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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)



First Quarterly Report 2018

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 of The Stock Exchange 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 that the information contained in this report is accurate and complete in all material respects and not misleading and deceptive; and there are no other matters the omission of which would make this report or any statement herein misleading.

HIGHLIGHTS

- Achieved a turnover of approximately RMB93,049,711 for the three months ended 31 March 2018.
- Incurred a net loss of approximately RMB6,931,605 for the three months ended 31 March 2018.
- The Board does not recommend the payment of dividend for the three months ended 31 March 2018.

FIRST QUARTERLY RESULTS

The board of directors (“Board”) of Jiangsu NandaSoft Technology Company Limited (the “Company”) announced the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2018.

For the three months ended 31 March 2018, the unaudited turnover of the Group is approximately RMB93,049,711, representing a decrease of approximately RMB1,254,673 or a decrease of approximately 1.33% as compared with that of the corresponding period in 2017.

The unaudited loss attributable to the owners of the Company for three months ended 31 March 2018 is approximately RMB6,931,605, and represents a decrease of approximately RMB5,212,356 or a decrease of approximately 42.92% compared with the corresponding period in 2017.

The unaudited results of the Group for the three months ended 31 March 2018 together with the unaudited comparative figures for the corresponding period in 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 31 March 2018

| | Notes | 31 March 2018 RMB | 31 March 2017 RMB |
|------------------------------------|-------|-------------------------|-------------------------|
| Revenue | 2 | 93,049,711 | 94,304,384 |
| Cost of sales | | (79,715,549) | (82,650,457) |
| Gross profit | | 13,334,162 | 11,653,927 |
| Other income | | 66,071 | 277,472 |
| Selling and distribution expenses | | (2,541,929) | (2,544,580) |
| Administrative expenses | | (9,914,728) | (12,392,879) |
| Finance costs | 3 | (6,037,433) | (7,907,430) |
| Loss before income tax | | (5,093,857) | (10,913,490) |
| Income tax expense | 4 | (229,580) | (67,529) |
| Loss for the year | | (5,323,437) | (10,981,019) |
| Loss for the year attributable to: | | | |
| – Owners of the Company | | (6,931,605) | (12,143,961) |
| – Non-controlling interests | | 1,608,168 | 1,162,942 |
| Loss per share | 5 | | |
| – Basic and diluted | | (0.0047) | (0.0087) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2018

| | For the three months ended 31 March | |
|--|--|--------------|
| | 2018 RMB | 2017 RMB |
| Loss for the period | (5,323,437) | (10,981,019) |
| Other Comprehensive Loss Exchange differences on translation of foreign operation | (1,396,159) | – |
| Other comprehensive loss for the period, net of tax | (1,396,159) | – |
| Total comprehensive loss for the period, net of tax | (6,719,596) | (10,981,019) |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Company | (8,327,764) | (12,143,961) |
| Non-controlling interests | 1,608,168 | 1,162,942 |
| | (6,719,596) | (10,981,019) |

1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the People’s Republic of China (the “PRC”) on 18 September 1998. The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 24 April 2001.

The principal place of business and registered office of the Company and its subsidiaries (collectively, the “Group”) is located at SoftTech Innovation Park, No. 19 South Qingjiang Road, Nanjing, China. The Company’s registered office in Hong Kong is located at Rooms 01–05, 46/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Group is mainly engaged in the sales of computer hardware and software products, trading business of information technology related products and equipment, provision of information technology training services, developing, manufacturing and marketing of network security software, internet application software, education software and business application software, provision of system integration services, research and development of medicine and pharmaceutical equipment, provision of services in relation to building installation and information system integration and properties investments.

