



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 2004

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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

江蘇南大蘇富特軟件股份有限公司

JIANGSU NANDASOFT COMPANY LIMITED **(a joint stock limited company incorporated in the People's Republic of China)***HIGHLIGHTS**

- Achieved a turnover of approximately RMB97,362,000 for the three months ended 31st March, 2004, representing an approximately 16.6% increase as compared with that of corresponding period in 2003.
- Accomplished a net profit of approximately RMB2,979,000 for the three months ended 31st March, 2004, representing an approximately 1.5% increase as compared with that of the corresponding period in 2003.
- The Board does not recommend the payment of dividend for the three months ended 31st March, 2004.

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, 2004.

For the three months ended 31st March, 2004, the unaudited turnover is approximately RMB97,362,000, representing a growth of approximately RMB13,858,000, or approximately 16.6% in turnover as compared with that of the same period in 2003. Due to the growth in the turnover, the unaudited net profit of the Group for three months ended 31st March, 2004 is approximately RMB2,979,000, representing a growth in the results of approximately 1.5% as compared with the corresponding figures in 2003.

* *For identification purpose only*

The unaudited results of the Group for the three months ended 31st March, 2004 together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

	Notes	For the three months ended 31st March,	
		2004	2003
		RMB	RMB
Turnover	2	97,362,016	83,504,042
Cost of sales		(79,244,524)	(68,716,330)
Gross profit		18,117,492	14,787,712
Other revenue		204,419	1,850,294
Distribution costs		(6,685,444)	(5,934,505)
Research and development costs		(1,890,765)	(1,519,317)
Administrative expenses		(6,033,866)	(5,841,111)
Profit from operations		3,711,836	3,343,073
Finance costs		(80,300)	(22,943)
Profit before taxation		3,631,536	3,320,130
Taxation	3	(193,336)	(183,589)
Net profit before minority interests		3,438,200	3,136,541
Minority interests		(458,880)	(201,920)
Net profit attributable to shareholders		2,979,320	2,934,621
Earnings per share — basic	4	0.0032	0.0031

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,	
	2004	2003
	RMB	RMB
Sales of computer software products	7,194,598	1,335,895
System integration	90,167,418	82,168,147
	97,362,016	83,504,042

3. TAXATION

	For the three months ended 31st March,	
	2004	2003
	RMB	RMB
The charge comprises:		
PRC income tax	193,336	183,589

Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality dated 27 December 1999, the Company has been designated as a new and high technology entity 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, subject to the tax concession approval from relevant tax authority. Accordingly, the Company is exempted from PRC income tax for the two years ended 31 December 2000 and a reduced income tax rate of 16.5% starting from the year 2001. As at year end, the Company has not obtained the tax concession approval from the relevant tax authority and therefore a tax rate of 33% is used.

The subsidiaries of the Company are subject to income tax rate ranging from 0% to 33%.

4. EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 31 March 2004 was based on the profit attributable to shareholders of RMB2,979,000 (2003: RMB2,935,000) divided by the weighted average number of shares issued during the period of 934,000,000 (2003: 934,000,000).

Diluted earnings per share is not presented for the three months ended 31st March, 2004 and 2003 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 2004 and 2003.

	Retained profits	
	2004	2003
	RMB	<i>RMB</i>
As at 1st January,	35,975,718	25,235,598
Net profit for the period	2,979,320	2,934,621
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As at 31st March,	38,955,038	28,170,219
	<hr/>	<hr/>

In the year of 2003, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the balance of retained profits at 1 January 2002 has been decreased by RMB1,983,409, representing the cumulative effect of the change in policy on the results for the periods prior to 1 January 2002.

DIVIDEND

The Board does not recommend the payment of dividend for the period. (2003: Nil)

FINANCIAL REVIEW

The Group has achieved a substantial growth in the operational results of the first quarter of year 2004. For the three months ended 31st March, 2004, the Group has accomplished a revenue of approximately RMB97,362,000 and a net profit of approximately RMB2,979,000. This represented a growth of approximately 16.6% 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

During the period, the Company had, based on its existing security products, launched the new generation Soft Firewall that incorporated the intrusion detection system and the enhanced version of Soft Firewall, the Softwall v2.2, in order to meet market demand and to cope with the Company's marketing strategy.

The Group launched the government informatization total solutions, centered on security service and security integration, for the province, city and country level governments.

Adapting to the development trend of network security, the Company had conducted R&D on the following aspects with an aim to lay a technology foundation for future product offerings:

1. R&D on the high-end firewall of over 1,000Hz
2. R&D on the mini-version exchange firewall
3. R&D on VPN of 1,000Hz grade
4. R&D on the new generation intrusion detection (distributive network monitor and alarm) products
5. R&D on the computer network security management platform
6. R&D on the monitor and audit platform of WAN user conduct

Electronic Government Businesses

During the period, the Company had, with the collaboration with international renowned manufacturers such as IBM, Microsoft and with the use of international state-of-the-art technologies, successfully developed the trans-area information exchange platform applicable to electronic government business, securing inter-government shared information exchange.

This platform has seen its application in those large scale electronic government projects operated by the Group, for instance, those projects with Jiangsu Government Electronic Government Business Construction, Jiangsu Industry and Commerce Bureau CALL CENTER Project, Nanjing Public Security Residence Administration, Jiangsu Finance Office, Jiangsu

Labor Office, Jiangsu Personnel Office, Jiangsu Meteorological Service, Wuxi Municipal Government and Anhui Normal University, the Group's competitiveness in respect of electronic government business was further strengthened.

