



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 2004

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This report, for which the directors of Jiangsu NandaSoft Company Limited (the “Directors”) 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)***(Stock Code: 8045)****HIGHLIGHTS**

- Achieved a turnover of approximately RMB289,788,000 for the nine months ended 30th September 2004, representing an approximately 8.1% increase as compared with that of the corresponding period in 2003.
- Accomplished a net profit of approximately RMB7,143,000 for the nine months ended 30th September 2004.
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30th September 2004.

THIRD QUARTERLY 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 2004.

For the three months ended 30th September 2004, the unaudited turnover is approximately RMB104,450,000, representing an increase of approximately RMB16,411,000, or approximately 18.6% in turnover as compared with that of the same period in 2003.

For the nine months ended 30th September 2004, the unaudited turnover is approximately RMB289,788,000 representing an increase of approximately RMB21,799,000, or approximately 8.1% in turnover as compared with that of the same period in 2003.

* For identification purpose only

The unaudited net profit of the Group for three months ended 30th September 2004 is approximately RMB2,763,000, representing a decrease in the results of approximately 33.1%. For the nine months ended 30th September 2004, the unaudited net profit of the Group is approximately RMB7,143,000, representing a slight increase in the results of approximately 1.2% as compared with the corresponding figures in 2003.

The unaudited results of the Group for the three months and nine months ended 30th September 2004 together with the unaudited comparative figures for the corresponding period in 2003 are as follows:

	Notes	For the three months ended 30th September		For the nine months ended 30th September	
		2004 RMB	2003 RMB	2004 RMB	2003 RMB
Turnover	2	104,449,797	88,038,712	289,788,291	267,989,484
Cost of sales		(88,768,268)	(74,649,440)	(241,613,388)	(228,861,201)
Gross profit		15,681,529	13,389,272	48,174,903	39,128,283
Other revenue		1,272,474	1,334,229	3,124,230	3,270,271
Distribution costs		(7,787,910)	(4,905,523)	(21,112,607)	(16,953,003)
Research and development costs		(832,982)	(912,076)	(4,331,280)	(4,233,012)
Administrative expenses		(4,699,869)	(4,292,597)	(16,880,000)	(13,182,431)
Profit from operations		3,633,242	4,613,305	8,975,246	8,030,108
Finance costs		(245,449)	(10,681)	(421,956)	(38,266)
Profit before taxation		3,387,793	4,602,624	8,553,290	7,991,842
Taxation	3	(16,667)	(345,761)	(142,499)	(775,312)
Net profit before minority interests		3,371,126	4,256,863	8,410,791	7,216,530
Minority interests		(607,746)	(125,059)	(1,268,094)	(82,431)
Net profit attributable to shareholders		2,763,380	4,131,804	7,142,697	7,134,099
Earnings per share — basic	4	0.0030	0.0044	0.0076	0.0076

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 in the PRC, 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 30th September		For the nine months ended 30th September	
	2004 RMB	2003 RMB	2004 RMB	2003 RMB
Sales of computer software products	4,420,778	2,950,919	17,070,419	5,127,959
System integration	100,029,019	85,087,793	272,717,872	262,861,525
	104,449,797	88,038,712	289,788,291	267,989,484

3. TAXATION

	For the three months ended 30th September		For the nine months ended 30th September	
	2004 RMB	2003 RMB	2004 RMB	2003 RMB
The charge comprises:				
PRC income tax	16,667	345,761	142,499	775,312

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 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. 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. As at the period ended, the Company has obtained the tax concession approval from the relevant tax authority and therefore a tax rate of 15% 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 is based on the profit attributable to shareholders of approximately RMB2,763,000 and RMB7,143,000 for the three and nine months ended 30th September 2004 (2003: RMB4,131,000 and RMB7,134,000) and on 934,000,000 (2003: 934,000,000) shares in issue during the periods.

Diluted earnings per share is not presented for the three months and nine months ended 30th September, 2004 and 2003 as there were no potential dilutive securities in existence during the relevant periods.

5. RESERVES

Other than the profit for the period as disclosed in the consolidated statement of changes in equity, there were no movements in reserves of the Group for the relevant periods in 2003 and 2004.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months period ended 30th September 2004. (2003: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Results

For the nine months ended 30th September 2004, the Group has accomplished a revenue of approximately RMB289,788,000, representing a growth of 8.1% and a net profit of approximately RMB7,143,000, representing a slight increase of 1.2%. For the three months ended 30th September 2004, the Group has accomplished a revenue of approximately RMB104,450,000 and a net profit of approximately RMB2,763,000. This represented an increase of 18.6% in total revenue and a decrease of 33.1% in net profit as compared with the same period in the previous year.

