



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)

Third Quarterly Report

2001

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.

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.



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HIGHLIGHTS

- Accomplished a net profit of approximately RMB10,201,000 for the nine months ended 30th September, 2001, representing an approximately 1.5 times increase as compared with that of the corresponding period in 2000
- Achieved a turnover of approximately RMB108,984,000 for the nine months ended 30th September, 2001
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2001

THIRD QUARTER 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 nine months ended 30th September, 2001.

For the three months ended 30th September, 2001, the unaudited turnover is approximately RMB50,770,000, representing a growth of approximately RMB1,751,000, or approximately 4% in turnover as compared with that of the same period in 2000. For the nine months ended 30th September, 2001, the unaudited turnover is approximately RMB108,984,000, representing a growth of approximately RMB25,697,000, or approximately 31% 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 nine months ended 30th September, 2001 is approximately RMB4,014,000 and RMB10,201,000 respectively, representing a substantial growth in the results of approximately 20% and 150% respectively as compared with the corresponding figures in 2000.

* For identification purpose only

The unaudited results of the Group for the three months and nine months ended 30th September, 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 September,		For the nine months ended 30th September,	
		2001	2000	2001	2000
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	50,769,930	49,018,749	108,983,743	83,286,325
Cost of sales		42,407,275	42,673,778	90,018,424	74,345,830
Gross profit		8,362,655	6,344,971	18,965,319	8,940,495
Other revenue		572,405	958,016	3,973,934	2,423,004
Distribution costs		(2,557,034)	(2,100,788)	(6,699,654)	(3,558,853)
Research and development costs		(612,752)	(509,993)	(1,130,983)	(530,216)
Administrative expenses		(1,537,457)	(1,154,483)	(4,133,460)	(2,994,247)
Profit from operations		4,227,817	3,537,723	10,975,156	4,280,183
Finance costs		(45,215)	(2,788)	(51,291)	(5,409)
Profit before taxation		4,182,602	3,534,935	10,923,865	4,274,774
Taxation	3	(312,165)	(220,450)	(745,017)	(229,478)
Net profit before minority interests		3,870,437	3,314,485	10,178,848	4,045,296
Minority interests		143,356	(26,159)	21,804	98,978
Net profit attributable to shareholders		4,013,793	3,288,326	10,200,652	4,144,274
Earnings per share – basic	4	0.0043	0.0047	0.0122	0.0059

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 September, 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 September,		For the nine months ended 30th September,	
	2001	2000	2001	2000
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sales of computer software products	3,262,468	2,200,180	4,757,398	2,203,283
Provision of IT consulting services	3,560,670	555,377	11,880,714	2,700,650
Sales of computer hardware products and equipment	43,946,792	46,263,192	92,345,631	78,382,392
	<u>50,769,930</u>	<u>49,018,749</u>	<u>108,983,743</u>	<u>83,286,325</u>

3. TAXATION

	For the three months ended 30th September,		For the nine months ended 30th September,	
	2001	2000	2001	2000
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>

The charge comprises:

PRC income tax	<u>312,165</u>	<u>220,450</u>	<u>745,017</u>	<u>229,478</u>
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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 nine months ended 30th September, 2001 was based on the net profit of approximately RMB4,014,000 and approximately RMB10,201,000 (three months and nine months ended 30th September, 2000: net profit of approximately RMB3,288,000 and RMB4,144,000) respectively divided by the weighted average number of shares issued during the period of 934,000,000 shares (2000: 700,000,000 shares) and 835,200,000 Shares (2000: 700,000,000 shares) respectively 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 nine months ended 30th September, 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 RMB	2000 RMB	2001 RMB	2000 RMB
As at 1st January,	–	–	7,355,168	(58,784)
Net profit for the period	–	–	3,061,623	(555,786)
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)	–	–	–
As at 30th June,	49,800,000	–	13,542,027	797,164
Net profit for the period	–	–	4,013,793	3,288,326
As at 30th September,	49,800,000	–	17,555,820	4,085,490