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.

| | For the three months ended 31 March | |
|--|--|-------------------|
| | 2018 | 2017 |
| | RMB | RMB |
| Computer hardware and software products | 31,782,137 | 65,494,835 |
| Provision of system integration services | 57,560,347 | 25,780,574 |
| Rental and property management income | 3,691,189 | 3,003,503 |
| Other business | 16,038 | 25,472 |
| | 93,049,711 | 94,304,384 |

3. FINANCE COST

| | For the three months ended 31 March | |
|--------------------------|--|------------------|
| | 2018 | 2017 |
| | RMB | RMB |
| Interest on bank loans | 5,617,146 | 7,855,917 |
| Expense on finance lease | 420,287 | 51,513 |
| | 6,037,433 | 7,907,430 |

4. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. No Hong Kong profits tax was provided for the period ended 31 March 2018 and 2017 as the Group did not have assessable profit arising or derived from Hong Kong during both years. Enterprise income tax arising from subsidiary operating in the PRC was calculated at either 15% or 25% (2017: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

On 30 November 2016, one of the subsidiaries of the Group obtained a China High-Tech Enterprise Certificate which is valid for three years. The entities qualifying for the Hi-Tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year of obtaining the Hi-Tech certificate. As a result, this subsidiary was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2016.

On 27 December 2017, the Company obtained a China High-Tech Enterprise Certificate which is valid for three years. The entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year obtaining the Hi-tech certificate. As a result, the Company was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2017.

| | For the three months ended 31 March | |
|-----------------------|--|------------|
| | 2018 | 2017 |
| | RMB | <i>RMB</i> |
| Tax charges comprise: | | |
| PRC income tax | 229,580 | 67,529 |

Notes

5. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to holders of ordinary equity of the Company of approximately RMB6,931,605 (2017: RMB12,143,961) for the three months ended 31 March 2018 and the 1,488,000,000 (2017: 1,403,800,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months ended 31 March 2018 and 2017 as there were no potential dilutive securities in existence during the relevant periods.

6. MOVEMENTS OF THE EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the period ended 31 March 2018

| | Equity attributable to owners of the Company | | | | | | Total | Non-controlling interests | Total Equity |
|---|--|-----------------|---------------------|-----------------|---------------------|--------------------|--------------|---------------------------|--------------|
| | Share capital | Capital reserve | Revaluation reserve | Surplus reserve | Translation reserve | Accumulated losses | | | |
| | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| At 1 January 2017 | 140,380,000 | 121,718,414 | 81,862,413 | 19,962,462 | 2,377,427 | (210,258,758) | 156,041,958 | 56,031,548 | 212,073,506 |
| Total comprehensive loss for the period | - | - | - | - | - | (12,143,960) | (12,143,960) | 1,162,942 | (10,981,018) |
| At 31 March 2017 | 140,380,000 | 121,718,414 | 81,862,413 | 19,962,462 | 2,377,427 | (222,402,718) | 143,897,998 | 57,194,490 | 201,092,488 |
| At 1 January 2018 | 148,800,000 | 129,469,428 | 81,862,413 | 20,020,194 | 2,285,485 | (264,150,638) | 118,286,882 | 50,668,122 | 168,955,004 |
| Total comprehensive loss for the period | - | - | - | - | (1,396,159) | (6,931,605) | (8,327,764) | 1,608,168 | (6,719,596) |
| Transfer to surplus reserve | - | - | - | 64,022 | - | (64,022) | - | - | - |
| At 31 March 2018 | 148,800,000 | 129,469,428 | 81,862,413 | 20,084,216 | 889,326 | (271,146,265) | 109,959,118 | 52,276,290 | 162,235,408 |

DIVIDEND

The Board does not recommend the payment of dividend for the period ended 31 March 2018 (2017: Nil).

FINANCIAL REVIEW

With the rapid development in technology market, the Group faced with the market competition and thus the consolidated turnover of the Group for the three months ended 31 March 2018 was approximately RMB93,049,711, which represents a drop of approximately RMB1,254,673 or approximately 1.33% when compared with the same period of last year.

During the three months ended 31 March 2018, the Group recorded the loss for the period of RMB5,323,437, representing a decrease of 51.52% as compared with the same period of last year; and loss attribute to owners of the Company was approximately RMB6,931,605, which represented a decrease of 42.92% as compared with the same period of last year, which was due to the significant decrease in the administrative expenses as a result of the strictly cost control strategy adopted by the Group and the decrease in finance costs.