The improvement in the sale 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. During the period, a substantial amount of resources was placed on the product promotional and business activities to increase the Company's market share and competitiveness. It is mainly attributable to the Company's strategies to speed up the process of product development, as well as strengthen its sales network and expand its product market.

The Board believes that the product development and expansion of sales network are essential and in the interests of the Company's long-term development despite its evident effects to the results for the period.

Business Objectives Review

1. Research and development

Based on its existing security products and in accordance with the Group's development of informatization and marketing strategies, the Company has formulated the foundation for future product offerings and conducted research and development in the following areas during the period, with the objectives of meeting market demand, as well as adapting to the trend of network security development and government informatization construction requirements:

1. SoftNIDS V2.0 and has obtained certificate of software products registration;

2. 蘇富特辦公室自動化系統 V3.0 and has obtained certificate of software products registration;
3. Research on network security integrated management platform has obtained certain achievements, on which basis product development was commenced. It is planned to introduce primary products during the year;
4. Research on fee collection system of network firewall and firewall of 1,000Hz has started.

After the introduction of a series of network security products, the Company has gradually shifted its focus to application services that provide different network security solutions tailored to the needs of customers, and launched trial application on the vertical network system on Jiangsu Province and the financial and taxation system of Jiangsu Province.

2. *Electronic Government Businesses*

After the successful development of the pioneer trans-area information exchange platform that utilizes leading international technologies and is applicable to electronic government business with the collaboration with international renowned manufacturers such as IBM, Microsoft and BEA, the Company had launched the government office automation system (WEB 3.0). This provides strong support for further expansion into government application business. The product was applied in the electronic government business of Wuxi Municipal Government. Over 140 departments and districts in Wuxi Municipal had realized electronic government operation and the transfer of documents through intranet, marking a pioneer case in the PRC.

The security total solutions of informatization based on the core of security service and security integration for provincial-, municipal- and county-level governments launched by the Group, has been further promoted.

During the informatization construction in Jiangsu, the Company continued to capitalize on its strengths in products, technologies and personnel for the enhanced informatization construction in the three levels of government institutions of province, municipal and county in Jiangsu Provincial Government, Jiangsu Administration for Industry and Commerce, Jiangsu Planning and Development Commission, Jiangsu Public Security Department, Jiangsu Province Local Tax Bureau, etc in order to achieve trans-networking and information sharing under the presuppositions of security, speed and efficiency.

During the period, the Company continued to cooperate with Suzhou NandaSoft Technology Company Limited so as to leverage on the strengths of NandaSoft and obtain fruitful achievements in the establishment of government office automation system in regions such as Suzhou, Wuxi and Changzhou. The Company has obtained 60% market share in the government office automation system market in the three aforesaid regions.

Integrating the theories and experience in the aspect of security, trade application, digital integration and data mining, the informatization construction method of "three fronts in one line (三面一線)" was well-supported and well-received by the users in the government informatization construction in Shanghai, Zhejiang and Anhui.

With the joint effort of the Company's staff and the technological strengths of NandaSoft, the Company won the provincial-municipal vertical network project of Jiangsu provincial electronic government businesses, the security report-handling center project for Nantong municipal information network and the application software project for the decision support system of Jiangsu Provincial Water Resources Department. This further consolidated the leading position of NandaSoft in the area of government informatization construction and laid a foundation for the Company's expansion into Eastern China.

3. *Internet Application Software*

The China Publishing Group Chained Operation Information Support Platform Solution launched by the Group has passed the examination and acceptance procedures of user organization. This system reached an advanced level amongst similar domestic products and is expected to be widely applied across the entire province next year. Recently, the Company has been granted with the maintenance contract for such support platform and the development contract for the chain-operated information platforms of teaching materials.

Following the delivery and commencement of operation of land management information platform in Kushan Land Administration Bureau, the Company was recently granted the contract for the further development of the platform and establishment of the data bank. Besides, the Company has entered into a contract with the Bureau of Land Resources Nanjing for the application of such system and has planned to launch the application across the entire province.

The Company has continued to develop and construct the integrated telecommunication network resources management platform and the Suzhou filing management system. Digital filing total solutions and software products targeted at the entire Jiangsu Province were successively launched, and promotions were conducted in different places including Suzhou, Wuxi, Changzhou, Nantong and Zhangjiagang.

