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JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED

江蘇南大蘇富特科技股份有限公司

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

(Stock Code: 8045)

THIRD QUARTERLY REPORT 2016



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This report, for which the directors of Jiangsu NandaSoft Technology Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Jiangsu NandaSoft Technology 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 or deceptive; (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.

HIGHLIGHTS

- Achieved a turnover of RMB333,037,855 for the nine months ended 30 September 2016, representing an approximately 9.59% increase as compared with that of the corresponding period in 2015.
- Accomplished a net loss of RMB34,209,944 for the nine months ended 30 September 2016.
- The Board does not recommend the payment of a dividend for the nine months ended 30 September 2016.

THIRD QUARTERLY RESULTS

The board of directors (“Board”) of Jiangsu NandaSoft Technology 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 30 September 2016.

For the three months and nine months ended 30 September 2016, the unaudited turnover are RMB94,055,041 and RMB333,037,855, representing a decrease of RMB32,896,946 and an increase of RMB29,138,845, or a decrease of approximately 25.91% and an increase of 9.59%, respectively as compared with those of the corresponding period in 2015.

The unaudited net loss of the Group for three months and nine months ended 30 September 2016 are RMB8,781,754 and RMB34,209,944 respectively, representing a decrease of RMB4,623,341 and an increase of RMB4,764,343 respectively as compared with the corresponding period in 2015.

The unaudited results of the Group for the three months and nine months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Periods for three months and nine months ended 30 September 2016

Items	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
I. Total operating revenue	2	94,055,041	126,951,987	333,037,855	303,899,010
Including: Operating costs		81,253,190	114,625,332	295,706,371	267,497,556
Business tax and surcharges		55,866	870,500	1,451,656	2,108,215
Selling expenses		3,055,189	3,968,052	10,516,674	11,157,271
Administrative expenses		14,043,216	12,967,145	36,042,288	34,281,881
Finance expenses	3	6,182,459	5,654,827	21,777,471	16,788,373
Impairment losses on assets		-	-	-	15,660
Add: Profit arising from changes in fair value (loss stated with "-")		-	-	-	-
Investment income (loss stated with "-")		-	-	68,027	-
Including: Investment income from associates and joint ventures		-	-	-	-
Exchange income (loss stated with "-")		-	-	-	-
II. Operating profit (loss stated with "-")		-10,534,879	-11,133,869	-32,388,578	-27,949,946
Add: Non-operating income		2,647,345	445,823	2,735,465	3,687,824
Including: gain on disposal of non-current assets		-	-	-	-
Less: Non-operating expenses		130,379	515,921	178,983	817,167
Including: Loss on disposal of non-current assets		-	-	-	-
III. Total profit (total loss stated with "-")		-8,017,913	-11,203,967	-29,832,096	-25,079,289
Less: Income tax expenses	5	643,187	716,205	934,345	1,412,531

Items	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016	2015	2016	2015
		RMB	RMB	RMB	RMB
IV. Net profit (net loss stated with “-”)		-8,661,100	-11,920,172	-30,766,441	-26,491,820
Including: Net loss attributable to the owners of the Parent Company		-8,781,754	-13,405,095	-34,209,944	-29,445,601
Minority interests		120,654	1,484,923	3,443,503	2,953,781
		-8,661,100	-11,920,172	-30,766,441	-26,491,820
V. Earnings per share					
(I) Basic earnings per share	6	-0.0063	-0.0108	-0.0244	-0.0237
(II) Diluted earnings per share		-0.0063	-0.0108	-0.0244	-0.0237
VI. Other comprehensive income		-	7,083	-	1,312,862
VII. Total comprehensive income		-8,661,100	-11,913,089	-30,766,441	-25,178,958
Including: Total comprehensive income attributable to owners of the Parent Company		-8,781,754	-13,398,012	-34,209,944	-28,132,739
Total comprehensive income attributable to minority shareholders		120,654	1,484,923	3,443,503	2,953,781

1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (hereinafter referred to as the “Company”; or the “Group” when subsidiaries are included) was established on 30 December 1999 in the People’s Republic of China (the “PRC”) pursuant to the PRC Company Law as a joint stock limited liability company. The predecessor of the Company, Jiangsu Nandasoft Software Co., Ltd. (the “Predecessor Company”) was established on 18 September 1998. By way of transformation of the Predecessor Company, the Company was established on 30 December 1999.

During the period, the Group is principally engaged in the development, production and promotion of network security software, Internet application software, education software and business application software, and provision of systems integration services which include the provision of information technology consulting.

The Company’s registered location in the PRC is located at Block 1, No. 19 South Qingjiang Road, Gulou District, Nanjing, Jiangsu, the PRC. The Company’s principal place of business in Hong Kong is located at 14/F, St. John’s Building, 33 Garden Road, Central, Hong Kong.

The H shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24 April 2001.

Notes

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the period.

