

**JIANGSU NANDASOFT COMPANY LTD :  
TRULY A COMMUNISTIC COMPANY**

If the pedigree of the Executive Directors of one of the latest candidates for a listing on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd is anything by which to use as a gauge, then Jiangsu Nandasoft Company Ltd must be considered a potential 'hot' company.

Jiangsu Nandasoft, Stock Code 8045, appears to have a lot going for it; and, its track record over the past 3 Financial Years is impressive.

Management of this Company is controlled by Professor Xie Li, a 59-year-old Doctor of Mathematics at Nanjing University, the People's Republic of China (PRC).

Unlike most Western universities, universities in the PRC often go into business for themselves and are, often, encouraged by the State so to do.

Professor Xie Li is the President of Jiangsu Nandasoft, having joined the Company in September 1998 when his university determined the need for such a corporate entity.

There are 2 other professors on the Board of Directors of this Company: Professors Chen Dao Xu and Wang Zhi Jian, Non-Executive and Independent Non-Executive Directors, respectively.

The downside to having illustrious academics adorn the board of directors of public companies, of course, is that there can well be private agendas, held by them, and these private agendas can well be in conflict with their duties of fidelity to the Company that employs them.

Jiangsu Nandasoft is a Company that is engaged in being a provider of network security systems -- firewalls and the like.

The Company has developed its products in conjunction with Nanjing University.

The Ministry of Public Security of the PRC has already given its '*good housekeeping seal of approval*' for a couple of the Company's products: SoftWall and SoftOS.

Jiangsu Nandasoft Placed a total of 234 million, 0.10 renminbi shares at 36 cents (Hongkong) per share.

The net proceeds of the Placements, amounting to about \$HK73.20 million, will be used, the Prospectus states at Page 103, for the following:

1. \$HK17 million to strengthen the Research and Development Department;
2. \$HK23 million for sponsoring co-development programmes with Nanjing University;
3. \$HK15 million to create sales channels throughout the PRC;
4. \$HK15 million for promoting the Company's name and image; and,
5. \$HK3.20 million to be used as additional working capital.

Item Number 2, representing about 31 percent of the net proceeds, smells a lot as though Jiangsu Nandasoft is, obliquely, endowing certain new Chairs at Nanjing University.

This may not be a bad thing, as long as the *'fruits'* of the new Chair(s) come to Jiangsu Nandasoft (which TARGET doubts).

Since the inception of this Company, it appears to have shown a great deal of promise and, with more and more computer hackers, plaguing international entities, companies of this type are in great demand.

The following is the Company's track record since September 1998:

	All Figures are Denominated in Renminbi '000 *		
	September 18, 1998 to December 31, 1998	January 1, 1999 to December 31, 1999	January 1, 2000 to December 31, 2000
Turnover	521,949	29,549,317	160,581,930
Cost of Sales	(419,020)	(26,949,975)	(140,675,229)
Gross Profit	102,929	2,599,342	19,906,701
Other Revenue	78,098	929,837	4,040,417
Distribution Costs	(16,359)	(443,542)	(8,177,748)
Research and Development Costs	(68,833)	(1,746,035)	(491,628)
Administrative Expenses	(397,268)	(865,554)	(6,571,758)
Profit/(Loss) from Operations	(301,433)	474,048	8,705,984
Financing Costs	(40)	(30,772)	(8,735)
Profit/(Loss) before Taxation	(301,473)	443,276	8,697,249
Taxation	(13,594)	(122,896)	(1,306,031)
Net Profit/(Loss) before Minority Interests	(315,067)	320,380	7,391,218
Minority Interests	Nil	(64,097)	22,734
Net Profit/(Loss) Attributable to Shareholders	(315,067)	256,283	7,413,952

\* 1.06 renminbi is equal to about \$HK1

The *'Other Revenue'*, listed above, comprises interest on bank loans, gains on dealing in listed securities, and tax refunds.

So, one could state, without fear of contradiction, that while some of the ablest professors at Nanjing University were teaching students, making money for the corporate entities that they controlled, by selling computers and computer software, they were, also, dabbling on the stock markets of the PRC.

Note 4 at Page 134 of the Prospectus lists the *'Other Revenue'* as follows:

	All Figures are Denominated in Renminbi		
	September 18, 1998 to December 31, 1998	January 1, 1999 to December 31, 1999	January 1, 2000 to December 31, 2000
Interest on Bank Deposits	25,446	335,810	257,927
Gain on Dealing in Listed Securities	52,652	594,027	3,354,754
Value Added Tax Refund	Nil	Nil	427,736
<b>TOTAL</b>	<b>78,098</b>	<b>929,837</b>	<b>4,040,417</b>

Further, while this Company is supposed to be specialising on computer security systems, it is of interest to note that a breakdown of the Turnover indicates that sales of software have played a very small part of its success over the Track Record Period.

The following is a breakdown of the Turnover since September 18, 1998, taking, also, from Page 134 of the Prospectus:

## **ANALYSIS OF TURNOVER**

	All Figures are Denominated in Renminbi		
	September 18, 1998 to December 31, 1998	January 1, 1999 to December 31, 1999	January 1, 2000 to December 31, 2000
Sales of Computer Software Products	Nil	Nil	3,261,099
Provision of Information Technology Consulting Services	232,240	2,627,101	8,605,302
Sales of Computer Hardware Products and Equipment	289,709	26,922,216	148,715,529
<b>TOTAL</b>	<b>521,949</b>	<b>29,549,317</b>	<b>160,581,930</b>

It is apparent that software sales are just beginning, which is not unreasonable as long as emphasis, from hereon in, is placed on this area of (supposed) expertise.

### **The Financials**

As at December 31, 2000, Jiangsu Nandasoft was flush with cash.

The Consolidated Net Assets of the Company indicated cash and bank balances of about 39.73 million renminbi, as at December 31, 2000, with Current Assets, exceeding Current Liabilities by about 48.68 million renminbi.

The Adjusted Net Tangible Assets, as at that date, was said to be 154,641,000 renminbi, a figure, which included about 77.60 million renminbi, being the net proceeds from this cash-raising exercise.

The Adjusted Net Tangible Assets, also, includes the February 28, 2001 Open Market Value of the Company's property in Nanjing City, Jiangsu Province, which is in the Books of the Company at about 31.31 million renminbi.

This is the Company's 1,435.70 square-metre site, on which stands the beginnings of the Company's office building.

For the first 2 months of this Financial Year, to February 28, 2001, the Company recorded a profit of about 2.02 million renminbi, Page 123 of the Prospectus states.

As for debt, Jiangsu Nandasoft was debtless, as at December 31, 2000.

One potentially worrying aspect of this Company is its wheeling and dealing in listed securities; and, it declares that it will continue so to do.

As at December 31, 2000, it had invested 425,910 renminbi in listed securities in the PRC.

As at that date, the market value of those investments was said to be 680,400 renminbi ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not*

*guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*

 [Site Meter](#)