



## **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)**

### **ANNUAL RESULTS ANNOUNCEMENT**

**(For the year ended 31 December 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 announcement, 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 any statement herein or this announcement misleading.*

\* *For identification purpose only*



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#### **HIGHLIGHTS**

- Recorded a loss attributable to owners of the Company of approximately RMB109,609,323 for the year ended 31 December 2016.
- Recorded a turnover of approximately RMB443,364,648 for the year ended 31 December 2016.
- The Directors do not recommend the distribution of final dividends for the year ended 31 December 2016 (2015: Nil).

#### **ANNUAL RESULTS**

The board of Directors (the "Board") of Jiangsu NandaSoft Technology Company Limited (the "Company"), is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

For the year ended 31 December 2016, the audited turnover is approximately RMB443,364,648 representing a drop of approximately 13.60% as compared with RMB513,130,153 for the year 2015. The audited loss attributable to owners of the Company for the year ended 31 December 2016 is approximately RMB109,609,323.

The audited results of the Group for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 are as follows:

## CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2016

RMB

Item	Notes	2016	2015
<b>Current assets:</b>			
Cash and bank balances		49,652,041	90,723,555
Clearing settlement funds			
Placements with banks			
Financial assets with change in fair value through profit or loss		10,000,000	
Bills receivable			
Accounts receivables	10	180,068,219	262,069,200
Prepayments		4,736,069	22,483,392
Premiums receivable			
Receivables from reinsurers			
Deposits receivable from reinsurance treaty			
Interest receivable			
Dividends receivable			
Other receivables		93,462,937	126,149,946
Financial assets purchased for resale			
Inventories		80,773,744	77,699,105
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		388,079	63,127
<b>Total current assets</b>		<b>419,081,089</b>	<b>579,188,326</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets		8,219,110	8,219,110
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment		81,480,567	79,429,411
Investment properties		537,898,537	529,730,893
Fixed assets		83,160,428	86,775,629
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets		5,717,075	6,269,505
Development expenses			
Goodwill		23,408,369	23,408,368
Long-term deferred expenses		790,760	371,517
Deferred income tax assets		2,967,770	1,573,955
Other non-current assets		10,550,261	476,429
<b>Total non-current assets</b>		<b>754,192,877</b>	<b>736,254,817</b>
<b>Total assets</b>		<b>1,173,273,966</b>	<b>1,315,443,143</b>

<b>Item</b>	<i>Notes</i>	<b>2016</b>	2015
<b>Current liabilities:</b>			
Short-term loans		<b>132,109,583</b>	164,471,000
Borrowings from PBOC			
Absorbing deposit and interbank deposit			
Capital borrowed			
Financial liabilities with change in fair value through profit or loss			
Bills payable	11	<b>1,090,000</b>	12,500,000
Accounts payables	11	<b>216,083,687</b>	251,271,180
Advances from customers		<b>35,261,568</b>	64,975,915
Proceeds from disposal of repurchased financial assets			
Commission charge and commission payable			
Salaries payable		<b>3,175,569</b>	2,206,840
Taxes payable		<b>16,612,745</b>	22,867,187
Interest payable		<b>19,837,615</b>	9,055,684
Dividends payable		<b>6,003,968</b>	6,003,967
Other payables		<b>299,179,231</b>	328,301,347
Payables to reinsurers			
Reserves for insurance contracts			
Client money received for acting as securities trading agent			
Client money received for acting as securities underwriter			
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>12,000,000</b>	11,200,000
Other current liabilities		<b>11,735,499</b>	10,881,976
<b>Total current liabilities</b>		<b><u>753,089,465</u></b>	<u>883,735,096</u>
<b>Non-current liabilities:</b>			
Long-term loans		<b>21,600,000</b>	33,600,000
Bonds payable			
Including: Preference shares			
Perpetual debts			
Long-term payables		<b>127,442,399</b>	72,914,886
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities		<b>59,068,595</b>	54,923,563
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b><u>208,110,994</u></b>	<u>161,438,449</u>
<b>Total liabilities</b>		<b><u>961,200,459</u></b>	<u>1,045,173,545</u>

<b>Item</b>	<i>Notes</i>	<b>2016</b>	2015
<b>Shareholders' equity:</b>			
Share capital	12	<b>140,380,000</b>	124,000,000
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		<b>121,718,414</b>	93,873,332
Less: treasury stock			
Other comprehensive income	12	<b>84,239,841</b>	82,280,708
Special reserve			
Surplus reserve	12	<b>19,962,462</b>	19,962,462
General risk reserve			
Undistributed profits	12	<b>-210,258,758</b>	-100,649,435
<b>Total owners' equity attributable to the parent company</b>		<b><u>156,041,959</u></b>	<u>219,467,067</u>
<b>Minority interests</b>		<b><u>56,031,548</u></b>	<u>50,802,531</u>
<b>Total shareholders' equity</b>		<b><u>212,073,507</u></b>	<u>270,269,598</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>1,173,273,966</u></b>	<u>1,315,443,143</u>

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

RMB

Item	Notes	2016	2015
<b>I. Total operating income</b>		<b>443,364,648</b>	513,130,153
Including: Operating income	4	<b>443,364,648</b>	513,130,153
Interest income			
Premiums earned			
Fee and commission income			
<b>II. Total operating costs</b>		<b>487,927,860</b>	555,773,840
Including: Operating costs	6	<b>384,321,856</b>	445,081,221
Interest expense			
Fee and commission expense			
Insurance withdrawal payment			
Net payment from payment			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges		<b>1,986,367</b>	3,634,616
Selling expenses		<b>13,433,994</b>	16,039,565
Administrative expenses		<b>51,946,988</b>	56,013,388
Financial expenses	5	<b>36,238,655</b>	35,005,047
Loss on assets impairment		<b>53,287,583</b>	45,468,938
Add: Gain from change in fair value (losses are represented by “-”)		<b>8,167,644</b>	-17,698,468
Investment income (losses are represented by “-”)		<b>4,273,549</b>	7,491,285
Including: Income from investment in associates and joint ventures		<b>0</b>	
Exchange gain (losses are represented by “-”)		<b>0</b>	
<b>III. Operating profit (losses are represented by “-”)</b>		<b>-85,409,602</b>	-98,319,808
Add: Non-operating income		<b>2,455,553</b>	4,864,748
Including: Profit from disposal of non-current assets		<b>4,430</b>	174,278
Less: Non-operating expenses		<b>20,997,291</b>	51,188,820
Including: Loss from disposal of non-current assets		<b>926</b>	17,800
<b>IV. Total profit (losses are represented by “-”)</b>		<b>-103,951,340</b>	-144,643,880
Less: Income tax expenses	7	<b>2,307,638</b>	4,917,730
<b>V. Net Profit (losses are represented by “-”)</b>		<b>-106,258,978</b>	-149,561,610
Net profit attributable to equity holders of parent company		<b>-109,609,323</b>	-160,392,827
Minority interests		<b>3,350,345</b>	10,831,216

