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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 2018

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

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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 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 RMB287,336,000 for the nine months ended 30 September 2018, representing an approximately 9.6% increase as compared with that of the corresponding period in 2017.
- The net loss attributable to the owners of the Company is RMB27,189,000 for the nine months ended 30 September 2018.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018.

THIRD QUARTERLY RESULTS

The board of directors (the “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 months and nine months ended 30 September 2018.

For the three months and nine months ended 30 September 2018, the unaudited turnover of the Group were RMB97,918,000 and RMB287,336,000 respectively, representing an increase of approximately RMB19,575,000 and RMB25,133,000 or an increase of approximately 25.0% and 9.6% respectively in turnover as compared with those of the corresponding period in 2017.

The unaudited net loss attributable to the owners of the Company for the three months and nine months ended 30 September 2018 were RMB7,516,000 and RMB27,189,000 respectively, representing a decrease of approximately 41.8% and a decrease of 26.6% respectively as compared with the corresponding period in 2017.

The unaudited results of the Group for the three months and nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2018

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	2	97,918	78,343	287,336	262,203
Cost of sales		(85,733)	(65,828)	(254,578)	(227,027)
Gross profit		12,185	12,515	32,758	35,176
Other income		2,317	171	2,516	350
Selling and distribution expenses		(3,219)	(2,322)	(8,344)	(7,406)
Administrative expenses		(11,419)	(11,288)	(34,034)	(34,554)
Finance costs	3	(5,680)	(10,882)	(16,002)	(27,563)
Sharing result of associated companies		-	-	501	195
Loss before income tax	4	(5,816)	(11,806)	(22,605)	(33,802)
Income tax expense	5	(271)	(298)	(896)	(991)
Loss for the period		(6,087)	(12,104)	(23,501)	(34,793)
Other comprehensive expense that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of financial statement of foreign operations		(442)	-	(97)	-
Total comprehensive loss for the period		(6,529)	(12,104)	(23,598)	(34,793)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 RMB'000	2017 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000 (Restated)
Loss for the period attributable to:					
– Owners of the Company		(7,516)	(12,909)	(27,189)	(37,019)
– Non-controlling interests		1,429	805	3,688	2,226
Loss for the period		(6,087)	(12,104)	(23,501)	(34,793)
Total comprehensive loss for the period attributable to:					
– Owners of the Company		(7,980)	(12,909)	(27,309)	(37,019)
– Non-controlling interests		1,451	805	3,711	2,226
		(6,529)	(12,104)	(23,598)	(34,793)
Loss per share	6				
– Basic and diluted (RMB cents)		(0.51)	(0.92)	(1.83)	(2.64)

1. COMPANY INFORMATION

Jiangsu NandaSoft Technology Company Limited (the “Company”) was incorporated as a 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 GEM of The Stock Exchange of Hong Kong Limited 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, Gulou District, Nanjing, China. The Company’s principal place of business in Hong Kong is located at Unit 01–05, 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and its legal representative is Zhu Yong Ning.

The Group is mainly engaged in the sales of computer hardware and software products, trading business of IT related products and equipment, provision of IT training services, develop, manufacture and marketing of network security software, internet application software, education software and business application software, and 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 etc.

2. REVENUE

Revenue, which is also the Group’s turnover, represents (a) the net invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts; (b) the value of services rendered, net of value-added tax; and (c) gross rental income and properties management service income received and receivable from investment properties during the period.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 RMB’000	2017 RMB’000	2018 RMB’000	2017 RMB’000
Computer hardware and software products	57,996	50,136	130,763	167,880
Provision of system integration services	36,232	25,398	145,494	84,302
Rental and properties management service income	3,690	2,809	10,974	9,996
Other business	–	–	105	25
Total	97,918	78,343	287,336	262,203

Notes

3. FINANCE COST

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	5,680	8,923	15,582	25,552
Interest on finance lease	–	1,959	420	2,011
Total	5,680	10,882	16,002	27,563

4. LOSS BEFORE INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Depreciation: – Property, plant and equipment	1,583	1,928	5,198	5,549

5. 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 as the Group did not have assessable profit arising or derived from Hong Kong during both periods. 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 period.

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.

Notes

On 27 December 2017, the Company obtained a China High-Tech Enterprise Certificate again 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 continuously subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2017.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Tax charges comprise:				
PRC income tax	271	298	896	991

6. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the loss attributable to the owners of the Company of RMB7,516,000 and RMB27,189,000 for the three months and nine months ended 30 September 2018 (2017: RMB12,909,000 and RMB37,019,000) 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 and nine months ended 30 September 2018 and 2017 as there were no potential dilutive securities during the relevant periods.

