



JIANGSU NANDASOFT COMPANY LIMITED
江蘇南大蘇富特軟件股份有限公司
(a joint stock limited company incorporated in the People's Republic of China)

Interim Report 2001



NANDASOFT

南大苏富特

JIANGSU NANDASOFT COMPANY LIMITED * **(江蘇南大蘇富特軟件股份有限公司)**

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

HIGHLIGHTS

- Accomplished a net profit of approximately RMB6,187,000 for the six months ended 30th June, 2001, representing an approximately 6 times increase as compared with that of the corresponding period in 2000
- Achieved a turnover of approximately RMB58,214,000 for the six months ended 30th June, 2001
- The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2001

INTERIM RESULTS

The board of Directors (“Board”) of Jiangsu NandaSoft 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, 2001.

For the three months ended 30th June, 2001, the unaudited turnover is approximately RMB30,893,000, representing a growth of approximately RMB2,789,000, or approximately 10% in turnover as compared with that of the same period in 2000. For the six months ended 30th June, 2001, the unaudited turnover is approximately RMB58,214,000, representing a growth of approximately RMB23,946,000, or approximately 70% in turnover as compared with that of the same period in 2000.

Due to the growth in the turnover, the unaudited net profit of the Group for three months and six months ended 30th June, 2001 is approximately RMB3,125,000 and approximately RMB6,187,000 respectively, representing a substantial growth in the results of approximately 1 times and approximately 6 times respectively as compared with the corresponding figures in 2000.

* For identification purpose only

The unaudited results of the Group for the three months and six months ended 30th June, 2001 together with the unaudited comparative figures for the corresponding period in 2000 are as follows:

	<i>Notes</i>	For the three months ended 30th June,		For the six months ended 30th June,	
		2001	2000	2001	2000
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	30,892,530	28,103,454	58,213,813	34,267,576
Cost of sales		<u>27,278,586</u>	<u>25,752,674</u>	<u>47,611,149</u>	<u>31,672,052</u>
Gross profit		3,613,944	2,350,780	10,602,664	2,595,524
Other revenue		2,173,492	968,767	3,401,528	1,464,988
Distribution costs		(1,392,165)	(906,917)	(4,142,620)	(1,458,065)
Research and development costs		(401,484)	(1,412)	(518,231)	(20,223)
Administrative expenses		<u>(698,294)</u>	<u>(974,942)</u>	<u>(2,596,003)</u>	<u>(1,839,764)</u>
Profit from operations		3,295,493	1,436,276	6,747,338	742,460
Finance costs		<u>(1,728)</u>	<u>(1,718)</u>	<u>(6,076)</u>	<u>(2,621)</u>
Profit before taxation		3,293,765	1,434,558	6,741,262	739,839
Taxation	3	<u>(135,093)</u>	<u>(9,028)</u>	<u>(432,852)</u>	<u>(9,028)</u>
Net profit before minority interests		3,158,672	1,425,530	6,308,410	730,811
Minority interests		<u>(33,436)</u>	<u>(13,796)</u>	<u>(121,551)</u>	<u>125,137</u>
Net profit attributable to shareholders		<u>3,125,236</u>	<u>1,411,734</u>	<u>6,186,859</u>	<u>855,948</u>
Earnings per share – basic	4	<u>0.0036</u>	<u>0.0020</u>	<u>0.0079</u>	<u>0.0012</u>

Notes:

1. BASIS OF PRESENTATION

The Company was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 30th December, 1999 and its H shares were listed on the GEM (the "Listing") on 24th April, 2001, details of which are set out in the prospectus of the Company dated 19th April, 2001 (the "Prospectus"), issued in respect of the Company's H shares listed on GEM.

The above results were prepared on the basis that the existing Company's structure had been in place throughout the period from 1st January, 2000 to 30th June, 2001.

The financial statements of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Rules Governing the Listing of Securities on GEM.

2. TURNOVER

Turnover, which is stated net of value added tax and other sales tax and returns, represents amounts invoiced to customers, except in respect of provision of IT consulting services where turnover represents the value of work done during the period, including amounts not yet invoiced.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2001	2000	2001	2000
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sales of computer software products	1,155,941	3,103	1,494,930	3,103
Provision of IT consulting services	4,707,030	1,115,805	8,320,044	2,145,273
Sales of computer hardware products and equipment	25,029,559	26,984,546	48,398,839	32,119,200
	<u>30,892,530</u>	<u>28,103,454</u>	<u>58,213,813</u>	<u>34,267,576</u>

3. TAXATION

	For the three months ended 30th June,		For the six months ended 30th June,	
	2001	2000	2001	2000
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The charge comprises:				
PRC income tax	135,093	9,028	432,852	9,028

Pursuant to an approval documents issued by the Science and Technology Committee of Nanjing Municipality, the Company has been designated as a new and high technology entity and is exempted from income tax for the year ended 31st December, 2000 and a reduced income tax rate of 15% starting from the year 2001.

