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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)



2019

Third Quarterly Report

CHARACTERISTICS OF THE GEM ("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 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 RMB205,794,000 for the nine months ended 30 September 2019, representing an approximately 28.4% decrease as compared with that of the corresponding period in 2018.
- The net loss attributable to the owners of the Company is RMB12,696,000 for the nine months ended 30 September 2019 representing a substantial decrease of approximately 53.3% as compared with the corresponding period in 2018.
- The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019.

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 2019.

For the three months and nine months ended 30 September 2019, the unaudited turnover of the Group were RMB71,630,000 and RMB205,794,000 respectively, representing a decrease of approximately RMB26,288,000 and RMB81,542,000 or a decrease of approximately 26.8% and 28.4% respectively in turnover as compared with those of the corresponding period in 2018.

The unaudited net loss attributable to the owners of the Company for the three months and nine months ended 30 September 2019 were RMB3,813,000 and RMB12,696,000 respectively, representing a decrease of approximately 49.3% and a decrease of 53.3% respectively as compared with the corresponding period in 2018.

The unaudited results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018 are as follows:

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

For the three months and nine months ended 30 September 2019

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	2	71,630	97,918	205,794	287,336
Cost of sales		(58,555)	(85,733)	(169,734)	(254,578)
Gross profit		13,075	12,185	36,060	32,758
Other income		461	2,317	2,048	2,516
Selling and distribution expenses		(2,391)	(3,219)	(7,726)	(8,344)
Administrative expenses		(12,423)	(11,419)	(34,653)	(34,034)
Finance costs	3	(1,057)	(5,680)	(4,446)	(16,002)
Sharing result of associated companies		–	–	–	501
Loss before income tax	4	(2,335)	(5,816)	(8,717)	(22,605)
Income tax expense	5	(344)	(271)	(1,064)	(896)
Loss for the period		(2,679)	(6,087)	(9,781)	(23,501)
Other comprehensive income/ (loss) that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of financial statement of foreign operations		279	(442)	89	(97)
Total comprehensive loss for the period		(2,400)	(6,529)	(9,692)	(23,598)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Loss for the period attributable to:					
– Owners of the Company		(3,813)	(7,516)	(12,696)	(27,189)
– Non-controlling interests		1,134	1,429	2,915	3,688
Loss for the period		(2,679)	(6,087)	(9,781)	(23,501)
Total comprehensive loss for the period attributable to:					
– Owners of the Company		(3,534)	(7,980)	(12,607)	(27,309)
– Non-controlling interests		1,134	1,451	2,915	3,711
		(2,400)	(6,529)	(9,692)	(23,598)
Loss per share	6				
– Basic and diluted (RMB cents)		(0.12)	(0.51)	(0.39)	(1.83)

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 (“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.

Notes

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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Computer hardware and software products	13,367	57,996	38,302	130,763
Provision of system integration services	54,309	36,232	156,290	145,494
Rental and properties management service income	3,880	3,690	11,128	10,974
Other business	74	–	74	105
Total	71,630	97,918	205,794	287,336

Notes

3. FINANCE COST

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings	1,057	5,680	4,257	15,582
Interest on finance lease	–	–	189	420
Total	1,057	5,680	4,446	16,002

4. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation:				
– Property, plant and equipment	1,548	1,583	4,586	5,198
Inventory cost identified as expenses	58,555	85,733	169,734	254,578

Notes

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% (2018: 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 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	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tax charges comprise:				
PRC income tax	344	271	1,064	896

Notes

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 RMB3,813,000 and RMB12,696,000 for the three months and nine months ended 30 September 2019 (2018: RMB-7,516,000 and RMB-27,189,000) and the 3,288,000,000 (2018: 1,488,000,000) shares in issue during the period.

Diluted earnings per share is not presented for the three months and nine months ended 30 September 2019 and 2018 as there were no potential dilutive securities during the relevant periods.