Notes

7. RESERVATION

	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'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	140,380	121,718	81,862	19,962	2,378	(210,258)	156,042	56,032	212,074
Total comprehensive loss for the period	-	-	-	-	-	(37,019)	(37,019)	2,226	(34,793)
At 30 September 2017	140,380	121,718	81,862	19,962	2,378	(247,277)	119,023	58,258	177,281
At 1 January 2018	148,800	129,469	81,862	20,020	2,285	(264,151)	118,285	50,668	168,953
Loss for the period	-	-	-	-	-	(27,189)	(27,189)	3,688	(23,501)
Other comprehensive expenses – exchange differences arising on translation of financial statement of foreign operation	-	-	-	-	(120)	-	(120)	23	(97)
Total comprehensive loss for the period	-	-	-	-	(120)	(27,189)	(27,309)	3,711	(23,598)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(1,715)	(1,715)
Transfer to surplus reserve	-	-	-	1,030	-	(1,030)	-	-	-
At 30 September 2018	148,800	129,469	81,862	21,050	2,165	(292,370)	90,976	52,664	143,640

DIVIDEND

The Board does not recommend the payment of an interim dividend during the period (2017: Nil).

FINANCIAL REVIEW

During the period, some of the work-in-progress projects of the Group with an amount of approximately RMB51,280,000 has reached the settlement stage. At the same time, the Group made strategic changes by rejecting the development of business projects with relatively low gross profit margin, thus, the turnover of the Group for the three months and nine months ended 30 September 2018 were RMB97,918,000 and RMB287,336,000, respectively, representing an increase of approximately 25.0% and 9.6% as compared with the same periods in the previous year, respectively.

The finance cost of the Group recorded a decrease by approximately RMB11,560,000 as compared with the corresponding period of last year as a result of the Group's repayment of the long-term borrowings from the Bank of Nanjing of RMB21,600,000 and the decrease of major interest rates on borrowings. The loss attributable to owners of the Group for the three months and nine months ended 30 September 2018 were approximately RMB7,516,000 and RMB27,189,000, representing a decrease of approximately RMB5,393,000 or approximately 41.8% and RMB9,830,000 or approximately 26.6% as compared with the same periods of last year.

BUSINESS REVIEW

On 15 October 2018, the placing of 500 million H shares and 4 billion domestic shares with a total of 4.5 billion shares has been approved at the extraordinary general meeting. The funds from the first tranche of subscription was fully received. The Company has submitted the relevant documents to China Securities Regulatory Commission for approval of the placing of H shares.

As a technology-innovative enterprise, the Company continued to ride on the development trends of smart application in the Big Data era. Guided by the innovation-driven strategy, it propelled the steady development of various "Internet+" platform businesses centering on market development demands.

During the period, the Company maintained its business advantages in smart transportation, continued to fortify the cooperation foundation with strategic partners, including National Intellectual Property Office, Nanjing University of Technology and Science and other universities, Jiangsu Provincial People's Hospital, and Changzhou Science and Education Town, and accelerated the development of its businesses in smart segments such as the intellectual property trading platforms of the universities and colleges, smart medical services, smart education and intelligent transportation in China.

During the period, under the joint efforts of the R&D and management teams, the Company successfully received capital awards, recognizing its achievements as the 2018 New Hi-tech Enterprise at municipal and district level.

Intelligent Transportation

With respect to intelligent transportation, which is the Company's traditional advantageous business segment, the Company won the "Tengyunjiashu Excellent Software and Information Service Enterprise Certificate" (騰雲駕數優秀軟件和信息服務企業證書) granted by Jiangsu Economic and Information Commission during the period, maintaining its brand advantages in the intelligent transportation business sector. During the period, the Company solicited new business of Taizhou Public Security Bureau of Jiangsu Province, undertook its "Expressway Video Monitoring Encryption of Intelligent Transportation Project in Taizhou City" and steadily pushed forward the smooth implementation of projects undertaken at early stages.

Smart Education

With respect to online education, during the period, the Company continued to consolidate the established network education cloud platform, updated and upgraded the existing Science and Education Town Cloud Platform and Zhiya Online Education Cloud Platform to lay a solid foundation for the subsequent integration of course resources and related education resources. The Company continued to promote the development of Online Training Courses and Liberal Studies Courses and actively built the integrated training platform of Mint smart manufacturing skills. Meanwhile, the Company actively explored new businesses in the smart education sector and planned to cooperate with five higher vocational colleges in Changzhou Science and Education Town in building a higher vocational intellectual property trading platform, so as to lay a sound foundation for the proposed construction of Changzhou intellectual property trading platform and other government network cloud platforms that will start subsequently.