Item	<i>Notes</i>	2016	2015
<b>VI. Other comprehensive income, net of tax</b>		<b>1,959,132</b>	8,705,673
Other comprehensive income attributable to owners of parent company, net of tax		<b>1,959,132</b>	8,705,673
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss			—
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		<b>1,959,132</b>	8,705,673
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements		<b>1,959,132</b>	2,371,312
6. Others		<b>0</b>	6,334,361
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-104,299,846</b>	-140,855,937
Total comprehensive income attributable to the shareholders of parent company		<b>-107,650,191</b>	-151,687,154
Total comprehensive income attributable to minority shareholders		<b>3,350,345</b>	10,831,216
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share	8	<b>-0.083</b>	-0.129
(2) Diluted earnings per share		<b>-0.083</b>	-0.129

## 1. CORPORATE INFORMATION

Jiangsu NandaSoft Technology Company Limited (hereinafter referred to as the “Company; or the “Group” when subsidiaries are included) was a stock limited liability company jointly established by Nanjing University Asset Administration Company Limited, Jiangsu Zongyi Co., Ltd., Work Union of Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School, Jiangsu Co-Creation Education Development Company Limited, Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School, Jiangsu Information Construction Investment Limited, and Jiangsu High-Ti Investment Group, overall converted based on Jiangsu NandaSoft Software Co., Ltd. on 30 December 1999. The registered capital on establishment was RMB70 million.

On 24 April 2001, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and issued 234 million foreign shares with a par value of RMB0.1 per share; upon the issuance, the registered capital and share capital of the Company increased to RMB93.4 million.

On 31 August 2010, 187,000,000 H shares (the “New H Shares”) has been issued and allotted which comprise of 170,000,000 New H Shares and 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 (the registered capital and share capital of the Company increased to RMB110,400,000 after this issuance). On 22 August 2014, according to the resolution of the shareholders’ general meeting and the Board of the Company, the Company issued an aggregate of 136 million ordinary domestic shares of nominal value of RMB0.1 each to specific investors at a price of RMB0.2 per share by way of private placement. Upon the issuance, the registered capital of the Company increased to RMB124 million. This capital increase has been audited by Jiangsu Zhongzhen Tongren Certified Public Accountant which has issued a Capital Verification Report named Tong Ren Yan Zi 2014 No.052 for verification. On 10 April 2015, according to the resolution of the shareholders’ general meeting, the Company issued 163.8 million ordinary domestic shares with a par value of RMB0.1 per share and the issue price of RMB0.28 per share to Jiangsu Keneng Electricity Technology Co., Ltd.; upon the issuance, the registered capital of the Company increased to RMB140.38 million. This capital increase has been audited by Jiangsu Huajia Certified Public Accountant Co., Ltd. (江蘇華嘉會計師事務所有限公司) which has issued a Capital Verification Report named Hua Jia Yan Zi 2016 No.006 for verification on 2 June 2016.

As of 31 December 2016, the total equity of the Company was 1,403.8 million shares, including 982.80 million unlisted shares, representing 70.01% of the equity, and 421 million outstanding public H Shares, representing 29.99% of the equity.

The registered address of the Company had been changed to Block 01, No.19 South QingJiang Road, Gulou District, Nanjiang, the People’s Republic of China (“PRC” or “China”); the legal representative had been changed to Mr. Zhu Yong Ning. On 7 July 2016, the Company’s principal place of business in Hong Kong had been changed to 14/F, St. John’s Building, 33 Garden Road, Central, Hong Kong.

The Company’s business scope mainly includes: research, development, production, manufacture, sales and maintenance of computer software and hardware, network communications equipment, multi-media, electronic products, instruments and apparatuses and information industry related products; technical services, transfer, training and consultancy in relation to computer system integration, sales of office automatic equipment; proprietary operation and agency for imports and exports of commodities and technologies, development of medicine materials and medical equipment, provision of services related to building and information system integration. (For items subject to approval pursuant to laws, operation could only be commenced upon approval by relevant authorities).

The Group is mainly engaged in the sales of computer hardware and software products, trading of IT related products and equipment and mobile phones, and provision of IT training services, and continues to develop, manufacture and market network security software, Internet application software, education software and business application software, and provides systems integration services, research and development of medicine and medical equipment, provision of services in relation to building installation and information system integration.



## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **1. Basis for preparation**

The Financial statements has been prepared on a going-concern basis and transactions and events actually occurred in accordance with the “Accounting Standards for Business Enterprises” promulgated by the Ministry of Finance of the People’s Republic of China and relevant requirements (collectively “Accounting Standards for Business Enterprises”), and the relevant disclosure required by China Securities Regulatory Commission’s “Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2014 Revision)”, Companies Ordinance of Hong Kong, Hong Kong Stock Exchange GEM Listing Rules, as well as the accounting policies and estimation as stated in “3. Significant Accounting Policies and Accounting Estimation” under this section.

### **2. Continuous Operation**

As of 31 December 2016, the current liabilities of the Group is higher than the current assets by RMB334,008,375. Such condition shows that uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern exist, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Even with the above condition, after having taken into consideration the continuing availability of the banking facilities in the future and measures to improve its working capital position, including but not limited to issuing shares, disposing of equity, bank loan and financial support provided by the shareholder, Jiangsu Keneng Electricity Technology Co., Ltd.; the management of the Group thinks that the Group has the ability to continue as a going concern in next 12 months from the end of the reporting period, and it is reasonable to prepare the financial statements on a going concern basis.

