

2

FIRST QUARTERLY REPORT

0

0

3

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



NANDASOFT
南大苏富特

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

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of HongKong 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 report, 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 report.

This report, 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 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.

**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 RMB83,504,000 for the three months ended 31st March, 2003, representing an approximately 95.6% increase as compared with that of corresponding period in 2002
- Accomplished a net profit of approximately RMB2,935,000 for the three months ended 31st March, 2003, representing an approximately 6.2% decrease as compared with that of the corresponding period in 2002
- The Board does not recommend the payment of dividend for the three months ended 31st March, 2003

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, 2003.

For the three months ended 31st March, 2003, the unaudited turnover is approximately RMB83,504,000, representing a growth of approximately RMB40,817,000, or approximately 95.6% in turnover as compared with that of the same period in 2002. Due to the increase

* *For identification purpose only*

in research and development cost of approximately 118.1%, the unaudited net profit of the Group for three months ended 31st March, 2003 is approximately RMB2,935,000, representing a slightly drop in the results of approximately 6.2% as compared with the corresponding figures in 2002.

The unaudited results of the Group for the three months ended 31st March, 2003 together with the unaudited comparative figures for the corresponding period in 2002 are as follows:

	<i>Notes</i>	For the three months ended 31st March,	
		2003	2002
		RMB	<i>RMB</i>
Turnover	2	83,504,042	42,687,039
Cost of sales		(68,716,330)	(31,656,344)
Gross profit		14,787,712	11,030,695
Other revenue		1,850,294	1,062,767
Distribution costs		(5,934,505)	(3,874,685)
Research and development costs		(1,519,317)	(696,637)
Administrative expenses		(5,841,111)	(3,588,762)
Profit from operations		3,343,073	3,933,378
Finance costs		(22,943)	(4,800)
Profit before taxation		3,320,130	3,928,578
Taxation	3	(183,589)	(744,147)
Net profit before minority interests		3,136,541	3,184,431
Minority interests		(201,920)	(56,698)
Net profit attributable to shareholders		2,934,621	3,127,733
Earnings per share — basic	4	0.0031	0.0033

Notes:

1. Basis of Presentation

The Company 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 Company's predecessor, Jiangsu NandaSoft Limited Liability Company (the "Predecessor") was established on 18th September 1998. By way of transformation of the Predecessor (the "Transformation"), the Company was established on 30th December 1999. Upon its establishment, the Company assumed the subsidiary of the Predecessor, Nanjing NandaSoft System Integration Company Limited which is engaged in the sale of computer hardware and equipment, and continued to develop, manufacture and market network security software, internet application software, education software and business application software, and provides systems integration services which include the provision of information technology consulting, and sales of computer hardware products and equipment.

The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited on 24th April 2001. Details of the Transformation are set out in the prospectus issued by the Company dated 19th April 2001.

2. Turnover

Turnover, which is stated net of valued added tax and other sales taxes and returns, represents amounts invoiced to customers for sales of computer software products and hardware products and equipment and, in respect of the provision of IT consulting services, the value of work done during the year.

	For the three months ended 31st March,	
	2003	2002
	RMB	<i>RMB</i>
Sales of computer software products	1,335,895	827,371
System integration	82,168,147	41,859,668
	83,504,042	42,687,039

3. Taxation

**For the three months
ended 31st March,**

2003	2002
RMB	RMB

The charge comprises:

PRC income tax	183,589	744,147
----------------	----------------	---------

Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality dated 27th December 1999, the Company has been designated as a high and new technology enterprise and is exempted from PRC income tax for two years starting from their first profit making years, followed by a 50% reduction for the next three years. Accordingly, the Company is exempted from PRC income tax for the two years ended 31st December 2000 and a reduced income tax rate of 16.5% starting from the year 2001.

Except for Shanghai Nandasoft Information Technology Company Limited which is subject to income tax rate of 15%, the Company's subsidiaries are subject to the income tax of 33%.

4. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB2,934,621 (2002: RMB3,127,733) and on 934,000,000 (2002: 934,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 31st March, 2003 and 2002 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 2003 and 2002.

