

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO
THE ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED
31 DECEMBER 2016**

Reference is made to the announcement of the Jiangsu NandaSoft Technology Company Limited (“**Company**”, together with its subsidiaries, the “**Group**”) dated 24 March 2017 in relation to the final results of the Group for the year ended 31 December 2016 (“**2016 Annual Results Announcement**”), and the section headed “Type of Opinions – Events Leading to Qualified Opinions” on page 30 thereof.

THE FIRST QUALIFIED OPINION

The first qualified opinion is recapped as follows:

“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.”

The Company entered into sale and purchase contract with various potential buyers (including natural persons and enterprises) (“**Property Buyers**”) in relation to the sale of certain premises (“**Proposed Sold IP Units**”) in the Phase 1 Building and the Phase 2 Building of the Software Park (“**Buildings**”) in Nanjing, the People’s Republic of China (“**PRC**”) between 2009 and 2013 (collectively, “**Proposed Property Sale**”). Deposits have been received by the Company.

A notice entitled 《市政府印發關於進一步規範工業及科技研發用地管理意見的通知》 (literally translated as the “notice in respect of the advice of speculation for industrial and research and development (“**R&D**”) sites from the municipal government”, the “**Notice**”) was issued by the Nanjing Municipal Government on 13 January 2013. The Notice stipulates, amongst others, that approval for transfer or sale of research and development sites and properties erected on the sites should be obtained in advance from local government authorities of the development park, the Zijin special area and the functional blocks management units, and the purchasers must be R&D enterprises or institutions (but not natural persons) meeting the conditions required by the local government authorities. The aggregate areas of the transferred/sold properties must not exceed 50% of the aggregate gross floor areas for construction of the buildings. The land use rights of the commercial properties of the Company in Gulou District, Nanjing are research and development sites.

In view of the tightening of policy of the PRC Nanjing Government on transfer of landed properties as elaborated in the preceding paragraph, the Company was unable to fulfill the prescribed requirements for completing the Proposed Property Sale transactions.

The auditors of the Company for the year ended 31 December 2013, Ascenda Cachet CPA Limited (“**Predecessor Auditors**”) had taken into account the restrictions set out in the Notice on the sale and transfer of the Proposed Sold IP Units, and the fact that the Company and the Property Buyers had been in negotiation on feasible plans to overcome the restrictions imposed by the Notice, which covered the possibility of entering into long-term tenancy to replace the Proposed Property Sale. As there was no indication existing as at the date of approving the financial statements of the Company for the year ended 31 December 2013 that, amongst others, (i) the restrictions under the Notice would be lifted, (ii) there was any change in the Company’s plan to replace the Proposed Property Sale with long term leases, and (iii) the Company would have difficulty in executing holding the units of the Phase 1 Building and the Phase 2 Building of the Software Park (“**IP Units**”) to earn rentals and/or for capital appreciation, the Predecessor Auditors concurred with the management of the Company that the Proposed Sold IP Units should be accounted for as investment properties under the requirements of Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and therefore should be stated at their fair value, and did not qualify their audit opinion in respect of the Proposed Sold IP Units in the Company’s audited financial statements for the year ended 31 December 2013.

During their audit of the Company’s financial statements for the years ended 31 December 2014, 2015 and 2016 respectively, the current auditor of the Company, ShineWing Certified Public Accountants (“**ShineWing**”) noted that the existence of the Proposed Property Sale and there had been no change in the Company’s plan to replace the Proposed Property Sale with long term leases. However, the Company had not yet taken conclusive steps to facilitate the fulfillment/finalisation of the relevant sale and purchase contracts or memorandum of understanding in relation to the Proposed Sold IP Units and the progress of negotiation for feasible plans to overcome the restrictions imposed by the Notice was not satisfactory. After taking into account the opinion of the Company’s PRC legal counsel, ShineWing considered that the Proposed Property Sale transactions were valid (though yet to be completed) and there was a material uncertainty as to the possibility of overcoming the restrictions imposed by the Notice and achieving the Company’s plan of replacing the Proposed Property Sale with long term leases. Besides, there was no way to foresee the solution to the problem and its impact on the Company.