### **3. Scope of Consolidated Financial Statements**

The scope of the Group’s consolidated financial statements during the reporting period covers 16 companies, which are Jiangsu NandaSoft Computer Equipment Co., Ltd., Jiangsu NandaSoft Biochemical Technology Co., Ltd., Nanjing NandaSoft Property Service Co., Ltd., NandaSoft Technology (Shenzhen) Company Limited, Jiangsu Changtian Technology Company Ltd., Jiangxi NandaSoft Technology Co., Ltd., Jiangxi NandaSoft Service Outsourcing Park Co., Ltd., Nanjing NandaSoft System Integration Company Limited, Jiangsu Sheng Feng Investment Company Limited, Jiangsu NandaSoft (Hong Kong) Company Limited, Texwell Investment Ltd., Smartful Ventures Holdings Limited, Vast Rich Asia Limited, Jiangsu NandaSoft (Hong Kong) Company Limited (BVI), Staterich Technology (Jiangsu) Company Limited, and Jiangsu Zhiya Online Education Technology Ltd. As compared with last year, NandaSoft Technology Investment Development (Wuxi) Company Limited is removed from the list due to its disposal.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. The specific accounting policies and accounting estimation prepared by the Group are based on actual production and operation characteristics, including the recognition and measurement of bad debt provisions on receivables, measurement of inventories transferred out, measurement of investment properties, classification and depreciation method of fixed assets, amortisation of intangible assets, recognition and measurement of income, etc.
2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company have complied with the Accounting Standards for Business Enterprises and give a true and fair view of and reflect the financial position, operating results and cash flows and other relevant information of the Company and the Group.

### 4. INCOME, OTHER INCOME AND GAINS

#### 4.1 Income of Principal Business

Item	2016	2015
Computer hardware and software products	379,682,094	424,494,302
Provision of system integration service	51,495,642	75,266,821
Total	<u>431,177,736</u>	<u>499,761,123</u>

#### 4.2 Other Income and Gains

Item	2016	2015
Rent and property management income	12,186,912	13,369,030
Interest income	3,644,172	1,299,694
Other subsidies	1,897,134	4,598,694
Fair value gain on investment properties	8,167,644	-17,698,468
Others	4,831,968	7,757,339
Total	<u>30,727,830</u>	<u>9,326,289</u>

## 5. FINANCING COSTS

Item	2016	2015
Bank and other loan interests, wholly repayable within five years	38,449,025	36,165,426
Bank charges	1,991,443	341,386
Sub-total	<u>40,440,468</u>	<u>36,506,813</u>
Less: Interest capitalized	0	0
Total	<u><u>40,440,468</u></u>	<u><u>36,506,813</u></u>

## 6. COST BEFORE TAX

Item	2016	2015
Cost of sales		
Computer hardware and software products	344,977,035	384,568,583
Provision of system integration service	37,407,795	57,639,172
Sales charges and tax	7,446,442	10,654,406
Sub-total	<u>389,831,272</u>	<u>452,862,162</u>
Depreciation of property, plant and equipment	4,495,908	4,339,153
Amortization and impairment of intangible assets	741,110	1,268,274
Research and development expenses	2,288,246	6,048,092
Sub-total	<u>7,525,264</u>	<u>11,655,519</u>
Auditor's fees	680,000	680,000
Salaries and allowances	30,441,149	28,662,472
Contributions to retirement scheme	3,482,254	5,215,725
Sub-total	<u>34,603,403</u>	<u>34,558,197</u>
Loss on impairment of assets	53,287,583	45,468,938
Management fees	23,102,029	21,692,913
Non-operating expenses	20,997,291	51,188,820
Exchange difference	-557,642	-202,071
Sub-total	<u><u>528,789,200</u></u>	<u><u>617,224,479</u></u>

## 7. INCOME TAX EXPENSE

### 7.1 Tax Preference

On May 2015, the Company is awarded the New and High Technology Enterprise Certificate dated 31 October 2014 (高新技術企業證書) (Certificate No. GR201432002517) jointly issued by Jiangsu Science and Technology Department (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Administration of Taxation of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局), and is recognised as a new and high technology enterprise (高新技術企業) for a validity period of three years. Hence, according to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the corporate income tax applicable to the company for the year 2016 is 15%.

### 7.2 Domestic subsidiaries of the Company

In January 2017, Jiangsu Changtian Zhi Yuan Technology Company Limited, a subsidiary of the Company, was awarded the New and High Technology Enterprise Certificate dated 30 November 2016 (高新技術企業證書) (Certificate No. GR201632000879) jointly issued by Jiangsu Science and Technology Department (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Administration of Taxation of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局), and was recognised as a new and high technology enterprise (高新技術企業) for a validity period of three years. Therefore, according to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the corporate income tax applicable to the company for the year 2016 is 15%.

On 2 September 2010, Jiangxi NandaSoft Technology Company Limited, a subsidiary of the Company, was awarded the Software Enterprise Certificate with the number 「GanR-2010-0015」 issued by the Industry and Information Committee of Jiangxi Province (江西省工業和信息化委員會). According to Notice of the Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to the Enterprise Income Tax (Cai Shui 2008 No. 1) (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知) (財稅20081號), when a newly founded domestic software enterprise is recognized, from its profit-making year, corporate income taxation is exempted for first two years, reduced half for next three years. Jiangxi NandaSoft Technology Company Limited recorded no profits in 2016.