	Retained profits	
	2003	2002
	RMB	<i>RMB</i>
As at 1st January,	27,722,725	19,209,617
Net profit for the period	2,934,621	3,127,733
	<hr/>	
As at 31st March,	30,657,346	22,337,350
	<hr/>	

DIVIDEND

The Board does not recommend the payment of dividend for the period. (2002: Nil)

FINANCIAL REVIEW

The Group has achieved a substantial growth in the operational results of the first quarter of year 2003. For the three months ended 31st March, 2003, the Group has accomplished a revenue of approximately RMB83,504,000 and a net profit of approximately RMB2,935,000. This represented a growth of approximately 95.6% 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 completed the research and development of the SoftCA which incorporates functions of application, issuance, publication, revocation and voidance of certificates and digital signature.

The “Network information security demonstration project commissioned by the provincial government”, a key project for the “tenth five” technological upgrading scheme of Jiangsu Province undertaken by the Group, has successfully passed the evaluation and verification on the verification meeting convened in the People’s Government Office of Jiangsu Province, appraised highly by the experts as a project of advanced level in terms of key technologies.

The NandaSoft Security Computer based on security desktop operation system has been successfully developed. It passed the inspection hosted by State Electronic and Computer Quality Control and Inspection Centre, qualified for all technological indexes and was awarded the production permit for industrial product.

Other Software Products

The development of security government mailing system of NandaSoft’s electronic government solutions have been completed and user trials will commence.

Market and Business Development

The Group continued to promote its Soft security total solution within the province and in the peripheral provinces. With the presence on government related industries further expands, the Group was chosen as a Designated Purchase Unit for the designated Purchase Tender 2003 of the government of Jiangsu Province in March. In the meantime, the Group strived to expand into industries such as the Planned Birth Committee, the Police Force and education, making them new points of business growth of the Company.

The Group kept promoting Soft security brand image on professional media such as <<The PRC Computer News>>, and has brought about notable influence in the trade.

As part of its efforts in promoting cooperation with Microsoft, the Microsoft source code filing is being implemented.

FUTURE PROSPECTS

The Board believes that, with the launch of the Soft security computer, NandaSoft' image as the security brand image can be further strengthened and the Group's market awareness will be enhanced. Through introduction of outstanding professionals and further integration of the Group's resources, the Group will enhance its core competitiveness as a whole.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st March, 2003, except for those shares as set out below, none of the directors and the supervisors of the Company 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
Directors			
Xie Li	Other (Note 1)	11,900,000	1.27%
Zhang Yun Xia	Personal (Note 2)	9,000,000	0.96%
Chen Dao Xu	Other (Note 1)	500,000	0.05%
Supervisors			
Zhou Ming Hai	Other (Note 1)	5,000,000	0.54%
Xiong Xian Gen	Other (Note 1)	2,000,000	0.21%
Wang Dao Wu	Other (Note 1)	1,000,000	0.11%
Zhou Wen Da	Other (Note 1)	780,000	0.08%
Shi Jian Jun	Other (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 the three months ended 31st March, 2003, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 31st March, 2003, none of the directors or the supervisors nor their spouses or children under the age of 18 had any right to acquire H shares in the Company or had exercised any such right during the period.

SHARE OPTION SCHEME

The Company has 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. Up to 31st March, 2003, 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, supervisors and their associates, as at 31st March, 2003, 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% or more of the Company's issued share capital:

Shareholder	Number of shares	Percentage of registered share capital
Nanjing University	200,000,000	21.41%
Jiangsu Zongyi Company Limited ("Zongyi") (Note 1)	181,540,000	19.44%
Jiangsu Provincial Management Centre 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 domestic shares (representing approximately 17.13% of the Company's issued share capital) held by Zongyi; and
 - (b) 21,540,000 domestic 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 domestic shares (representing approximately 6.42% of the Company's issued share capital) held by Jiangsu Management Center; and
 - (b) 76,500,000 domestic 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 domestic shares (representing approximately 11.78% of the Company's issued share capital) held by the Union; and
 - (b) 13,500,000 domestic 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, 2003.

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 or has any other conflict of interest with the Group.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("Sponsor"), as at 31st March 2003, Core Pacific-Yamaichi Securities Co. Ltd (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of the Sponsor, held 30,000 shares of the Company. Save as disclosed herein, neither the Sponsor nor its directors, employees or associates had any interest in the share capital of the Company as at 31st March, 2003.

Pursuant to an agreement dated 18th April 2001 entered into between the Company and the Sponsor, the Sponsor 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 to 5.25 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, Professor Xie Li, who is also the 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, 2003.

On behalf of the Board

Xie Li

Chairman

25th April, 2003, Nanjing, the PRC