BUSINESS REVIEW

As a technology innovation enterprise, the Company continuously rode the development trends of smart application in the Big Data era and proactively explored businesses and created models in the field of IT technology development and service centring on market development demands, guided by the innovation-driven strategy.

During the period, the Company maintained its business advantages in smart transportation, continued to solidify the foundation of the cooperation with strategic partners, including the National Intellectual Property Office, Nanjing University of Technology and Science and other universities, Jiangsu Provincial People's Hospital, and Changzhou Science and Education City, and vigorously explored businesses in smart fields such as the intellectual property trading platform of Chinese universities, smart medical service, smart education and smart government administration.

During the period, with the joint efforts of the R&D and management teams, the Company successfully passed the re-accreditation for Provincial Enterprise Technical Centre as well as the on-site acceptance of Electronic Information Industry Development Funds for the project of “Research and Development and Industrialization of Information Security Management Platform Based on Intelligent Analysis”.

With respect to the intellectual property trading platform, the Company relied on the authoritative data source of the National Intellectual Property Office and Nanjing University of Technology and Science and other universities and exploited the Big Data advantages of “Zhonggao Intellectual Trading Platform” to continuously promote the precise alignment of the vast amount of technical achievements of universities and colleges with the market, achieving efficient delivery. During the period, the design for Zhonggao Intellectual Trading Platform 2.0 was completed, featuring more sensible business logic, closed-loop business processes, more clearly defined relation between the sub-platforms and the central platform, and more pleasant design of the front-end UI page. Meanwhile, the Company completed the design for Patent Bag 2.0 during the period, sorting and re-configuring the original business logic of Patent Bag to better meet customers’ needs. The Web applications of the 1.0 versions of Patent Bag and Patentpal both met the standards to go live. During the period, the Company established strategic cooperation with a number of governments and intellectual property management authorities in the Yangtze river delta region to proactively establish new business outlets. Currently, the Lianyungang branch centre, Ningbo branch centre, and Taizhou branch centre are undergoing smooth construction preparation.

With respect to remote medical services, the Company took remote medical information services as the core of its business development, continued to solidify the foundation of the strategic cooperation with Jiangsu Provincial People’s Hospital, and promoted the expansion of the business to grass-root hospitals in more areas. During the period, the Company won new grass-root hospital clients such as Haiyan County People’s Hospital, Suqian First People’s Hospital, and Dongtai County First People’s Hospital, providing them with remote medical information solutions to achieve informatized and real-time remote guidance on surgeries, diagnosis of major and chronicle illness, and consultancy on medical technology. In the meanwhile, the Company re-established cooperation with Yuanjiang Technology Information Co., Ltd. (遠江信息技術有限公司) during the period to carry out the construction of the project of the “Information System for Remote and Emergency Diagnosis, Treatment and Cure of Critical and Major Illness under Jiangsu Province Whole-People Smart Medical Services”, which served as a stepping stone that laid a foundation for the Company to provide cooperation projects on informatization of medical service for more grass-root hospitals in the future.

With respect to online education, the Company explored new businesses with Changzhou Vocational College of Engineering (常州工程職業學院) during the period. By participating in the informatization competition of Jiangsu Province, the Company gradually and increasingly involved itself in the subsequent development of relevant majors and courses of the college, aiming to create an exemplary project and demonstration base for the actual application of Intelligent Online Cloud Platform in vocational colleges in the park as well as for the implementation of new projects. Meanwhile, the micro lecture filmed by the Company for the college during the period won one second prize and three third prizes in Jiangsu Province Micro Lecture Competition in the Further Education category. Meanwhile, relying on the main function of the Industry Centre of Changzhou Science and Education City as a training base, the Company simultaneously developed the Education Cloud Platform for Training Bases and Online Training Courses and proactively promoted the application thereof to vocational colleges outside the park.