Item	2016	2015
Income tax for the year	-443,578	-1,825,603
Deferred income tax	<u>2,751,216</u>	<u>6,743,333</u>
Total	<u><u>2,307,638</u></u>	<u><u>4,917,730</u></u>

## 8. EARNINGS PER SHARE

### (1) Basic earnings per share

Item	2016	2015
Net consolidated profit attributable to ordinary shareholders of parent company	-109,609,323	-160,392,827
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of parent company	-120,576,248	-108,370,216
Weighted average number of ordinary shares in issue of the parent company	1,321,900,000	1,240,000,000
Basic earnings per share (RMB/share)	-0.083	-0.129
Basic earnings per share (RMB/share) (after deducting extraordinary items)	<u>-0.078</u>	<u>-0.087</u>

The calculation of weighted average number of ordinary shares is as follows:

Item	2016	2015
Numbers of ordinary shares in issue at beginning of year	1,240,000,000	1,240,000,000
Issue for the year	163,800,000	
Numbers of ordinary shares in issue at end of year	<u>1,403,800,000</u>	<u>1,240,000,000</u>

### (2) Diluted earnings per share

Item	2016	2015
Adjusted net consolidated profit attributable to ordinary shareholders of parent company	-109,609,323	-160,392,827
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of parent company	-102,576,248	-108,370,216
Adjusted weighted average number of ordinary shares in issue of the Company	1,321,900,000	1,240,000,000
Diluted earnings per share (RMB/share)	-0.083	-0.129
Diluted earnings per share (RMB/share) (after deducting extraordinary items)	<u>-0.078</u>	<u>-0.087</u>

## 9 OPERATING SEGMENTS

### 9.1 Segment Information

According to the internal organizational structure of the Group, management requirements and internal reporting system, the operating business is classified into four reporting segments: computer hardware and software products, system integration service, IT-related products and property investment segment. These reporting segments have been designed based on the internal organization structure and management requirements. The management of the Group will evaluate the operating results of these reporting segments to determine the distribution of resources and evaluation on its results.

Segment information is disclosed in accordance with the accounting policy and standards for measurement adopted when reporting to the management. Such basis of measurement remains the same as the accounting policy and standards for measurement when preparing the financial statements.

#### Reporting segments for 2016

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	379,682,094	51,495,642		12,186,912			443,364,648
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				8,167,644			8,167,644
Operating costs	344,977,035	37,407,795		1,937,026			384,321,856
Sales tax and fees	13,578,705	1,841,657					15,420,361
Financing costs						38,449,025	38,449,025
Other costs (management and asset impairment)						117,292,389	117,292,389
<b>Total operating profit (total loss)</b>	<u>21,126,354</u>	<u>12,246,190</u>		<u>18,417,530</u>		<u>-155,741,414</u>	<u>-103,951,340</u>
Total assets	<u>392,672,562</u>	<u>240,751,593</u>		<u>541,664,824</u>		<u>-1,815,013</u>	<u>1,173,273,966</u>
Total liabilities	<u>424,953,323</u>	<u>231,147,918</u>		<u>201,344,120</u>		<u>103,755,098</u>	<u>961,200,459</u>
Supplementary information							
Capital expenditure							1,928,009
Impairment loss recognized for the period							53,287,583
Depreciation and amortization expenses							5,237,018

## Reporting segments for 2015

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	424,494,302	75,266,821		13,369,030			513,130,153
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				-17,698,468		8,790,978	-8,907,489
Operating costs	384,568,583	57,639,172		2,873,465			445,081,221
Sales tax and fees	16,711,139	2,963,041					19,674,181
Financing costs						36,165,426	36,165,426
Other costs (management and asset impairment)						101,621,642	101,621,642
<b>Total operating profit (total loss)</b>	<u>23,214,578</u>	<u>14,664,606</u>		<u>-7,202,904</u>		<u>-128,996,089</u>	<u>-98,319,808</u>
Total assets	<u>362,861,513</u>	<u>322,526,368</u>		<u>535,418,498</u>		<u>94,636,764</u>	<u>1,315,443,143</u>
Total liabilities	<u>487,691,718</u>	<u>262,708,428</u>		<u>182,872,815</u>		<u>111,900,584</u>	<u>1,045,173,545</u>
Supplementary information							
Capital expenditure							3,895,768
Impairment loss recognized for the period							45,468,938
Depreciation and amortization expenses							5,607,427

## 10. TRADE AND BILLS RECEIVABLES

Item	2016	2015
Accounts receivables	<b>259,196,393</b>	310,800,961
Less: provision for bad debts	<b>79,128,174</b>	48,731,761
Net amount	<u><b>180,068,219</b></u>	<u>262,069,200</u>

Change in provision of impairment of trade receivables:

Item	2016	2015
1 January	<b>48,731,761</b>	43,261,908
Provision for bad debts for the period	<b>30,396,413</b>	5,469,853
31 December	<u><b>79,128,174</b></u>	<u>48,731,761</u>

The Group set up the responsible team for confirming the credit terms, reviewing the credit policy in order to reduce credit risk, and executing supervisory procedures to ensure that measures have been taken to retrieve expired claims. In addition, the Group has reviewed the recoverability ability for every outstanding receivables at each balance sheet date, ensuring sufficient bad-debt provisions have been made for unrecoverable amounts. Trade receivables that are past due but not impaired are related to a number of independent customers having a good track record with the Group. Based on past experience, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. Therefore, the Management reckons that credit risks exposure of the Group have been reduced significantly.

As at the end of the reporting period, the ageing analysis of trade receivables at invoice date less provision for bad debts is as follows:

<b>Ageing</b>	<b>2016</b>	2015
Within 3 months (inclusive)	<b>72,980,146</b>	187,252,969
3 to 6 months (inclusive)	<b>5,288,333</b>	12,009,484
7 to 12 months (inclusive)	<b>21,110,149</b>	8,295,373
Over 1 year	<b>80,689,591</b>	54,511,372
	<hr/>	<hr/>
Total	<b>180,068,219</b>	262,069,200
	<hr/> <hr/>	<hr/> <hr/>

#### **11. TRADE AND BILLS PAYABLES**

As at the end of reporting period, the ageing analysis of trade payables at invoice date is as follows:

<b>Item</b>	<b>2016</b>	2015
Trade payables		
Within one year	<b>112,128,537</b>	193,884,875
Over one year	<b>103,955,150</b>	57,386,304
	<hr/>	<hr/>
Total	<b>216,083,687</b>	251,271,180
	<hr/> <hr/>	<hr/> <hr/>
Bills payables	<b>1,090,000</b>	12,500,000
	<hr/> <hr/>	<hr/> <hr/>

As at the end of the year, total notes payables due and not yet paid amounted to RMB1,090,000.

Pledge details: as at the end of the year, bank acceptance bills of RMB1,090,000 was granted with the Group's other monetary capital of RMB654,000 as the pledge.



