,179,600	124,788,445

3. FINANCE COST

	For the three months ended 30th June,		For the six months ended 30th June,	
	2010 RMB	2009 RMB	2010 RMB	2009 RMB
Interest on bank loans wholly repayable within five years	402,914	737,744	672,353	934,402
Bank charges	88,624	103,499	109,309	283,528
	491,538	841,243	781,662	1,217,930

4. PROFIT/LOSS FROM OPERATIONS

Profit/loss from operations has been arrived at after charging:

	For the three months ended 30th June,		For the six months ended 30th June,	
	2010 RMB	2009 RMB	2010 RMB	2009 RMB
Depreciation and amortisation on:				
– property, plant and equipment	424,081	365,674	952,548	955,786
– intangible assets (included in research and development costs)	60,000	60,000	120,000	39,162
Cost of Sale	62,557,635	54,781,067	114,447,381	95,863,693

5. INCOME TAX EXPENSE

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 30th June,		For the six months ended 30th June,	
	2010	2009	2010	2009
	RMB	RMB	RMB	RMB
The charge comprises:				
PRC income tax	984,205	808,216	1,111,503	848,537

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

The calculation of basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company of approximately RMB6,104,000 and RMB9,067,000 for the three and six months ended 30th June 2010 (2009: RMB4,888,000 and RMB7,105,000) 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 and six months ended 30th June 2010 and 2009 as there were no potential dilutive securities in existence during the relevant periods.

7. TRADE RECEIVABLES

	(Unaudited) 30th June, 2010	(Audited) 31st December, 2009
	<i>RMB</i>	<i>RMB</i>
Trade receivables	117,403,189	110,297,248
<i>Less: accumulated impairment</i>	<i>(40,640,785)</i>	<i>(41,861,481)</i>
Net carrying amount	76,762,404	68,435,767

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 receivables, based on the invoice date and net of provisions, is stated as follows:

	(Unaudited) 30 June, 2010	(Audited) 31st December, 2009
	<i>RMB</i>	<i>RMB</i>
0 – 90 days	50,563,617	51,884,653
91 – 180 days	8,178,800	7,882,235
181 – 365 days	14,944,290	5,135,921
Over 365 days	3,075,697	3,532,958
	76,762,404	68,435,767

8. TRADE PAYABLES

Aged analysis of trade payables are as follows:

	(Unaudited) 30th June, 2010	(Audited) 31st December, 2009
	<i>RMB</i>	<i>RMB</i>
0 – 90 days	14,863,344	18,655,332
91 – 180 days	7,991,031	1,565,142
181 – 365 days	4,030,865	6,468,363
Over 365 days	6,245,193	10,188,999
	33,130,433	36,877,836
Notes payable	4,250,000	—
Total trade payable	37,380,433	36,877,836

9. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the sales of computer hardware and software products segment is a supplier of the components mainly for use in the IT products;
- (b) the system integration service segment produces the IT consulting services;
- (c) the trading of IT related products and equipment, and mobile phone segment is trading the components of IT related products; and
- (d) the training services segment is the provision of IT training services.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from operations. The adjusted profit before tax from operations is measured consistently with the Group's profit before tax from operations except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group operates principally in the PRC. Over 90% of the Group's revenue is derived from sales of goods and rendering IT services in the PRC and over 90% of the Group's assets and located in the PRC. Accordingly, no further disclosures by the reportable segments based on geographical segment were made.