Smart Medical Service

With respect to remote medical service, the Company continued to take remote medical information services as the core of its business development, strengthened the marketing of existing products and expanded the application coverage of “remote emergency medical treatment information system” as well as proactively developed new business models and new products. During the period, the design model of our “Health Room” products was completed and optimized, which offer smaller floor area, more convenient and more intelligent services for projects. Through software and hardware integration and by leveraging on the comprehensive guidance system, monitoring system and customer service system, residents living nearby the “Health Room” can have quick access to intelligent health experience and health guidance services such as health monitoring, consultation and health education without any human assistance.

Intellectual property trading platform of Chinese universities and colleges

With respect to intellectual property trading platform, as of the end of the third quarter, the platform had over one thousand patented products being priced and put on shelf independently, with tens of thousands assessment. During the period, the Company completed the sub-platform project acceptance and delivery of Tianjin, Changshu and Baoji, and promoted the proposal formulation of sub-platforms in Kunshan, Changsha, Hangzhou, Qingdao and other cities and counties. At the same time, the Company upgraded and optimized existing software and completed the product research and development of Patentpal 2.0WEB version and PMES2.0, product optimization and demand response of Patentpal 1.0 and Patent Bag 1.0, aiming to provide users with more refined service functions.

FUTURE PROSPECTS

Looking ahead, 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 industry trends, and develop businesses that are in line with market demands.

For existing strategic business segments, the Company will continue to increase investments in four main sectors, namely intellectual property trading platform, smart education, smart medical service and intelligent transportation and focus on market research and development of core businesses. At the same time, the Company will continue to strive to become a premier “Internet+” platform-oriented enterprise, constantly innovate more “Internet+” application businesses to create broader perspective for its future development.

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

As at 30 September 2018, the interests and short positions of the directors, supervisors and chief executives 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 (Cap. 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register referred to therein 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 ("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 controlled corporation	370,783,735 (Note 2 and Note 3)	-	37.73%	-	24.92%

Notes:

- (1) As of 30 September 2018, the Company issued 982,800,000 domestic shares and 505,200,000 H shares, i.e. 1,488,000,000 shares in total.
- (2) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.
- (3) Individual shareholders Ms. Liang Bei (梁蓓) and Mr. Xie Li (謝立) transferred 5,354,921 and 6,628,814 domestic shares of the Company, respectively, totaling 11,983,735 domestic shares, to Jiangsu Jintao Investment Holding Co., Ltd. (江蘇金濤投資控股有限公司). The share transfer registration has been completed on 13th September 2018 by China Securities Registration Settlement Company Limited. Mr. Zhu Yong Ning held 90% of shares in Jiangsu Jintao Investment Holding Co., Ltd..

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 to enable 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

As at 30 September 2018, the following interests and short positions of 5% or more of the shares and underlying shares of the Company held by shareholders (excluding directors, supervisors and chief executives of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic shares and H shares	Percentage of domestic shares and H shares (Note 1)
Jiangsu Keneng Electricity Technology Co., Ltd. (Note 2)	Beneficial Owner	358,800,000	36.51%	-	-	358,800,000	24.11%

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic shares and H shares	Percentage of domestic shares and H shares (Note 1)
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%
Oriental Petroleum (Yangtze) Limited	Beneficial Owner	-	-	84,200,000	16.67%	84,200,000	5.66%
Jiangsu Education Development 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%	-	-	83,661,106	5.62%
Shanghai Shiyuen Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%	-	-	55,000,000	3.70%

Notes:

- (1) As of 30 September 2018, the Company issued 982,800,000 domestic shares and 505,200,000 H shares, i.e. 1,488,000,000 shares in total.
- (2) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. (“Jiangsu Keneng Electricity”) which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.

Save as disclosed above, as at 30 September 2018, no person, other than the directors, supervisors and chief executives 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 nine months ended 30 September 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 carrying 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 provide supervision over the financial reporting, risk management and internal control system of the Group. The audit committee has reviewed the quarterly results announcement and quarterly report for the nine months ended 30 September 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 nine months ended 30 September 2018.

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

Nanjing, the PRC, 9 November 2018

* *For identification purpose only*