

# 2002

3rd Quarterly Report



**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)

## **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.*



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

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## **HIGHLIGHTS**

- Accomplished a turnover of approximately RMB207,152,000 for the nine months ended 30th September, 2002, representing an approximately 90% increase as compared with that of the corresponding period in 2001
- Achieved a net profit of approximately RMB10,465,000 for the nine months ended 30th September, 2002
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2002

## **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, 2002.

For the three months ended 30th September, 2001, the unaudited turnover is approximately RMB107,867,000, representing a growth of approximately RMB57,097,000, or approximately 1 time in turnover as compared with that of the same period in 2001. For the nine months ended 30th September, 2002, the unaudited turnover is approximately RMB207,152,000, representing a growth of approximately RMB98,168,000, or approximately 90% in turnover as compared with that of the same period in 2001.

The unaudited net profit of the Group for three months and nine months ended 30th September, 2002 is approximately RMB4,114,000 and RMB10,465,000 respectively, representing a growth in the results of approximately 2% and 3% respectively as compared with the corresponding figures in 2001.

\* For identification purpose only

The unaudited results of the Group for the three months and nine months ended 30th September, 2002 together with the unaudited comparative figures for the corresponding period in 2001 are as follows:

	<i>Notes</i>	<b>For the three months ended 30th September,</b>		<b>For the nine months ended 30th September,</b>	
		<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Turnover	2	107,866,604	50,769,930	207,151,595	108,983,743
Cost of sales		93,018,985	42,407,275	169,983,853	90,018,424
Gross profit		14,847,619	8,362,655	37,167,742	18,965,319
Other revenue		389,776	572,405	2,306,943	3,973,934
Distribution costs		(5,450,062)	(2,557,034)	(13,097,584)	(6,699,654)
Research and development costs		(1,641,655)	(612,752)	(3,237,340)	(1,130,983)
Administrative expenses		(2,633,494)	(1,537,457)	(10,256,652)	(4,133,460)
Profit from operations		5,512,184	4,227,817	12,883,109	10,975,156
Finance costs		(156,000)	(45,215)	(183,837)	(51,291)
Profit before taxation		5,356,184	4,182,602	12,699,272	10,923,865
Taxation	3	(777,959)	(312,165)	(1,450,793)	(745,017)
Net profit before minority interests		4,578,225	3,870,437	11,248,479	10,178,848
Minority interests		(463,885)	143,356	(783,775)	21,804
Net profit attributable to shareholders		4,114,340	4,013,793	10,464,704	10,200,652
Earnings per share – basic	4	0.0044	0.0043	0.0112	0.0122

*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 30th September, 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.

	<b>For the three months ended 30th September,</b>		<b>For the nine months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sales of computer software products	2,293,193	3,262,468	7,725,822	4,757,398
System integration	105,573,411	47,507,462	199,425,773	104,226,345
	<u>107,866,604</u>	<u>50,769,930</u>	<u>207,151,595</u>	<u>108,983,743</u>

## 3. TAXATION

	<b>For the three months ended 30th September,</b>		<b>For the nine months ended 30th September,</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The charge comprises:				
PRC income tax	<u>777,959</u>	<u>312,165</u>	<u>1,450,793</u>	<u>745,017</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 subsidiaries of the Company are 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, 2002 was based on the net profit of approximately RMB4,114,000 and approximately RMB10,465,000 (three months and nine months ended 30th September, 2001: net profit of approximately RMB4,014,000 and RMB10,201,000) respectively divided by the weighted average number of shares issued during the three months period of 934,000,000 shares (2001: 934,000,000 shares) and nine months period of 934,000,000 shares (2001: 835,200,000 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, 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 2001 and 2002.

	Share premium		Retained profits	
	2002 RMB	2001 RMB	2002 RMB	2001 RMB
As at 1st January,	49,800,000	–	19,209,617	6,550,883
Net profit for the period	–	–	3,127,733	3,061,623
As at 31st March,	49,800,000	–	22,337,350	9,612,506
Net profit for the period	–	–	3,222,631	3,125,236
Issue of shares under placement	–	60,840,000	–	–
Share issuing expenses	–	(11,040,000)	–	–
As at 30th June,	49,800,000	49,800,000	25,559,981	12,737,742
Net profit for the period	–	–	4,114,340	4,013,793
As at 30th September,	49,800,000	49,800,000	29,674,321	16,751,535

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September, 2002. (2001: 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, 2002, the Group has accomplished a revenue of approximately RMB107,867,000 and a net profit of approximately RMB4,114,000. This represented a growth of approximately 1 time turnover as compared to the same period in the previous year. For the nine months ended 30th September, 2002, the Group has accomplished a revenue of approximately RMB207,152,000 and a net profit of approximately RMB10,465,000, representing a growth of approximately 90% in turnover. The further 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**

During the period under review, the SoftCA (based on the security operating system) of NandaSoft's network security total solutions passed the technical accreditation by Technology Department in Jiangsu Province, thus, providing a reliable platform for implementation of the electronic government project of Jiangsu Province. Meanwhile, NandaSoft's network security total solutions were also successfully accredited as "Class 1 Awardee of Technology Progress in Jiangsu Province" in year 2002 by Technology Department of Jiangsu Province.

### **Market and Business Development**

During the period, the Group continued to focus on promotion of its network security solution application among the government, education, finance and corporate sectors with some favourable responses. In addition, the Group expanded and consolidated its sales network for marketing of its network security solutions through distributors and cooperative partners.

Apart from this, the Group also successfully marketed its electronic government platform among government departments during the reporting period. This resulted in the successful launch of the electronic government network platform of Jiangsu Province – a vertical network project of Development & Planning Committee of Jiangsu Province. Moreover, the Group organised an annual meeting of its distributors throughout China. Following establishment of its two subsidiaries, namely Nanjing NandaSoft Electronic Technology Limited and Beijing NandaSoft Digital Technology Limited during the same period, the Group has further boosted its overall distribution capability.

## **FUTURE PROSPECTS**

As the number of internet users in PRC has continued to grow and the demand of network security monitoring, networks securities products would be emphasized. In respect of research and development, the Group will continuously employ more technical talents to further strengthen the Group's research and development team. In addition, the Group would implement aggressive marketing plans to improve brand name awareness of its products, and strengthen ties to government authorities and major customers and strive to become a leader in the industry.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES**

As at 30th September, 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 (Notes 1 and 3)	8,000,000	0.86%
Zhang Jin Quan	Others (Notes 1 and 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) Mr. You Xue Gui has resigned as director of the Company on 17th May, 2002.
- (4) Mr. Zhang Jin Quan has resigned as director of the Company on 12th April, 2002.

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES**

Save as disclosed above, during nine months ended 30th September, 2002, none of the Directors or Supervisors was granted options to subscribe for H shares of the Company. As at 30th September, 2002, none of the Directors or the Supervisors or their spouse or children under 18 years of age 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, 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, the Supervisors and their associates, as at 30th September, 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:

<b>Shareholder</b>	<b>Number of shares</b>	<b>Approximate effective interests in the Company</b>
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, 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"), as at 30th September, 2002, Core Pacific – Yamaichi Securities, Tokyo, an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of Core Pacific – Yamaichi, held 30,000 shares of the Company. Save as disclosed herein, neither Core Pacific – Yamaichi nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 30th September, 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 Chairman, 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**  
*Chairman and President*

25th October, 2002, Nanjing, the PRC