	Sales of computer hardware and software products six months ended				System Integration six months ended		Trading of IT related products and equipment and mobile phones six months ended		Trading of IT Service six months ended		Total six months ended	
	30th June, 2010		2009		30th June, 2010		2009		30th June, 2010		2009	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Turnover												
External Sales	84,730,257	58,018,608	42,075,174	50,289,342	12,842,365	16,480,495	531,804	–	140,179,600	124,788,445		
Result												
Segment result	4,423,628	5,502,980	4,317,850	2,903,962	1,293,363	1,841,809	197,913	–	10,232,754	10,248,751		
Investment income											28,155	44,078
Unallocated income/(expense)											1,143,541	(144,753)
Finance Cost											(781,662)	(1,294,115)
Profit from operations											10,622,788	8,853,961
Income tax expense											(1,111,503)	(848,537)
Profit before taxation											9,511,285	8,005,424

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2009: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

The turnover of the Group for the three and six months ended 30th June 2010 were approximately RMB78,800,000 and RMB140,180,000 which represents an increase of approximately 9.9% and 12.3% as compared to the same period in 2009. The major strategy of the Group is business diversification and apart from concentrating on the existing computer hardware and software products, the Group also explores of trading of IT related products and equipment and even explores on the IT training services and development of education software which leading the Group increasing not only for turnover but also the unaudited profit attributable to shareholders.

Moreover, an effective and efficiency internal control system was applied on administrative expense. The administrative expense of the Group for the three and six months ended 30th June 2010 were approximately RMB6,298,000 and RMB12,150,000 which represents a decrease of approximately 29.1% and 17.8% as compared to the same period in 2009. The strategic combination of business diversification and expense control system leading the unaudited profit attributable to shareholders of the Group for the three month and six months ended 30th June 2010 were approximately RMB6,104,000 and RMB9,067,000 which represent an increase of approximately 25.1% and 27.6% as compared to the same period in 2009.

Financial Resources and liquidity

As at 30th June 2010, shareholders' funds of the Group amounted to approximately RMB203,091,000. Current assets amounted to approximately RMB259,117,000, of which approximately RMB40,741,000 were cash and bank deposits. The Group had non-current liabilities of approximately RMB78,400,000 and its current liabilities amounted to approximately RMB130,335,000, mainly its trade payable, accruals and current account with shareholders. The net asset value per share was RMB0.217. The Group expresses its gearing ratio as a percentage of bank borrowing and long-term debts over total assets. As at 30th June 2010, the Group had a gearing ratio of 30.4% and the Group has bank loan of RMB132,000,000.

Others

Throughout the six months ended 30th June 2010, the Group did not make any material acquisitions or disposals and no proceed was invested in any significant financial instruments.

Charge on group assets

As at 30th June 2010, the land use right of the land located at the Jiangdong Software City at Gulou District, Nanjing City was pledged as security for bank loans granted to the group (2009: Nil).

Capital commitments

As at 30th June 2010, the Group had contracted but not provided for capital commitment for the construction costs of approximately RMB31,531,000.

Foreign currency risk

During the six months ended 30th June 2010, 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 2010, total remuneration cost for the Group is RMB13,360,000 (2009: RMB12,212,000) and the Group had 580 employees (2009: 563 employees). Remuneration is determined by reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contribution to retirement scheme, medical scheme, unemployment insurance and housing fund.

BUSINESS REVIEW

Countries around the world are undergoing the transition from “e” society to “u” society, that is, transforming to the stage of Ubiquitous Network Society (UNS). Establishing a “u” society has become the informational strategy of many countries, such as the “Smarter Planet” of the U.S as well as the “Sensing China” of the PRC. The “u” strategy is built on top of the existing information infrastructures, with the focus on developing multifarious services and applications. It is a new national informational strategy established upon the completion of the “e” strategy activation process. In fact, the transition from “e” to “u” society represents the evolution from hardware to software and services.

NandaSoft is going through the adjustment and transformation process of its own product structure. While continuously deepening into the investigation of high-end and applied network security, the Company proactively promotes the products and services related to smart medical treatments such as “Intelligent Elderly Service”. NandaSoft has entered into the “Demonstration Project of the Instant Health Services on the Internet of Things Provided for the Elderly (面向老年人即時健康服務的物聯網示範工程)” with the government of Gulou District, Nanjing Municipal and the “Study Program of Intelligent Elderly Service” with IBM Company. With these, the Company strives to benefit from the upgrade and transformation of the industry resulting from the combined effect of informationalization and industrialization in China and become the leading enterprise in the subsector of intelligent medical service through the establishment of the demonstrative projects in this area.