## 12. RESERVES

2016

Item	Equity attributable to shareholders of parent company						Total shareholder's equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Unallocated profit	Minority interests	
<b>I. Ending balance of previous year</b>	124,000,000	93,873,332	82,280,708	19,962,462	-100,649,435	50,802,532	270,269,599
Add: changes in accounting policies							-
Correction of prior period errors							-
Business combination under common control							-
Others							-
<b>II. Beginning balance of current year</b>	124,000,000	93,873,332	82,280,708	19,962,462	-100,649,435	50,802,532	270,269,599
<b>III. Change through current year ("-" for losses)</b>	16,380,000	27,845,082	1,959,132	-	-109,609,323	5,229,016	-58,196,093
(1) Total comprehensive income	0		1,959,132		-109,609,323	3,350,344	-104,299,847
(2) Contribution and withdrawal of capital by shareholders	16,380,000	29,484,000	-	-	-	-	45,864,000
1. Ordinary shares contributed by shareholders	16,380,000	0					16,380,000
2. Capital contributed by other equity instruments holders							-
3. Amounts of share-based payments recognized in shareholder's equity		29,484,000					29,484,000
4. Others							0
(3) Profit distribution	-	-	-	-	-	-	-
1. Appropriation of surplus reserve							-
2. Appropriation of general risk reserve							-
3. Distribution to shareholders							-
4. Others							-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-
1. Capitalized capital reserve							-
2. Capitalized surplus reserve							-
3. Surplus reserve for covering up losses							-
4. Others							-
(5) Special reserve	-	-	-	-	-	-	-
1. Current year appropriation							-
2. Current year usage							-
(6) Others		-1,638,918	0			1,878,671	239,753
<b>IV. Ending balance of current year</b>	140,380,000	121,718,414	84,239,840	19,962,462	-210,258,758	56,031,548	212,073,507

2015

Item	Equity attributable to shareholders of parent company						Total shareholder's equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Unallocated profit	Minority interests	
<b>I. Ending balance of previous year</b>	124,000,000	92,234,414	74,215,190	19,962,463	59,743,392	39,441,835	409,597,294
Add: changes in accounting policies							-
Correction of prior period errors							-
Business combination under common control							-
Others							-
<b>II. Beginning balance of current year</b>	124,000,000	92,234,414	74,215,190	19,962,463	59,743,392	39,441,835	409,597,294
<b>III. Change through current year ("-" for losses)</b>	-	1,638,918	8,065,518	-	-160,392,827	11,360,696	-139,327,695
(1) Total comprehensive income	-		8,705,673		-160,392,827	10,831,217	-140,855,937
(2) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders	-	-					-
2. Capital contributed by other equity instruments holders							-
3. Amounts of share-based payments recognized in shareholder's equity							-
4. Others							-
(3) Profit distribution	-	-	-	-	-	-	-
1. Appropriation of surplus reserve							-
2. Appropriation of general risk reserve							-
3. Distribution to shareholders							-
4. Others							-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-
1. Capitalized capital reserve							-
2. Capitalized surplus reserve							-
3. Surplus reserve for covering up losses							-
4. Others							-
(5) Special reserve	-	-	-	-	-	-	-
1. Current year appropriation							-
2. Current year usage							-
(6) Others		1,638,918	-640,155			529,479	1,528,242
<b>IV. Ending balance of current year</b>	124,000,000	93,873,332	82,280,708	19,962,462	-100,649,435	50,802,532	270,269,599

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The turnover of the Company for the year ended 31 December 2016 was approximately RMB443,364,648, which represented a decrease of approximately RMB69,765,505 when compared with 2015 and this was mainly due to the economic downturn in the Information Technology (the “IT”) industry. Net loss attributable to the parent company for the year ended 31 December 2016 was RMB109,609,323, representing a decrease in loss of RMB50,783,504 when compared with 2015. It was primarily due to: (1) a decrease of approximately RMB24.00 million in non-operating expenses since the loss and compensation for the mediation with China Nuclear Huaxing was incurred in 2015 which did not happen in current year; (2) there was an increase of RMB25.87 million generated from the change in fair value when compared with 2015.

### Financial resources and liquidity

As at 31 December 2016, current assets of the Company amounted to approximately RMB419,081,089, of which approximately RMB49,652,041 were cash and cash equivalents and approximately RMB184,804,288 were receivables and prepayments, decreased by RMB99,748,304 when compared with 2015. The decrease in receivables was attributable to a decrease in turnover of approximately RMB82.00 million for the year when compared with previous year, which led to an overall decline in accounts receivables, while at the same time, the increase in impairment loss in receivables.

As at 31 December 2016, non-current liabilities was RMB208,110,994 and its current liabilities amounting to approximately RMB753,089,465, which mainly comprised trade and bills payables, receipts in advance and construction cost payables included in other payables. Current liabilities decreased by approximately 15% when compared with 2015. As at 31 December 2016, short-term borrowings and long-term borrowings amounted to RMB165,709,584 in total, representing a decrease of approximately 21% when compared with 2015. Its liquidity was sufficient to support the normal operation of the Company. As at 31 December 2016, net assets of the Company amounted to approximately RMB212,073,507 (2015: RMB270,269,598), representing a drop of approximately 22% when compared with 2015 year-on-year.

### Charge on group assets

As at 31 December 2016, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City of approximately RMB22,000,000 (2015: approximately RMB22,000,000) were pledged as security for the interest-bearing bank borrowings granted to the Company.

### Foreign currency risk

As the Group’s operations are mainly conducted in the PRC and substantially over 90% of the Company’s sales and purchases were denominated in RMB, there is no significant foreign currency risk that would affect the Company’s results of operations.

During the year ended 31 December 2016, the Group did not have any foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## **CAPITAL COMMITMENT**

As at 31 December 2016, the Group did not have any contracted for but not yet provided for capital commitment (2015: Nil).

### **Contingent liabilities**

#### ***Pending Litigations***

##### ***(1) Litigation 1***

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by China Nuclear Industry Huaxing Construction Company Limited (as the plaintiff). According to the civil claim, it was claimed that the Company failed to pay for the construction project. The payment was approximately RMB175,400,000 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of Nanjing IOT Application Research Institute Limited, Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd and Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd. held by the Company. The main reason for the delay in payment was that the audit on the related construction work is unable to complete by the agreed time and is still not completed yet. Therefore, the actual amount of construction payable by the Company is still uncertain.