With respect to smart transportation, which is the Company's traditional advantageous business segment, the Company won two awards during the period, namely the "Second Prize in Science and Technology Award Granted by the Jiangsu Province Highway & Transportation Society" and the "Award of Excellent Technological Innovative Highway Product of Jiangsu Province", consolidating the Company's leading position in the smart transportation business sector. During the period, in addition to steadily pushing forward the implementation progress of existing projects, the Company undertook two major projects, namely the project of the management buildings of Jiangnan Second Station and station buildings of the Jiangnan service area of the Ring Expressway and the project of engineering signal and monitoring system for the major overhaul of the Danjie Line of Danyang City.

FUTURE PROSPECTS

Looking ahead, as a university-owned listed enterprise, the Company will continue to closely follow the lead of national policies, rely on the academic resources and talent advantages of Nanjing University, closely monitor market needs, and keep abreast with industry developments. With establishing an industry-leading "Internet+" platform company as the development goal, and by implementing model innovation, business innovation and technology innovation, the Company will further explore businesses in such fields as smart medical service, intellectual property trading, smart education, and smart transportation to open up broader development space.

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

On 31 March 2018, 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")), which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein 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 | 358,800,000 (Note 2) | - | 36.51% | - | 24.11 % |

Notes:

- (1) As at 31 March 2018, the Company had 982,800,000 domestic shares and 505,200,000 H shares in issue, totalling 1,488,000,000 shares.
- (2) Such 358,800,000 domestic shares were held by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity"), and Mr. Zhu Yong Ning held 90% shareholdings in Jiangsu Keneng Electricity. Pursuant to Part XV of the SFO, Mr. Zhu Yong Ning is deemed to be interested in the above shareholdings of Jiangsu Keneng Electricity.

Save as disclosed above, as at 31 March 2018, none of the directors, supervisors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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 GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the three months ended 31 March 2018 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

On 31 March 2018, 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 | Nature | 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) |
|---|------------------|---------------------------|---|--------------------|------------------------------------|---------------------------------|---|
| Jiangsu Keneng Electricity Technology Co., Ltd. | Beneficial Owner | 358,800,000 | 36.51% | - | - | 358,800,000 | 24.11% |
| Nanjing University Asset Administration Company Limited | Beneficial Owner | 127,848,097 | 13.01% | - | - | 127,848,097 | 8.59% |
| Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd. | Beneficial Owner | 121,000,000 | 12.31% | - | - | 121,000,000 | 8.13% |

| Shareholder | Nature | 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) |
|--|------------------|---------------------------|---|--------------------|------------------------------------|---------------------------------|---|
| Oriental Petroleum (Yangtze) Limited | Beneficial Owner | - | - | 84,200,000 | 16.67% | 84,200,000 | 5.66% |
| Jiangsu Co-Creation Education Developing Company Limited | Beneficial Owner | 84,159,944 | 8.56% | - | - | 84,159,944 | 5.66% |
| Anhui Jiuxi Property Investment Co., Ltd | Beneficial Owner | 83,661,016 | 8.51% | - | - | 83,661,016 | 5.62% |
| Shanghai Shiyuan Network Technology Company Limited | Beneficial Owner | 55,000,000 | 5.60% | - | - | 55,000,000 | 3.70% |

Note:

- (1) As at 31 March 2018, the Company had 982,800,000 domestic shares and 505,200,000 H shares in issue, totalling 1,488,000,000 shares.

Save as disclosed above, as at 31 March 2018, 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 close 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 three months ended 31 March 2018.

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 maximizing 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 Mr. Xie Man Lin, Ms. Xu Xiao Qin and Mr. Shi Zhong Hua. 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 first quarterly results announcement and first quarter report for the three months ended 31 March 2018 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 three months ended 31 March 2018.

By Order of the Board
Jiangsu NandaSoft Technology Company Limited*
Zhu Yong Ning
Chairman

Nanjing, the PRC, 14 May 2018

* *For identification purpose only*