7. RESERVE

	Equity attributable to owners of the Company							Non-controlling interest	
	Share capital RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Surplus reserve RMB'000	Translation reserve RMB'000	FVTOCI reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Controlling interest RMB'000
At 1 January 2018	148,800	129,469	81,862	20,020	2,285	-	(264,151)	118,285	50,668
Total comprehensive loss for the period	-	-	-	-	(120)	-	(27,189)	(27,309)	3,711
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(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
At 1 January 2019	328,800	214,069	81,862	20,134	(547)	(2,574)	(323,409)	318,335	53,317
Total comprehensive loss for the period	-	-	-	-	89	-	(12,696)	(12,607)	2,915
Transfer to surplus reserve	-	-	-	(7)	-	-	7	-	-
At 30 September 2019	328,800	214,069	81,862	20,127	(458)	(2,574)	(336,098)	305,728	56,232

DIVIDEND

The Board does not recommend the payment of an interim dividend during the period (2018: Nil).

FINANCIAL REVIEW

During the period, as affected by the e-commerce technology market and the Group's continuous adjustment of business with low gross profit margin, by the end of the third quarter, the sales of computer hardware and software dropped significantly by approximately RMB92,461,000 as compared with the same period of last year. As such, the consolidated turnover of the Group for the three months and nine months ended 30 September 2019 were RMB71,630,000 and RMB205,794,000, respectively, representing a decrease of approximately 26.8% and 28.4% respectively as compared with the same period of last year.

Losses attributable to owners of the Company of the Group for the three months and nine months ended 30 September 2019 were approximately RMB3,813,000 and RMB12,696,000, representing a decrease of approximately RMB3,703,000 or approximately 49.3% and RMB14,493,000 or approximately 53.3% as compared with the same period of last year. This was mainly due to the Company applied the strategy of high-profit margin business which caused the gross profit margin increased from 11.4% for the nine months ended 30 September 2018 to 17.5% for the nine months ended 30 September 2019. Besides, finance cost dropped by approximately 72.2% when compared with the same period of last year due to significant drop of borrowings.

BUSINESS REVIEW

During the period, the Company promoted the development of various “Internet+” platform businesses in a steady and orderly manner and continued to maintain its business advantages in the intelligent transportation sector. At the same time, the Company developed new customers actively and strived to provide more cutting-edge intelligent solutions for various industries.

Intelligent Transportation

Jiangsu Changtian Zhiyuan Transportation Technology Company Limited (“Changtian Zhiyuan”), which is controlled by the Company, continued to expand its new business vigorously in the third quarter. It undertook two major engineering projects, including the demolition engineering project of the highway provincial toll collection stations (Jinhuangdao and Chengde area) in Hebei Province and the reconstruction and expansion of the second tender section of the electromechanical integrated construction of Laiwu to Linyi (Shangdong and Jiangsu border) section of Beijing-Shanghai Expressway (JHJDSG2). While ensuring the active development of its new business, Changtian Zhiyuan continued to promote steadily the implementation of existing projects to ensure timely delivery and project acceptance.

Computer Hardware Sales Service

During the period, owing to the impact of e-commerce competition and the adjustment of its corporate operational strategies, the hardware sales business of Jiangsu NandaSoft Computer Equipment Co., Ltd. (“Computer Equipment”), which is controlled by the Company, continued to decline, in which it had exerted on-going impact to this quarter’s performance. Computer Equipment is still actively researching the market and seeking for transformation towards the smart business sector.

Smart Education

During the period, Jiangsu Zhiya Online Education Technology Ltd. ("Zhiya Online"), which is controlled by the Company, continued to leverage on the practical training base cloud platform of Changzhou Science and Education City to focus on the construction of new energy vehicle training bases and its related courses, carried out the research and development of new products of smart classrooms, and strived to penetrate into the market of Science and Education City park, and established demonstration training bases and information-based basic models. In terms of new customer development, Zhiya Online conducted important cooperation with the School of Software and Big Data of Changzhou College of Information Technology, School of Intelligent Manufacturing of Changzhou Vocational Institute of Engineering and Changzhou Vocational Institute of Textile and Garment to further understand customer development needs and intended to provide single support for its future practical application and transformation and thereby enhancing market competitiveness.

Smart Medical Service

Jiangsu NandaSoft Medical Technology Co., Ltd. ("NandaSoft Medical"), which is an associated company, continued to cooperate with Jiangsu Nursing Association to consolidate the cooperation results of its online training platform for specialized nurses and continued education platform for nurses. During the period, NandaSoft Medical also established the cooperation with Wuxi Nursing Association to create a standardized online and offline training model by virtue of its mobile Internet technology, design product programs for online formal training, and provide basic training and professional training for formally trained nurses. Through continuous cooperation with different nursing associations, NandaSoft Medical has gradually mastered and possessed different product requirements, further enhanced its corporate competitiveness of product development in the nursing sector and expanded its service coverage.