The Company considered the amount claimed by the plaintiff was contentious and doubtful. Based on the advice of the legal counsel of the Company, the Company should apply to the court for an appraisal of the cost of construction and adopt the appraisal outcome as the basis of settling the construction cost in a fair and legitimate manner.

As Phase II of New NandaSoft Technology and Innovation Park constructed by the Company was put into use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by Teamo Sukung Investment Project Management Limited, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case will cause a significant difference in the estimated amount at the time of conversion into fixed assets, which will in turn have a material impact on the financial data of the Company.

According to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of NandaSoft Software City 02 project, compensation financing, loss on shutting down, and overdue interest payment amounted to RMB219.64 million (net of RMB37 million which had already paid by the Company). For the period of 1 January 2016 to the actual payment date, with the annual rate of 6%, the Company shall pay RMB182.64 million and related interest to the plaintiff on or before 30 June 2016. The plaintiff has the right to apply to the people's court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time. If the Company fails to perform the payment obligations within the period prescribed under the mediation letter, additional debt interest which is twice of the amount during the performance period will be levied on by the Company in accordance with Article 253 of the "PRC Civil Procedure Law".

As at 31 December 2016, the Company's bank deposit frozen amounted to RMB3,306,093; according to the court ruling, the rights of the buildings of Block 1 and 2, No. 19 South Qingjiang Road, Gulou District owned by the Company, and the rights of land use are restricted. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was made according to the mediation letter.

(2) *Litigation 2*

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by Guangzhou City Aimin Investment Co., Ltd ("Aimin") (廣州市愛民投資有限公司). According to the civil complaint, the Company has borrowed RMB15.50 million from Aimin and total borrowing interest up to 10 October 2015 was RMB8,426,989. Shangehai Honghao Investment Management Co., Ltd assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No. 5504 issued by Guangzhou City Tianhe District People's Court, the bank balance of the Company of RMB23,926,989 was frozen. The equity interest of Jiangsu NandaSoft Investment Company Limited and NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司) held by the Company was frozen.

On 8 October 2016, Guangzhou City Tianhe District People's Court issued the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No.5504, which ruled that the Company should repay the borrowings of principal amount of RMB15.5 million and pay borrowing interests (interest before 9 July 2014 amounted to RMB4,197,400; interest from 10 July 2014 to 30 September 2014 amounted to RMB413,333; interest from 1 October 2014 to settlement date was calculated at an annual rate of 24% based on RMB15.5 million) to Aimin.

The Company objected the judgment of the first instance and filed an appeal to Guangzhou City Intermediate People's Court on 27 October 2016, claiming to offset against another debt of RMB6 million owed by Aimin to the Company, and by reason of the settlement of RMB5 million by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4.5 million and interest thereon to Aimin by the Company. On 1 November 2016, Guangzhou City Intermediate People's Court accepted the case, which is yet to be heard.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

As at 31 December 2016, the litigation was pending. A bank balance of the Company of RMB4,213,581 was frozen. The relevant amount frozen was net off against the bank deposit frozen pursuant to Litigation 1 above.

(3) *Litigation 3*

On 15 November 2016, 武漢金家公司 (Wuhan Jinjia Company) filed a litigation against the Company at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 11102, requesting the Company to repay three borrowings with total principal amount of RMB3,035,592 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal amount of RMB966,666 and interest of RMB1,008,555; 2. the second borrowing with principal amount of RMB42,667 and interest of RMB47,787; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB404,917. On 15 March 2017, according to the letter of civil mediation "(2016) Su 0106 Min Chu No. 11102" issued by Nanjing City Gulou District People's Court, if the Company repays the borrowing with principal amount and interest of RMB1.8 million in total to the plaintiff, 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) before 22 March 2017. 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) will voluntarily abandon other litigation requests.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

(4) *Litigation 4*

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.) filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People's Court Case No.: (2016) Su 0115 Min No. 15397, requesting the Company to repay the borrowing with principal amount of RMB1 million and interest thereon and penalty interest of RMB11,541.66, pay default charges of RMB1,206,400 and undertake solicitor's fee of RMB20,000; requesting Nanjing Botong Technology Company Limited to repay the borrowing with principal amount of RMB4 million and interest thereon and penalty interest of RMB185,583, pay default charges of RMB862,400 and undertake solicitor's fee of RMB80,000; requesting Nanjing NandaSoft System Integration Co., Ltd to repay the borrowing of RMB5 million and interest thereon and penalty interest of RMB277,500, pay default charges of RMB724,800 and undertake solicitor's fee of RMB100,000; requesting the seven companies, including the Company, to assume the joint guaranty liabilities for the aforesaid liability; requesting that the reinsurance company shall be preferentially reimbursed with the proceeds from the auction, sale, discounted of properties and land at No. 25 Xingnan Road, Wuzhong Economic Development Zone, Suzhou City.

On 14 February 2017, Jiangning District People's Court delivered the judgment of the first instance that the Company should pay the borrowing with principal amount of RMB1 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB1 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 26 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB4 million from 26 May 2016 respectively, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

Nanjing NandaSoft System Integration Company Limited should pay the borrowing with principal amount of RMB5 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB5 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 25 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 26 May 2016 to actual payment date at an annual rate of 24%) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

Nanjing Botong Technology Company Limited should pay the borrowing with the principal amount of RMB4 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB4 million, compound interest is calculated based on the outstanding penalty interest, which are both from 26 May 2016 to the actual payment date at the annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB1 million respectively from 26 May 2016, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

(5) *Litigation 5*

On 24 November 2016, the Company filed a litigation against NandaSoft Intelligent Technology (Shanghai) Co., Ltd. at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 10808, requesting NandaSoft Intelligent Technology (Shanghai) Co., Ltd. to repay the debt with principal amount of RMB24,335,362, pay interest thereon (calculated based on the amount of each loan at an annual rate of 10%, and the amount of RMB12,398,130 is temporarily calculated up to 3 November 2016); and had submitted an application to the court for property restriction of the 5/1 land use rights of Shanghai NandaSoft Company in Yingzhong village, Qingpu Town, Qingpu District, Shanghai.

On 19 January 2017, Nanjing City Gulou District People's Court first heard the case and was in the process of first instance trial.

As of the reporting date, as the case is in progress, the Company was unable to provide relevant investment information and financial information regarding NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司).