The subsidiary of the Company is subject to income tax rate of 33%.

4. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30th June, 2001 was based on the net profit of approximately RMB3,125,000 and approximately RMB6,187,000 (three months and six months ended 30th June, 2000: net profit of approximately RMB1,412,000 and RMB856,000) divided by the weighted average number of shares issued during the period of 874,200,000 shares (2000: 700,000,000 shares) and 785,800,000 Shares (2000: 700,000,000 shares) as if the sub-division of the Company's shares as described in Appendix VI of the Prospectus had taken place at the beginning of the relevant periods.

Diluted earnings per share is not presented for the three months and six months ended 30th June, 2001 and 2000 as there were no potential dilutive securities in existence during the relevant periods.

5. RESERVES

Other than as disclosed below, there were no movements in reserves of the Group for the relevant periods in 2000 and 2001.

	Share premium		Retained profits	
	2001	2000	2001	2000
	RMB	RMB	RMB	RMB
As at 1st January,	–	–	7,355,168	(58,784)
Net profit for the period	–	–	3,061,623	(555,786)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st March,	–	–	10,416,791	(614,570)
Net profit for the period	–	–	3,125,236	1,411,734
Issue of shares under placement	60,840,000	–	–	–
Share issuing expenses	(11,040,000)	–	–	–
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As at 30th June,	49,800,000	–	13,542,027	797,164
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INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

FINANCIAL REVIEW

The Group has achieved a stable and sustained growth in the operational results of the interim of this financial year. For the three months ended 30th June, 2001, the Group has accomplished a revenue of approximately RMB30,893,000 and a net profit of approximately RMB3,125,000. This represented a growth of 10% in total revenue as compared to the same period in the previous year. For the six months ended 30th June, 2001, the Group has accomplished a revenue of approximately RMB58,214,000 and a net profit of approximately RMB6,187,000, representing a growth of 70% in revenue. The substantial improvement in the financial conditions of the Group was due to a combination of sales network expansion and successful marketing efforts which provide the Company with good business development and market recognition.

BUSINESS OBJECTIVES REVIEW

The following section compares the Group's actual business progress to the information provided in the section headed "Statement of business objectives" as set out in the Prospectus:

Product Development

Network Security Solutions

The Group has completed certain function development projects on mandatory access control, security audit and secured data inquiry, etc. for SoftBase. It has also developed security e-mail system with functions such as digital signature, denial prevention, secured storage and communication, and launched Linux-based SoftWall and Soft-PS products.

Other Software Products

The Group has completed the development of CA system for corporate application to run on secured e-commerce platform, e-commerce information dissemination system of e-government platform, as well as β testing version of online payment system and collect its feedback from market. In addition, the Group launched the β testing version of the next generation of Web OA2.0, and the β testing version of the source library of the next generation of “Tutor” series multimedia development tool. The design and development of “名校網” software were also completed during the period.

Market and Business Development

During the period, the Group successfully implemented demonstrative software project for the Jiangsu Provincial Government and was awarded contract to undertake digitisation projects for the industrial and commercial sectors of Jiangsu Province. Various technical training courses on network security products were provided to sales channel agents. Moreover, office expert training and seminars on netizen program were also organized during the period. The Group has further expended its business market and gradually improved its sales channels and established a network of distribution agents in Jiangsu Province. In addition, the Group has primarily completed the marketing of Tutor 2000 to primary and secondary schools in Jiangsu Province and the Group’s distribution agents.

The Group organized NandaSoft Network Security Products exhibitions in Nantong and Wuxi and several other cities in Jiangsu Province. It also conducted the “Matters on National Security Tour” jointly with the State Security Bureau of Jiangsu Province. During the period, the Group was also awarded “2001 Advance Agent Certificate” from Intel Corp. and “Certificate of N. I. Authorized Agent” from 3 Com Corp.. Also, the Group has applied for the certificate of S.I. business from Department of Information Industry of Jiangsu Province and expected the relevant certificate could be obtained before the end of September this year.

FUTURE PROSPECTS

The Company has completed the placing of its H Shares and listed on GEM on 24th April, 2001. The proceeds from the placing has provided the Company with solid financial support, enabling the Company to further implement its research and development projects and accelerate the launch of new products. Through which the Company may establish a reasonable, diversified and systematic distribution network as soon as possible, as a result of a stable market development of both at the horizontal and vertical levels of its distribution network can be achieved.