NandaSoft has signed the strategic co-operation agreement with the Jiangsu branch of China Unicom during the period, pursuant to which, Jiangsu Unicom will promote the industrial application solutions of NandaSoft through its network in Jiangsu. The current promotion focus includes the 3G-based wireless video application, intelligent public transportation and car GPS solutions.

PRODUCT DEVELOPMENT

Network security total solutions

During the period, NandaSoft's security operation system passed the testing conducted by China Information Security Testing Evaluation and Certification Center and obtained the Grade 3 Security Certification. "An Quan Yu Intranet Security Platform (安全禦內網安全平台)" obtained the Certificate of Software Products Testing of Jiangsu Province (江蘇省軟體產品檢測證書), and the Certificate of the Confidential Products Testing issued by National Administration for the Protection of State Secrets (國家保密局涉密產品檢測證書). The Company also obtained the copyrights of 5 software products, namely "An Quan Yu Intranet Security Platform (安全禦內網安全平台)", "An Quan Yu Information Security Examination and Evidence-collecting Tool (安全禦資訊安全檢查取證工具)", "An Quan Yu Mobile Disc Management System (安全禦移動磁片管理系統)", "An Quan Yu Electronic Document Security Platform (安全禦電子文檔安全平台)" and "An Quan Yu Document Safety Box (安全禦檔保險櫃)", and an invention patent of "Processing Platform System and Processing Method of Highly Performing Internet Information".

In respect of network security total solutions, NandaSoft focused on the development of the following products:

Green Internet v2.0: this product creates a green and pure network for industries like education. Currently, there are no competitors on the linux platform.

High performance firewall software V3.0 supporting IPV6: this product fulfills the demand for high performance of the high-end firewall market.

Applications for the internet of things

NandaSoft developed Intelligent Elderly Service as a breakthrough in the field of the Internet of Things, and conducted the following technical research and development during the period:

Application-serving Software Development Platform V1.0 for the Internet of Things: this platform provides a set of uniform and efficient integration development platform for the Internet of Things, designed to support the efficient structure or the assembling of different applications for the Internet of Things. This enables the development personnel to focus on the business process, without getting entangled by the various procedural details, and thereby reduces the development costs. Meanwhile, the assembly principle of application services aligns more closely with the market requirements nowadays. Only a few companies around the world are capable to provide this technology while there are no other application-serving platforms of the same kind in the PRC. Being an advanced innovation in the PRC, this technology enjoys promising prospects.

Intelligent Elderly Service Monitoring and Information Service Platform V1.0 for the Internet of Things: This platform collects data by using the sensor information terminal, forming a strong monitoring system for the Internet of Things. It further sends the information to the service platform by using the wireless technology for analysis, and notifies the service institutions about the needs of the elderly. The service personnel then provides remote or door-to-door services to the elderly in need. Subsequently, the service receivers can give out their feedbacks about the service quality through the service platform. These together form a wireless positive circulation, thereby facilitating the realization of the instant, fast, efficient, low-cost, instrumented, interconnected and intelligent elderly services.

Security System Integration and Services

For the security system integration and services, the Company has placed an emphasis on looking for long-term customers of high quality such as government authorities and hospitals. During the period, the Company has entered into several large-scaled service contracts. The entering into of the projects strengthens the relationship between the Company and our clients, expanding the business scope and service horizon while widening the versatility of the services provided. Not only can the Company maintain a stronger connection with the customers in the business of the security system integration and services, but it also demonstrates the Company's ability of business development, thus laying a favorable foundation for a better and faster business expansion in the future. Specially, entering into the maintenance service contract with the industrial and commercial sector of the entire Jiangsu Province, the construction project with Lianyungang

City Road Management Services and Contingency Control Centre, the maintenance contract with Jiangsu Bureau of Quality and Technical Supervision, the maintenance contract of network exchange machines with Nanjing General Hospital of Nanjing Military Command signifies the success of the Company's transformation to the service integration business.