### **Employees and remuneration policies**

The remuneration for the employees of the Group for the year ended 31 December 2016 amounted to approximately RMB30,441,149 (2015: approximately RMB28,662,472), including the directors' and supervisors' emoluments of approximately RMB1,113,807 (2015: approximately RMB1,199,928) and RMB503,112 (2015: approximately RMB550,544) respectively.

The number of employees for the year had decreased from 367 to 325.

The Group remunerated its staff based on the individual's performance, profile and experience and with reference to market price.

### **Dividends**

The Directors do not recommend the distribution of final dividends for the year ended 31 December 2016 (2015: Nil).

## **BUSINESS REVIEW**

### ***R&D of Information Technology and Products***

During the year under review, the Company continued to carry out the research and development of Soft electronic file management system, the product currently under R&D is the model version of "Electronic File Management System V2.0". The Company continued to facilitate the pilot demonstration project of the electronic file system of Nanjing Municipal Committee during the year.

During the year under review, the R&D of Soft cloud computing management system was also in progress, the product currently under R&D currently is the model version of "Cloud Computing Management System V2.0". During the year, the Company undertook the procurement network project of Nanjing government and the big data platform project of Nanjing Civil Affairs Bureau, continued to facilitate the pilot demonstration project of the cloud desktop system of Nan Hu Hospital, and developed new customers including Nanjing College of Information Technology, Changzhou College of Information Technology, Jiangsu Open University and Health Bureau of Jianye District.



During the year under review, the Cloud computing project and “Soft Cloud System Software V1.0” of the Company obtained a software copyright respectively. In addition, CMMI-3 passed the further examination of qualification. During the year under review, the Company was granted two government funds, namely “2016 Software Internet Rewards – Internet Innovation Start-up Carrier and Service Guarantee” and “Jiangsu Province Service Outsourcing Project”.

### ***IT Services***

During the year under review, “暢行江蘇 APP (Jiangsu Transportation App)” was officially put online on 9 May this year. This App contains 31 functions in one package such as bus, railway and public bike information enquiry, flights, trains and buses ticket booking, real-time expressway traffic information, information of driving schools, information of charter car service for travel and search engine for nearby car parks, which met users’ needs and enhanced users experience.

During the year under review, “智雅在線教育雲平臺 (Zhiya Online Education Cloud System)” was officially put online in May this year. Such system provides internet educational cloud service for vocational education based on OTO and digitized school service of informationization of high schools based on Cloud Computing to five vocational schools in the Science and Education Town through the Internet, and has already provided online course services to over 8,000 students, and the micro-class was recognized by teachers and students.

For the system integration, the Company undertook the machine room construction procurement project of Oriental Energy Co., Ltd., which earmarked the Company’s foothold into the new energy industry. In addition, the Company developed a new customer, namely Department of Human Resources and Social Security of Jiangsu. It adopted the personnel management system, a comprehensive platform penetrating the information regarding professional title, salary, working experience of staff, to electronize all those works that are previously completed by customers, a new business exploring new needs in old industries.

For the intelligent transportation, with building transportation data channels and the intelligent application of Big Data as its main concerns, Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd. made full use of urban passenger transport data, highways transport data, waterborne transport data and transport monitoring videos from the transportation industry, so as to establish a transportation monitoring and alerting system with three functions namely “transportation monitoring and alert, public service and support to decisions-making”. In addition, it undertook several important projects, such as the data collection and service system project of national road network traffic conditions survey in Ningxia Hui Autonomous Region (寧夏回族自治區國家公路網交通情況調查數據採集與服務系統工程), the electromechanical construction project of Taizhou toll station of the expansion project of section JG-JD-1 of the Jiangdu to Guangling highway section in Jiangsu Province (江蘇省江都至廣陵高速公路改擴建工程泰州收費站機電施工項目JG-JD-1標段), the section XM-91 of electromechanical construction project of toll, monitoring and communication system of the Jiangsu section of the Xuzhou to Mingguang highway (徐州至明光高速公路江蘇段收費、監控、通信系統機電工程施工項目XM-91標段) and the perceptual highway project for the diversion and expansion construction of the Jiangyan section of the 229 Provincial Highway (229省道姜堰段改擴建工程感知公路項目).

During the Year, Jiangsu NandaSoft Medical Science Co., Ltd\* (江蘇南大蘇富特醫療科技有限公司), in which part of its capital is contributed by the Company, was established officially. The electrical monitoring equipment at medical grade was put into use in Jiangsu Province Hospital and Sir Run Run Hospital of Nanjing Medical University of Jiangsu Province. At the same time, it reached in-depth cooperation with Jiangsu Province Hospital in terms of coronary heart disease telemedicine system, demonstrating that the development of telemedicine system of the Company has entered into a new stage.

### ***Future Outlook***

Looking forward, the Company will seize the opportunities offered by the transformation of national development strategy from factor-driven toward innovation-driven, rely on the scientific strength of Nanjing University, fully utilize its strength of technology and talents, consolidate and ascend the market positions in traditional strong business of companies in terms of government, education, energy, intelligent transportation, finance and medical care, achieve permanent innovation, and strive to establish the Company to become a sustainable development enterprise with focused business lines and sound efficiency in three years' time.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

All directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) and Supervisors have service contracts with the Company for a term of 3 years. The service will be renewed for a service period of three years subject to the approval at the annual general meeting of the Company.

Save as disclosed above, none of the directors nor the supervisors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### **DIRECTORS' AND SUPERVISORS' REMUNERATION**

The directors' and supervisors' fees are subject to shareholders' approval at general meetings. The emoluments of other Directors are determined by the board of directors and the remuneration committee of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS**

During the year, no director, supervisor and associated entities had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

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

At 31 December 2016, the interests and short positions of the directors and supervisors, chief executive 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 that are 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 GEM Listing Rules, were as follows:

### Long positions

Name of Directors	Type of Interest	Number of domestic shares	Number of H shares	Percentage of	Percentage of	Percentage of
				deemed beneficial interest in the Company's domestic share capital	Percentage of deemed beneficial interest in the Company's H share capital	Percentage of deemed beneficial interest in the Company's total share capital
Zhu Yong Ning	Interest of controlled corporation	178,800,000 (Note 2)	–	21.84% (Note 1)	– (Note 1)	14.42% (Note 1)

#### Notes:

- (1) As of 31 December 2016, the Company issued 982,800,000 domestic shares, 421,000,000 H shares, i.e. 1,403,800,000 shares in total.
- (2) 178,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd ("Jiangsu Keneng Electricity") and Mr. Zhu Yong Ning held 90% shares of Jiangsu Keneng Electricity. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares. Among which, 163,800,000 domestic shares were approved by the shareholders of the Company to be issued on 10 April 2015; and the relevant verification process and securities registration were completed on 29 June 2016.