Internet Application Software

The Group had implemented in succession solutions coming up to international standards, namely the International Logistics Public Information Solution, the China Publishing Group Chained Operation Information Support Platform Solution, Jiangsu Digital Filling Information Support Solution and Technological Plan Reporting Platform Solution with electronic government business functions. After the actual promotion and application of them, the Group had also implemented the Jiangsu Provincial Government and Wuxi Municipal Government portals, the internal office automation trans-area information exchange platform, the on-line joint approval series solutions, the Jiangsu Prison Administration Portal, the SME resources management and cross-platform of Jiangsu Shengze e-commerce, and telecommunication integrated network resources management platform, all are total solutions of advanced trade standards.

Given the development of Internet application, and the deepening of government informatization and corporate informatization, the Company leveraged the experience and strength of NandaSoft in the aspect of security, trade application, digital integration and data mining, and etc, proposed the informatization construction method of "three fronts in one line(三面一線)", integrating demonstration, application and data fronts with the help of information exchange platform, applied it on the actual implementation of projects, and had achieved sound results. The above exercises had brought about major breakthroughs in terms of government informatization, corporate informatization and data integration, information unification, system security and the likes.

Market and Business Development

In the first quarter of 2004, other than the exploration of trade users of government, public security, court and education, the Group had focused on exploring the markets in Beijing, Shanghai, Zhejiang, Fujian, Anhui, Henan, Shanxi while consolidating its local market, opened up new sales channels, appointed agents, and intensified marketing campaign respectively. These measures aim to realize new breakthroughs in the sales of NandaSoft security products in various markets, to promote and apply non-locally our success-proven solutions in relation to government informatization construction and corporate informatization construction, and the method of "three fronts in one line", and to promote the brandname of NandaSoft.

FUTURE PROSPECTS

The Implementation Provisions of Government Purchase Act will be promulgated in June, and it is heard the Implementation Provisions will provide for the preferred purchase of domestic software by the governments which, in the opinion of the Directors, will certainly stimulate the sales of the Group in the government sector.

With a view to become a leading manufacturer in the electronic government market in the PRC, the Group will continue its co-operation with international renowned manufacturers in the field of electronic government so as to promote those comprehensive electronic government solution developed by the Group. On the other hand, the Group will adopt corresponding strategy to broaden our market share and to generate satisfactory return for the shareholders.

DIRECTORS' CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st March, 2004, the interests and short positions of the Directors, Chief Executives and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which are required (a) to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares

Name	Type of interests	Number of shares	Capacity	Percentage of deemed beneficial interest in the Company's share capital
Directors				
Xie Li	Other (Note 1)	11,900,000	Interest of a controlled corporations	1.27%
Zhang Yun Xia	Personal (Note 2)	9,000,000	Beneficial Owner	0.96%
Chen Dao Xu	Other (Note 1)	500,000	Interest of a controlled corporations	0.05%

Name	Type of interests	Number of shares	Capacity	Percentage of deemed beneficial interest in the Company's share capital
Supervisors				
Zhou Ming Hai	Other (Note 1)	5,000,000	Interest of a controlled corporations	0.54%
Xiong Xian Gen	Other (Note 1)	2,000,000	Interest of a controlled corporations	0.21%
Wang Dao Wu	Other (Note 1)	1,000,000	Interest of a controlled corporations	0.11%
Zhou Wen Da	Other (Note 1)	780,000	Interest of a controlled corporations	0.08%
Shi Jian Jun	Other (Note 1)	500,000	Interest of a controlled corporations	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.

Save as disclosed in this paragraph, as at 31st March, 2004, none of the Directors, Chief Executives and Supervisors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DISCLOSURE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or Chief Executive of the Company, as at 31st March, 2004, the persons or companies (not being a Director or chief executive of the Company) who had equity interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or who were director indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Shareholder	Capacity	Number of Shares	Percentage of registered share capital
Nanjing University	Beneficial Owner	200,000,000	21.41%
Jiangsu Zongyi Company Limited	Beneficial Owner	160,000,000	17.13%
("Zongyi") (Note 1)	Interest of a controlled corporations	21,540,000	2.31%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School	Beneficial Owner	60,000,000	6.42%
("Jiangsu Management Centre") (Note 2)	Interest of a controlled corporations	76,500,000	9.64%
The Union (Note 3)	Beneficial Owner	110,000,000	11.78%
	Interest of a controlled corporations	13,500,000	1.45%
Jiangsu Co-Creation Education Development Company Limited	Beneficial Owner	90,000,000	9.64%
Golden 21 Investment Holdings Limited (Note 4)	Beneficial Owner	25,842,000	2.77%

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.
- (4) The interest of Golden 21 Investment Holdings Limited represents approximately 11.04% of total H shares and representing approximately 2.77% of the total domestic and H shares.

Save as disclosed above, as at 31st March, 2004, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' CHIEF EXECUTIVE'S AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, as at 31st March, 2004, none of the Directors Chief Executives' or Supervisors was granted options to subscribe for H shares of the Company. As at 31st March, 2004, none of the Directors, Chief Executives 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, 2004, no option has been granted pursuant to such share option scheme.

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.

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, 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, 2004.

On behalf of the Board

Xie Li

Chairman

23 April, 2004, Nanjing, the PRC