Items	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Computer hardware and software products	81,822,013	117,267,399	245,039,372	247,922,551
Provision of system integration service	9,724,662	11,778,305	79,366,165	52,641,384
Other business	2,508,366	(2,093,717)	8,632,318	3,335,075
Total	94,055,041	126,951,987	333,037,855	303,899,010

3. FINANCE COST

Items	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Interest on bank loans wholly repayable within five years	5,785,854	5,583,459	20,245,661	16,623,936
Bank charges	396,605	71,368	1,531,810	164,437
Total	6,182,459	5,654,827	21,777,471	16,788,373

4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

Items	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
Depreciation and amortisation on:				
– Property, plant and equipment	2,664,662	15,226,522	6,231,818	17,734,076
Cost of sale	81,253,190	114,625,332	295,706,371	267,497,556

5. INCOME TAX EXPENSE

Taxes on profits assessable in the PRC have been calculated at 25%. Pursuant to an approval document issued by the Science and Technology Committee of Nanjing Municipality, the Company and one of the Company's subsidiaries had been designated as a new and high technology entity and were subject to the concessionary tax rate of 15%.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising during the period.

Items	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	RMB	RMB	RMB	RMB
The charge comprises:				
PRC income tax	643,187	716,205	934,345	1,412,531

Notes

6. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the company of RMB8,781,754 and RMB34,209,944 for the three and nine months ended 30 September 2016 and on 1,403,800,000 (2015: 1,240,000,000) shares in issue during the period.

Diluted loss per share is not presented for the three months and nine months ended 30 September 2016 and 2015 as there were no potential dilutive securities in existence during the relevant periods.

7. RESERVES

Item	Equity attributable to shareholders of the Parent Company						Total shareholder's equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Unallocated profit	Minority interests	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2015	124,000,000	92,234,414	74,215,191	19,962,463	59,743,392	39,441,835	409,597,295
Change for the current period	-	-	1,312,862	711,555	-29,445,601	2,953,780	-24,467,404
At 30 September 2015	124,000,000	92,234,414	75,528,053	20,674,018	30,297,791	42,395,615	385,129,891
At 1 January 2016	124,000,000	93,873,332	82,280,708	19,962,462	-100,649,435	50,802,532	270,269,599
Issue of shares	16,380,000	29,484,000	-	-	-	-	45,864,000
Change for the current period	-	-	-	-	-34,209,944	3,443,503	-30,766,441
At 30 September 2016	140,380,000	123,357,332	82,280,708	19,962,462	-134,859,379	54,246,035	285,367,158

DIVIDEND

The Board does not recommend the payment of an interim dividend during the period. (2015: Nil)

FINANCIAL REVIEW

During the period, with the rapid development of technology market, due to the fact that the management adopted various sales strategies, the turnover of the Group for the three months and nine months ended 30 September 2016 were RMB94,055,041 and RMB333,037,855, representing a decrease of 25.91% and an increase of 9.59% as compared to the same period in the previous year.

The loss attributable to shareholders of the Group for the three months and nine months ended 30 September 2016 were RMB8,781,754 and RMB34,209,944 representing a decrease of 34.49% and an increase of 16.18% as compared to the same period in the previous year. The increase in the loss attributable to shareholders of the Company was mainly due to the market competition and a decrease in gross profit margin of the Group during the period.

BUSINESS REVIEW

Research & Development of IT Technology

During the Report Period, we continued to develop and improve the Soft electronic file management system, optimized the code structure and enhanced the working efficiency of electronic files in a big data environment; we improved the requirements and procedures for the electronic file management system execution such that it is in full compliance with the National distribution standards. In the meantime, we continued to develop and improve the Soft cloud system, and performed the tracking and monitoring of testing points so as to develop problem-solving solutions from practical experience; we kept on enhancing the rapid deployment capabilities and operational capabilities of the entire project; the user experience of the project was enhanced; a detailed hardware reference list was compiled; and the setting for usage of the project was expanded. The demonstration projects for testing points, such as the electronic file system of Nanjing Municipal Committee, the cloud desktop system of Nan Hu Hospital, etc., are also in progress, providing a good demonstration effect for further market expansion. During the Report Period, the "Cloud Computing" project of the Group has obtained a software copyright and passed the further examination of CMMI-3 qualification. During the Report Period, two subsidies were granted to the Group from government funds, namely "2016 Software Internet Rewards – Internet Innovation Start-up Carrier and Service Guarantee" and "Jiangsu Province Service Outsourcing Project", reflecting the support and recognition of the government towards the business development of the Group.

Software Services & System Integration

During the Report Period, the Group continued to carry out the “Zhiya Online Education Cloud Platform” project. The Platform will bring together the education resources advantages of various high schools and collaborate with professional education institutions to provide all-rounded vocational education and training to students participating in online learning, as well as training services for industrial and international vocational qualification. Tertiary vocational online education is the core of the Platform, which provides all-rounded services from education resources, education models, curriculum settings, academic certification to fostering the employment of students, etc.