Intellectual Property Trading Platform of Chinese Universities and Colleges

The intellectual property trading platform of universities and colleges which is operated by an associated company, Nanjing Zhonggao Intellectual Property Co., Ltd. ("Zhonggao Company"), has been operating steadily in the third quarter. The number of stores opened by colleges and universities through the "Patentpal" platform increased by over 30, and the number of expert flagship stores opened through "Patent Bag" increased by more than 300. During the period, the company established the cooperation with State Grid Jiangsu Electric Power Company Limited, and undertook its outsourcing service project for the patent value evaluation system of the power industry, and promoted the orderly construction of various platform projects. At the same time, the custody and service system of Zhonggao Intellectual Property achieved online operation during the period.

Additional H Shares Issuance Plan

On September 2019, the Company had submitted an application document to China Securities Regulatory Commission ("CSRC") for the approval of additional issuance plan for placing not more than 3,000,000,000 H shares. After obtaining the approval from CSRC, the Company will implement the above-mentioned additional share issuance plan in accordance with legal procedures.

PROSPECTS

Looking forward, as an "Internet +" platform-based listed company, the Company will continue to give full play to the scientific research advantages of universities and colleges, keep close abreast of market demand, grasp industry development trend, and while consolidating our traditional business sectors, we will continue to explore and innovate in those sectors such as intelligent transportation, remote education, smart medical service, and intellectual property trading, so as to develop more abundant business resources, provide more intelligent solutions and strive to become an intelligent platform-based benchmark enterprise.

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

As at 30 September 2019, 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	820,783,735 (Note 2)	–	29.49%	–	24.96%

Notes:

- (1) As at 30 September 2019, the Company issued 2,782,800,000 domestic shares and 505,200,000 H shares, i.e. 3,288,000,000 shares in total.
- (2) 808,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity") which Mr. Zhu Yong Ning held 90% ownership, and 11,983,735 domestic shares were owned by Jiangsu Jintao Investment Holding Company Ltd. ("Jiangsu Jintao") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Part XV of the SFO, Mr. Zhu Yong Ning is deemed to be interested in the above shareholdings of Jiangsu Keneng Electricity and Jiangsu Jintao.

Save as disclosed above, as at 30 September 2019, 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 2019 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 2019, 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	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. (Note 2)	Beneficial Owner	808,800,000	29.06%	–	–	808,800,000	24.60%
Anhui Jiuxi Property Investment Co., Ltd	Beneficial Owner	577,592,975	20.76%	–	–	577,592,975	17.57%
Fuji Investment Company Limited (Note 3)	Beneficial Owner	450,000,000	16.17%	–	–	450,000,000	13.69%
Jiangsu Fuchuang Electronic Business Company Limited	Beneficial owner	225,000,000	8.09%	–	–	225,000,000	6.84%
Jiangsu Yuchang Modern Agricultural Development Company Limited	Beneficial Owner	225,000,000	8.09%	–	–	225,000,000	6.84%
Oriental Petroleum (Yangtze) Limited (Note 3)	Beneficial Owner	–	–	84,200,000	16.67%	84,200,000	2.56%

Notes:

- (1) As at 30 September 2019, the Company had 2,782,800,000 domestic shares and 505,200,000 H shares in issue, totalling 3,288,000,000 shares.
- (2) 808,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. ("Jiangsu Keneng Electricity") which Mr. Zhu Yong Ning held 90% ownership and 11,983,735 domestic shares were owned by Jiangsu Jintao Investment Holding Company Ltd. ("Jiangsu Jintao") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to section XV of the SFO, Mr. Zhu Yong Ning was deemed as to be interested in the above shareholding of Jiangsu Keneng Electricity and Jiangsu Jintao.
- (3) Oriental Petroleum (Yangtze) Limited and Fuji Investment Company Limited were controlled by the same shareholder.

Save as disclosed above, as at 30 September 2019, 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 2019.

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, save for the deviation from CG Code provision A.2.1. 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, 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 third quarter results announcement and third quarterly report for the nine months ended 30 September 2019 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 2019.

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

Nanjing, the PRC, 11 November 2019

* *For identification purpose only*