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 third quarter of this financial year. For the three months ended 30th September, 2001, the Group has accomplished a revenue of approximately RMB50,770,000 and a net profit of approximately RMB4,014,000. This represented a growth of approximately 20% in net profit as compared to the same period in the previous year. For the nine months ended 30th September, 2001, the Group has accomplished a revenue of approximately RMB108,984,000 and a net profit of approximately RMB10,201,000, representing a growth of approximately 150% in net profit. 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

Product Development

Network Security Solutions

The Group has completed the design of VPN and intrusion detection system, the launch of SoftWall personal edition and customised version of SoftWall personal edition for the government and military usage.

Other Software Products

The Group has completed the launch of customised version of office automation system based on WebOA 2.0, public sector customised version of NandaSoft online payment system and the upgraded version of “Tutor” services multimedia development tool.

Market and Business Development

During the period, the Group has participated the National High Technology Product Trade Exhibition and National Information Industry Security Technology Product Exhibition in Shenzhen on September. The Group also sponsored the seminar on governmental services digitalisation for various government department including tax, education and export department in Jiangsu Province. Moreover, the Group has built up a strategic distribution partner relationship with Jiangsu Public Multimedia Communication Bureau. In addition, the Group has conducted promotion activities jointly with software distributors and e-commerce operators in Beijing, Xian, Shenzhen, Hunan and Jiangsu and other cities. Also, the Group has completed the promotion on online payment platform to public sector and “Tutor” services multimedia development tool to school in Jiangsu Province.

FUTURE PROSPECTS

The Board of the Company believes that the professional expertise, management strengths and marketing ability of the Company will lay a strong foundation for future growth. As PRC is joining World Trade Organisation, the Company believes that software industry in PRC will grow rapidly. The Company’s existing resources and the efforts it made are all aimed at spearheading the future market competition. As such, we are confident that our objectives will be achieved, the corporate value and shareholders’ returns will be maximised.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 30th September, 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 (Note 1)	11,900,000	1.27%
Zhang Yun Xia	Personal (Note 2)	9,000,000	0.96%
You Xue Gui	Others (Note 1)	8,000,000	0.86%
Zhang Jin Quan	Others (Note 1)	1,500,000	0.16%
Chen Dao Xu	Others (Note 1)	500,000	0.05%
<i>Supervisors</i>			
Zhou Ming Hai	Others (Note 1)	5,000,000	0.54%
Xiong Xian Gen	Others (Note 1)	2,000,000	0.21%
Wang Dao Wu	Others (Note 1)	1,000,000	0.11%
Zhou Wen Da	Others (Note 1)	780,000	0.08%
Shi Jian Jun	Others (Note 1)	500,000	0.05%

Notes:

- (1) These shares are held through the Worker Union of Jiangsu Provincial Management Center for Education Equipment and Self-supporting School (the "Union"). The Union, being a social organisation legal person established under the laws of the PRC by changing the name from Worker Union of Jiangsu Educational Instrument Corporation on 1st July, 2001, 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 nine months ended 30th September, 2001, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th September, 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 September, 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 September, 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 Provincial Management Center for Education Equipment and Self-supporting School (“Jiangsu Management Centre”) (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 High-tech Industry Investment Company Limited (Formerly known as Jiangsu Property Business Company Limited and adopting the present name on 26th April, 2001), which is approximately 53.85% owned by Zongyi.
- (2) Jiangsu Management Center is a professional unit entity established by changing the name from Jiangsu Educational Instrument Corporation on 1st July, 2001 pursuant to the PRC law. The interest of Jiangsu Management Center comprises:
 - (a) 60,000,000 shares (representing approximately 6.42% of the Company’s issued share capital) held by Jiangsu Management Center; 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 Management Center.

- (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 September, 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 September, 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.

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, 2001.

On behalf of the Board
Xie Li

President and executive director

9th November, 2001, Nanjing, the PRC