During the Report Period, the Group undertook several important projects, such as the electromechanical construction project of toll, monitoring and communication system of the Jiangsu section of the Xuzhou to Mingguang highway, the perceptual highway project for the diversion and expansion construction of the Jiangyan section of the 229 Provincial Highway, etc. In the meantime, the Group commenced the research and development of cloud service system for traffic video network monitoring. Based on the cloud structure, the System realized demands such as instant transcoding, multi-terminal monitoring, quality inspection, intelligent analysis, etc., and achieved information sharing through centralized management of information. Through analyzing the big data, data excavation is performed among the massive amount of data and the phenomenon of “information island” is eliminated, hence providing the information base for the centralized monitoring and control of the transportation industry.

Future Outlook

With the gradual expansion of the testing points for national smart cities, the market demand for internet software and system is greatly boosted. The Company also makes timely planning for business segments such as the informatization of government affairs, smart city construction, etc., and focuses on the development in industries such as smart transportation, smart medical, smart education, etc. in order to achieve the transformation and upgrading of the original businesses in time and form an industrial structure that can adapt to policy orientation and market demand. The Group will fully utilize its strength of integrating production, education and research and seize the opportunities arising from policies, technology and market, aiming to develop the Group into a well-known domestic and technologically-leading informational service provider for smart cities within three to five years.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2016, the interests and short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Type of Interest	Number of domestic shares	Number of H shares	Percentage of deemed beneficial interest in the Company's domestic share capital (Note 1)	Percentage of deemed beneficial interest in the Company's H share capital (Note 1)	Percentage of deemed beneficial interest in the Company's total share capital (Note 1)
Mr. Zhu Yong Ning	Interest of a controlled corporation	178,800,000 (Note 2)	-	18.19%	-	12.74%

Notes:

- (1) As at 30 September 2016, the Company had 982,800,000 domestic shares and 421,000,000 H shares in issue, totalling 1,403,800,000 shares.
- (2) Such 178,800,000 domestic shares were held by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity"), and Mr. Zhu Yong Ning held 90% shareholding in Jiangsu Keneng Electricity. Pursuant to Part XV of the SFO, Mr. Zhu Yong Ning is deemed to be interested in the above shareholding of Jiangsu Keneng Electricity.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the nine months ended 30 September 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement which enabled the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2016, the following interests and short positions were held by shareholders interested in 5% or more of the shares and underlying shares of the company (excluding directors, supervisors and chief executives of the Company) which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Shareholder	Capacity	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic and H shares	Percentage of domestic and H shares (Note 1)
Nanjing Vegetables & Subsidiary Food Co., Ltd.	Beneficial Owner	263,661,016	26.83%	-	-	263,661,016	18.78%
Jiangsu Keneng Electricity Technology Co., Ltd.	Beneficial Owner	178,800,000	18.19%	-	-	178,800,000	12.74%
Nanjing University Asset Administration Company Limited (Note 2)	Beneficial Owner	127,848,097	13.01%	-	-	127,848,097	9.11%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd.	Beneficial Owner	121,000,000	12.31%	-	-	121,000,000	8.62%
Jiangsu Co-Creation (Note 2)	Beneficial Owner	84,159,944	8.56%	-	-	84,159,944	6%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%	-	-	55,000,000	3.92%

Notes:

- (1) As at 30 September 2016, the Company had 982,800,000 domestic shares and 421,000,000 H shares in issue, totalling 1,403,800,000 shares.
- (2) On 31 August 2010, 187,000,000 H shares (the “New H Shares”) have been allotted and issued which comprise of (i) 170,000,000 New H Shares to be allotted and issued by the Company; and (ii) 17,000,000 H Shares converted from the same number of domestic shares transferred from each of the state shareholders on a pro rata basis to the National Social Security Fund Council of PRC.

Save as disclosed above, as at 30 September 2016, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section “Directors’, Supervisors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPETING INTERESTS

None of the directors or controlling 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.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding directors’ and supervisors’ securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors and supervisors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the nine months ended 30 September 2016.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 15 of the GEM Listing Rules. The Board has adopted the Corporate Governance Code to ensure greater transparency and quality of disclosure as well as more effective risk control. The Company believes that adopting the highest corporate governance standards will bring long-term value, and finally will create the biggest return for shareholders and equity holders. The management is committed to maximize the long-term interest for shareholders and carries out business with an attitude of honesty. Meanwhile, we bear the social responsibility and therefore, we have all along gained recognition from the market.

AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, it currently comprises three independent non-executive directors, namely, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The primary duties of the audit committee are to review and to provide supervision over the financial reporting, risk management and internal control system of the Group. The audit committee has reviewed the quarterly results report and quarter report for the nine months ended 30 September 2016 and agreed to their contents.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the nine months ended 30 September 2016.

On behalf of the Board
Jiangsu NandaSoft Technology Company Limited*
Zhu Yong Ning
Chairman

4 November 2016, Nanjing, the PRC

* For identification purpose only