Communication Technology

During the period, the Communication Company has obtained the computer software copyright registration certificate for SUNTIME 3G wireless video monitoring system software V1.0 and SUNTIME GPS car intelligence management system software V1.0.

During the period, the Company has entered into the World Expo power supply security video monitoring system, marking the start of a sound relationship with the power system in the area of the wireless video monitoring system.

The Company has signed a strategic co-operation agreement with Jiangsu Unicom during the period, pursuant to which Jiangsu Unicom will promote the industrial solutions of 3G-based wireless video application, intelligent public transportation and car GPS through its network in the province. This co-operation opportunity helps to expand the customer base of the Company in the area that Unicom's business covers.

DEVELOPMENT OF THE NANDASOFT GROUP

During the period, Jiangsu Hanwin Technology Company Ltd. has undertaken 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. At the same time, the Group has entered into several projects including the "Cultural Suzhou" information management system, the agricultural informational management system with Agriculture and Forestry Bureau and the mobile video monitoring system with Suzhou Industrial Park Public Security Branch.

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. During the period, the Beijing Company has developed the management system of marketing personnel in the pharmaceutical production enterprises and the management system of commodity flow direction, which is planned for promotion to pharmaceutical enterprises in the future.

In respect of the outsourcing business targeted at Japan, other than Fuyue Technology Company Limited, the Company has set up Jiangxi NandaSoft Technology Company in Jiangxi, which is principally engaged in the promotion of the Company's major software products localized 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. With the orders from Japan on a downward track, Fuyue Company strives to expand its customer base in the PRC, and to conduct different products such as the administrative information portal system and intelligent document base management software.

CONSTRUCTION OF NANDASOFT SOFTWARE CITY AND DEVELOPMENT OF NEW PROJECTS

Construction of NandaSoft Software City

The construction of NandaSoft Software City 01 Building Project has been completed and it is expected to open for occupation in the third quarter. The planning work for 02 Building Project has also been completed and the construction is planned to commence in the year.

IBM-ETP Project

The IBM-ETP Project in the Nanjing base has so far enrolled five cohorts. Graduates of the first three cohorts are largely under employment. The enrollment of three cohorts has been completed in Changshu base, of which the first cohort is mostly under employment. Those employed graduates are hired by internationally renowned corporations such as IBM and Infosys and were favourably commented by their employers.

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). Meanwhile, the Company established 江蘇南大生物醫藥有限公司 with Itochu Corporation. 江蘇南大生物醫藥有限公司 is principally engaged in the development of pharmaceutical CRO business and is planned to expand into a demonstrative leader of the pharmaceutical outsourcing industry in Jiangsu province.

FUTURE PROSPECTS

Riding on the trend of the fusion of informatization and industrialization, NandaSoft is going to co-operate with internationally renowned enterprises such as IBM and Itochu in the future, with the aim to enlarge the scope of Intelligent Elderly Service and pharmaceutical outsourcing services, to combine the academic and scientific research advantages of Nanjing University with the practical strengths of enterprise in order to launch demonstrative projects related to the abovementioned areas in the province and in the PRC, and to create new income growth points for the Company through the demonstrative projects.

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 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' 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' 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 2010, 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, 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)	11,900,0001	—	—	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 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 30th June 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%
Guangzhou DingXiang Trade Co., Ltd ("GZ Ding Xiang")	Beneficial Owner	55,000,000	7.86%	—	—	55,000,000	5.89%
Jiangsu Provincial Hi-Tech Investment Group 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 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 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 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.

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 six months ended 30th June 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 8th 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 interim report for the period ended 30th June 2010 and concludes the meeting with agreement to the contents of the interim 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 six months ended 30th June 2010.

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

5th August 2010, Nanjing, the PRC