



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)

First Quarterly Report

2002



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.



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

- Achieved a turnover of approximately RMB42,687,000 for the three months ended 31st March, 2002, representing an approximately 56% increase as compared with that of corresponding period in 2001
- Accomplished a net profit of approximately RMB3,128,000 for the three months ended 31st March, 2002, representing an approximately 2% increase as compared with that of the corresponding period in 2001
- The Directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2002

FIRST 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 months ended 31st March, 2002.

For the three months ended 31st March, 2002, the unaudited turnover is approximately RMB42,687,000, representing a growth of approximately RMB15,366,000, or approximately 56% in turnover as compared with that of the same period in 2001.

Due to the growth in the turnover, the unaudited net profit of the Group for three months ended 31st March, 2002 is approximately RMB3,128,000, representing a growth in the results of approximately 2% as compared with the corresponding figures in 2001.

* For identification purpose only

The unaudited results of the Group for the three months ended 31st March, 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	<i>Notes</i>	For the three months ended 31st March,	
		2002	2001
		<i>RMB</i>	<i>RMB</i>
Turnover	2	42,687,039	27,321,283
Cost of sales		<u>31,656,344</u>	<u>20,332,563</u>
Gross profit		11,030,695	6,988,720
Other revenue		1,062,767	1,228,036
Distribution costs		(3,874,685)	(2,750,455)
Research and development costs		(696,637)	(116,747)
Administrative expenses		<u>(3,588,762)</u>	<u>(1,897,709)</u>
Profit from operations		3,933,378	3,451,845
Finance costs		<u>(4,800)</u>	<u>(4,348)</u>
Profit before taxation		3,928,578	3,447,497
Taxation	3	<u>(744,147)</u>	<u>(297,759)</u>
Net profit before minority interests		3,184,431	3,149,738
Minority interests		<u>(56,698)</u>	<u>(88,115)</u>
Net profit attributable to shareholders		<u>3,127,733</u>	<u>3,061,623</u>
Earnings per share – basic	4	<u>0.0033</u>	<u>0.0044</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, 2001 to 31st March, 2002.

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 31st March,	
	2002	2001
	<i>RMB</i>	<i>RMB</i>
Sales of computer software products	827,371	338,989
System integration	41,859,668	26,982,294
	<u>42,687,039</u>	<u>27,321,283</u>

3. TAXATION

	For the three months ended 31st March,	
	2002	2001
	<i>RMB</i>	<i>RMB</i>
The charge comprises:		
PRC income tax	<u>744,147</u>	<u>297,759</u>

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 16.5% 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 ended 31st March, 2002 was based on the net profit of approximately RMB3,128,000 (2001: RMB3,062,000) divided by the weighted average number of shares issued during the period of 934,000,000 shares (2001: 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 ended 31st March, 2002 and 2001 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 2002 and 2001.

	Retained profits	
	2002	2001
	RMB	RMB
As at 1st January,	19,209,617	6,550,883
Net profit for the period	3,127,733	3,061,623
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As at 31st March,	22,337,350	9,612,506
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INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period. (2001: Nil)

FINANCIAL REVIEW

The Group has achieved a stable and sustained growth in the operational results of the first quarter of year 2002. For the three months ended 31st March, 2002, the Group has accomplished a revenue of approximately RMB42,687,000 and a net profit of approximately RMB3,128,000. This represented a growth of approximately 56% in revenue as compared to the same period in the previous year. The improvement in the financial conditions of the Group was due to further expansion in sales network which provide the Company with good business development.

BUSINESS OBJECTIVES REVIEW

Product Development

Network Security Solutions

The Group has been conducting the research of grade-B network security cooperation technologies, and has completed the development and phase 2 testing of grade-BI security operation system and security data bank.

Other Software Products

The Group has completed the design of office automation system WebOA for “Soft-and Hardware” Website, as well as the project design and preliminary development of GIS technologies for practical application of enterprises.

Market and Business Development

The security operation system and network security system offered by the Group have overwhelming influence over various sectors such as the government, education, finance and enterprises. The Group has developed effective sales channels over the PRC, and promoted its comprehensive network security solutions including security operation system, network security system and alike. The Group has also successfully promoted its e-commerce platform to the corporate clients in Jiangsu Province and distribution agents and Internet companies all over the world that the product has certain influence over the sectors, and its e-administration platform to various government departments, such as contracting the project of Jiangsu Province Development Committee Vertical Website in Jiangsu Province e-administration Website Platform. In addition, the Group has promoted “Tutor” services multimedia development tools to primary and secondary schools in Jiangsu Province, Distribution Agent Promotion Tutors 2000 over the PRC, and various colleges and institutes in Jiangsu Province. The Group focused as well on the promotion of its online payment platform to public institutions, in order to achieve good results.

As for trade exhibitions, training courses and seminars, the Group participated in the Eighth International Computers and Networks Exhibition in Shanghai, and the Third National Computer Security Products Tradeshow, with good promotional effects on the Group’s image and products.

In regard of sales channels and business development, the Group has developed a comprehensive network of sales and distribution channels in the Eastern Region as key points of selling its network security products and contracting system integration projects, and established sales and services offices in Hubei and Fujian provinces, and Beijing and Tianjin cities as key points of promoting its network security products.

As for promotion and advertising, the Group promoted itself in information technology national readings such as *China’s Computer Newspaper* (《中國計算機報》) and *Computer World* (《計算機世界》), in which the Group introduced its solutions for various sectors, established its corporate image and stimulated market demand.

FUTURE PROSPECTS

The Board of the Company believes that the information technology sector in the PRC is in phase of development, and market demand of hi-tech products is still enormous. Moreover, as the PRC joined the World Trade Organization, there will be more opportunities in the information technology sector. With constant endeavour of the sales teams and staff under the lead of the Board and the management, the Company will achieve more fruitful results in 2002.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN SHARES

As at 31st March, 2002, 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
<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 & 3)	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.
- (3) Zhang Jin Quan is a ex-director of the Company who had resigned on 12th April, 2002.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during nine months ended 31st March, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 31st March, 2002, 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 31st March, 2002, 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 31st March, 2002, 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
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 31st March, 2002.

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 31st March, 2002 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 Professor Xie Li, Chairman of the Company.

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 31st March, 2002.

On behalf of the Board
Xie Li
Chairman and President

26th April, 2002, Nanjing, the PRC