During the period, Suzhou NandaSoft Technology Company Limited, a subsidiary of the Group, has introduced 恒信人事專業管理系統, 恒信考勤專業管理系統 and 恒信薪資專業管理系統. These three systems have become members of NandaSoft HR products with the existing comprehensive 恒信 HR software system in order to satisfy the different demands of small- and medium-sized enterprises with different operation conditions.

4. *International Development*

The Group further expanded the business on subcontracting and exporting software products so as to strengthen the software subtracting business that specially focuses on Japan. The comprehensive interaction among Nanjing, Shanghai and Suzhou, the three major bases of development, was established. The Group's customers included SCC, 日本產能株式會社, 日本住商情報系統株式會社, 越田公司 and other companies from Japan.

5. *New Technological Research*

The Company has continued its research on the "development and application on the built-in Linux operation system" and the research on the "integrated application system for digital archives of provincial, municipal and county levels under the electronic business environment".

6. *Marketing and Business Development*

Other than deepening the exploration of users of different sectors including the government, public security, court and education, the Company continued to focus on exploring the markets in Beijing, Shanghai, Zhejiang, Fujian, Anhui, Henan, Shanxi while at the same time consolidating its local market. It has also held seminars on network security with the participation of agents and users, expanded local sales channels, appointed agents and intensified non-local marketing campaign in the aforesaid regions. The major non-local customers for the period were 上海靜安區人防, 鄭州市輕工學校, 瀋陽市鐵通.

Nanjing NandaSoft Computer Engineering Company Limited, the Group's subsidiary, explored into a number of users from various sectors and was named "distributor of 聯想商用台式機". Lenovo Group introduced its powerful distribution capacity for the purpose of laying the foundation on further cooperation with them in the future. Meanwhile, the company has aggressively explored the educational software market with the introduction of a series of family education software targeted at family users.

After subcontracting the phases one and two network construction for The Fragrant Hills Park in Beijing, Suzhou NandaSoft Technology Company Limited, the Group's subsidiary, succeeded in undertaking the phase three projects of cables laying and hardware procurement for The Fragrant Hills Park. This further proved that the Company has made a remarkable step forward in the exploration of trade customers in the aspect of government and enterprise units.

Future Prospects

"Characterization, standardization and internationalization" will continue to be the development strategy of the Company in the further improvement of NandaSoft Software product series, further optimization and upgrade of the total solutions of informatization with security protection, and further expansion of domestic and overseas markets.

Serialization of Products:

Continue to launch network security series products, electronic government application series, and e-commerce application series under the NandaSoft brand name;

Corporatization of operation:

Organize service teams based on function and service, subdivide audit units, increase corporate scale, and improve the Group's overall profitability;

Internationalization of market:

Strengthen the collaboration with foreign companies, increase the weighting of software export and outsourced software in the Group's software income. To further enhance the compatibility with the international market, Suzhou NandaSoft Technology Company Limited, the Group's subsidiary, is undergoing the authentication of software CMM2 while Shanghai NandaSoft Information Technology Company Limited is under the process of CMM3 authentication. Passing the authentication will substantially increase the Group's competitiveness in the market in respect of its software development capacity.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 30th September 2004, the interests and short positions of the Directors 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%
Supervisors				
Zhou Ming Hai	Other (Note 1)	5,000,000	Interest of a controlled corporations	0.54%
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:

- 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").
- 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 30th September 2004, none of the Directors 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 30th September 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 ("Zongyi") (Note 1)	Beneficial Owner	160,000,000	17.13%
	Interest of a controlled corporations	21,540,000	2.31%
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Management Centre") (Note 2)	Beneficial Owner	60,000,000	6.42%
	Interest of a controlled corporations	76,500,000	9.64%
The Union (Note 3)	Beneficial Owner	123,500,000	13.22%
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 30th September 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' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, during the nine months ended 30th September 2004, none of the directors or supervisors was granted options to subscribe for H shares of the Company. As at 30th September 2004, 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 30th September 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 or has any other conflict of interest with 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 three independent non-executive directors, Mr. Xu Huan Liang, Mr Yim Hing Wah and Professor Wang Zhi Jian, and one executive director, Professor Xie Li, Chairman of the Company.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company had complied, throughout the period under review, the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

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 30th September 2004.

On behalf of the Board

Xie Li

Chairman

27th October 2004, Nanjing, the PRC