The ever-developing software industry is no doubt one of the industries with the greatest growing potential in the new millennium. The Company has entered into the industry at the right moment and was able to capitalize on the tremendous opportunities for business development. The Board of the Company is confident that, with the Company’s expertise, management strengths, sales and marketing abilities, we are expected to achieve better results and rapid growth in the coming years.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 30th June, 2001, except for those shares as set out below, none of the Directors and the supervisors of the Company (the “Supervisors”) or their associates had any personal, family, corporate or other interests in the shares of the Company or associated corporations, if any, pursuant to section 29 of the SDI Ordinance.

The beneficial interests of the Directors and Supervisors in the share capital of the Company are deemed as follows:

Name	Type of interests	Number of shares	Percentage of deemed beneficial interest in the Company's share capital immediately after the Listing
<i>Directors</i>			
Xie Li	Others (<i>Note 1</i>)	11,900,000	1.27%
Zhang Yun Xia	Personal (<i>Note 2</i>)	9,000,000	0.96%
You Xue Gui	Others (<i>Note 1</i>)	8,000,000	0.86%
Zhang Jin Quan	Others (<i>Note 1</i>)	1,500,000	0.16%
Chen Dao Xu	Others (<i>Note 1</i>)	500,000	0.05%
<i>Supervisors</i>			
Zhou Ming Hai	Others (<i>Note 1</i>)	5,000,000	0.54%
Xiong Xian Gen	Others (<i>Note 1</i>)	2,000,000	0.21%
Wang Dao Wu	Others (<i>Note 1</i>)	1,000,000	0.11%
Zhou Wen Da	Others (<i>Note 1</i>)	780,000	0.08%
Shi Jian Jun	Others (<i>Note 1</i>)	500,000	0.05%

Notes:

- (1) These shares are held through the Worker Union of Jiangsu Educational Instrument Corporation (the "Union"). The Union, being a social organisation legal person established under the laws of the PRC, holds 110,000,000 shares, or approximately 11.78% shareholding in the Company for and on behalf of the staffs of the Company including Directors and Supervisors and owns 15% equity interest in Jiangsu Co-Creation Education Development Company Limited ("Jiangsu Co-Creation").
- (2) These shares are directly held by an ex-director of the Company, who is also the spouse of Zhang Yun Xia.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during six months ended 30th June, 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th June, 2001, none of the Directors or the Supervisors had any rights to acquire H shares in the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme. A summary of the principle terms and conditions of the share option scheme are set out in the section headed "Summary of the Terms of the Share Option Scheme" in Appendix VI of the Prospectus. Upto 30th June, 2001, no option has been granted pursuant to such share option scheme.

SUBSTANTIAL SHAREHOLDERS

Other than the interests as disclosed above in respect of the Directors and their associates, as at 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital:

Shareholder	Number of shares	Approximate effective interests in the Company immediately after the Listing
Nanjing University	200,000,000	21.41%
Jiangsu Zongyi Company Limited ("Zongyi") (Note 1)	181,540,000	19.44%
Jiangsu Educational Instrument Corporation ("Jiangsu Educational") (Note 2)	136,500,000	14.61%
The Union (Note 3)	123,500,000	13.22%

Notes:

- (1) The interest of Zongyi comprises:
 - (a) 160,000,000 shares (representing approximately 17.13% of the Company's issued share capital) held by Zongyi; and
 - (b) 21,540,000 shares (representing approximately 2.31% of the Company's issued share capital) held through Jiangsu Property Business Company Limited, which is approximately 53.85% owned by Zongyi.
- (2) The interest of Jiangsu Educational comprises:
 - (a) 60,000,000 shares (representing approximately 6.42% of the Company's issued share capital) held by Jiangsu Educational; and
 - (b) 76,500,000 shares (representing approximately 8.19% of the Company's issued share capital) held through Jiangsu Co-Creation, which is approximately 85% owned by Jiangsu Educational.
- (3) The interest of the Union comprises:
 - (a) 110,000,000 shares (representing approximately 11.78% of the Company's issued share capital) held by the Union; and
 - (b) 13,500,000 shares (representing approximately 1.44% of the Company's issued share capital) held through Jiangsu Co-Creation, which is approximately 15% owned by the Union.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

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.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (“Core Pacific – Yamaichi”), neither Core Pacific – Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2001 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 18th April, 2001 entered into between the Company and Core Pacific – Yamaichi, Core Pacific – Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 24th April, 2001 to 31st December, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

AUDIT COMMITTEE

The Company established an audit committee on 8th December, 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Mr. Xu Huan Liang and Professor Wang Zhi Jian, and one executive director, Mr. Xie Li, joined the Company's audit committee on 3rd August, 2001.

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, 2001.

On behalf of the Board

Xie Li

President and executive director

3rd August, 2001, Nanjing, the PRC

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This announcement, for which the directors of Jiangsu NandaSoft Company Limited 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 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.