Save as disclosed above, as at 31 December 2016, none of the directors, supervisors or chief executive had registered 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 year ended 31 December 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 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 31 December 2016, the following interests and short positions of 5% or more of the share capital and relevant shares of the Company (excluding directors, supervisors and chief executive 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:

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares (Note 1)	Percentage of H shares (Note 1)	Number of domestic shares and H shares	Percentage of domestic shares and H shares
Nanjing Vegetables & Subsidiary Food Co., Ltd. (南京市蔬菜副食品集團有限公司)	Beneficial Owner	263,661,016	26.83%	–	–	263,661,016	18.78%
Jiangsu Keneng Electricity Technology Co., Ltd. (Note 1)	Beneficial Owner	178,800,000	18.19%	–	–	178,800,000	12.74%
Nanjing University Asset Administration Company Limited	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%
Jiang Su Education Development Company Limited	Beneficial Owner	84,159,944	8.56%	–	–	84,159,944	6.00%
Shanghai Shiyuen Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%	–	–	55,000,000	3.92%

### Notes:

- (1) 178,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd (“Jiangsu Keneng Electricity”) and Mr. Zhu Yong Ning held 90% shareholdings of Jiangsu Keneng Electricity. 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 31 December 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 executive’s interests, 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.

## **SIGNIFICANT CONTRACTS**

No significant contract had been entered into between the Company or its subsidiaries with controlling shareholders (as defined in GEM Listing Rules) or its subsidiaries for any significant contracts in relation to the provision of services by controlling shareholders or its subsidiaries to the Company or its subsidiaries at any time during the year.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

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.

## **AUDITORS**

On 6 May 2016, the Shareholders of the Company passed the ordinary resolution approving the re-appointment of ShineWing Certified Public Accountants as the auditors of the Company's Financial Report for the year 2016.

## **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 confirmed that they have complied with the required standard of dealings and the required code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the year ended 31 December 2016.

## **CORPORATE GOVERNANCE PRACTICES**

During the year under review, the Company has complied with the code provisions set out in Appendix 15 of the Corporate Governance Code (the "Corporate Governance Code") of the GEM Listing Rules. The Board has adopted the Corporate Governance Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believed that adopting the highest corporate governance will bring long term value and will ultimately create the biggest return for shareholders.

## AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, it currently comprises five Independent Non-Executive Directors, Dr. Daxi Li, Ms. Xie Hong, 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 and internal control system of the Group. The audit committee has reviewed the annual result announcement, annual report and the independent auditors' report for the year ended 31 December 2016 and concluded the meeting with agreement to the contents of the annual result announcement and annual report.

In the independent auditors' report, the auditors has included the following paragraphs in the auditors' opinion to draw the shareholders' attention.

## EXTRACT OF INDEPENDENT AUDITORS' REPORT

### Type of Opinions

#### 1. *Events Leading to Qualified Opinions*

- (1) The management of NandaSoft determined that part of the floors of Blocks 1 and 2 of NandaSoft Software Park was for rental purpose in August 2012 and November 2013 respectively, which were regarded as investment properties and its fair value was used for subsequent measurement. As stated in note 12.3(3) to the financial statements, such part has been recognized by NandaSoft as investment properties as to RMB185.13 million. Since there is uncertainty as to whether the Building Sale and Purchase Contract entered into between NandaSoft and the related party will continue to be fulfilled, we fail to obtain sufficient and appropriate audit evidence to judge the impact in the financial statements caused by the influence of the result of such event on the investment properties recognized by NandaSoft and subsequent measurement;
- (2) As stated in note 12.3(4) to the financial statements, such part of NandaSoft Company has been recognized by NandaSoft as investment properties as to RMB144.54 million and fixed assets as to RMB8.03 million. Since we are not allowed to contact the related tenant, and NandaSoft is unable to provide any information relating to such kind of assets which was occupied by the related tenant without consideration, hence, we fail to judge the impact of such event in the financial statements.
- (3) As stated in note 12.1(5) to the financial statements, since NandaSoft's litigation against NandaSoft Intelligent Technology (Shanghai) Co., Ltd. is pending and NandaSoft is unable to provide us with the investment information and financial information relating to NandaSoft Intelligent Technology (Shanghai) Co., Ltd., we are unable to make any judgment regarding such investment amount as presented and the recoverability of the receivables involved.
- (4) As stated in note 6.9 to the financial statement, since NandaSoft could not provide relevant financial information about Promed Medical Technology (Suzhou) Company Limited, we are unable to make any judgment regarding such investment amount as presented.

## **2. Significant Uncertainty Relating to Continuing Operations**

We hereby remind the readers of the audit report that as of 31 December 2016, the current liabilities of the Company is higher than the current assets by RMB334,008,375. Such situation shows that there may be a material uncertainty which cast significant doubt upon the Company's ability to continue as a going concern. The measures taken by the Company to improve the current working capital position include but not limited to raising working capital by means of issuing shares, deposing of equity, bank loans and financial support from shareholders. Such issue does not affect the audit opinions presented.

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year under review.

On behalf of the Board  
**Jiangsu NandaSoft Technology Company Limited\***  
江蘇南大蘇富特科技股份有限公司  
**Zhu Yong Ning**  
*Chairman*

Nanjing, the PRC  
24 March 2017

*As at the date thereof, the Board comprises:*

<i>Executive Directors:</i>	Mr. ZHU Yong Ning and Mr. LIU Jian (alias Liu Jian Bang);
<i>Non-Executive Director:</i>	Mr. WONG Wa Tak and Mr. YIN Shou Rong;
<i>Independent Non-Executive Directors:</i>	Dr. LI Daxi, Ms. XIE Hong, Mr. XIE Man Lin, Mr. SHI Zhong Hua and Ms. XU Xiao Qin.

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*