The Proposed Sold IP Units were still held by the Company for capital appreciation as at 31 December 2016. As at 31 December 2016, the aggregate fair value of the Proposed Sold IP Units was approximately RMB173.4 million. Due to the government policy restrictions in the Notice as explained above, the Proposed Property Sale could not be completed. Furthermore, the Company had not been able to reach agreement with the Property Buyers to replace the Proposed Property Sale with long term leases. The Property Buyers had been expressing their eagerness to complete the Proposed Property Sale and also their willingness to maintain the status quo and wait for possible change in the government policy thereby allowing completion of the Proposed Property Sale (meaning formal transfer of title to the Proposed Sold IP Units to them). No rental agreements had been signed and no rental income had been received in respect of the Proposed Sold IP Units as at 31 December 2016.

ShineWing was unable to determine when the restrictions under the Notice could be lifted by the local government authorities and/or assess the impact of any subsequent changes in the relevant policies to be implemented by local government policies on the Proposed Sold IP Units and the Company's financial statements as a whole. As a result, the first qualified opinion was formed.

The Company has been proactive in exploring practical solution to remedy the situation. The Company has confirmed with ShingWing that the first qualified opinion can only be removed from the Company's financial statements for the year in which (i) the Buildings are effectively disposed of and transferred (directly or indirectly) out of the Group (including its consolidated subsidiary(ies) and other associated company(ies) having material impact on the Group) ; or (ii) the restrictions in the Notice are removed and thus the Proposed Property Sale transactions can be completed. Given that the latter is beyond control of the Company, the Company has been studying the feasibility of the former, which can be implemented only after release of the Freezing Order (as defined in the note below)^{Note}.

Note: As disclosed in the announcement of the Company dated 9 June 2017, in respect of the lawsuit initiated by 中核華辰建築工程有限公司 (formerly known as 中核華興建設有限公司) (“**Plaintiff**”) against the Company leading to the Buildings having been made subject to the freezing order of the PRC court (“**Freezing Order**”), the Company has entered into an agreement in respect of a new repayment arrangement with the Plaintiff and the other relevant parties (viz. 中國核工業華興建設有限公司 (“**Huaxing**”) and 南京鵬大科技發展有限公司 (“**Pengda**”)) According to the new arrangement, the deadline for payment of the settlement sum is now extended to 30 September 2017. The settlement sum will be satisfied partly by Pengda for and on behalf of the Company by way of transfer of 39 residential properties developed in a new real estate project named “The Lulu Nanjing (南京涵碧樓行館)” located at the Yangtze River Road and Hanzhong Gate Interchange, Jiaye District, Nanjing, Jiangsu Province, China (中國江蘇省南京市建鄴區揚子江大道與漢中門大街交匯處), and partly (in respect of the shortfall after offsetting the value of such properties) by the Company in cash to Huaxing as designated by the Plaintiff. Upon full payment of the settlement sum, the Plaintiff shall in the next working day apply to the court for withdrawal of the Freezing Order and any other preservation measures against, amongst others, the Buildings.

The Audit Committee of the Company expressed that they fully understood and accepted the reasons for ShineWing's first qualified opinion being made. The Audit Committee's view is that the Company should keep itself abreast of any latest development of the relevant government policy, and should proceed to complete the Proposed Property Sale as soon as the government policy is changed to allow the same. The Audit Committee further considers that the Company should also attempt to work out alternative plan(s).

THE SECOND QUALIFIED OPINION

The second qualified opinion is recapped as follows:

“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.”

The second qualified opinion mainly concerns certain IP Units and other property units classified as fixed assets (collectively, “**Occupied Property Units**”) which have been occupied by certain occupants (being third parties independent of the Company and its connected persons, and not connected or otherwise associated with one another) (“**Potential Occupants**”) without any signed property sale or tenancy agreements since 2014.

The fair value/net book value of the Occupied Property Units as at 31 December 2016 were as follows:

| | <i>RMB’ million</i> |
|--|----------------------|
| IP Units with Potential Occupants but without signed property sale or tenancy agreements, at fair value | 144.50 |
| Property units classified as fixed assets with Potential Occupants but without signed property sale or tenancy agreements, at net book value | <u>13.80</u> |
| | <u><u>158.30</u></u> |

The Potential Occupants’ intention is to purchase the relevant Occupied Property Units. However, in view of the restrictions under the Notice on the transfer and sale of the Occupied Property Units, the Company has decided not to enter into formal sale and purchase agreement with them as it is well understood that, unless the government restrictions are lifted, it is not feasible to complete the sale and purchase transactions in respect of the Occupied Property Units. Hence, the management of the Company has been actively negotiating with the Potential Occupants for any alternative arrangement, including but not limited to the entering into long term leases in respect of the Occupied Property Units in return for lump sum rentals in advance. In order not to forego good business opportunities, the Company permitted the Potential Occupants to use the relevant Occupied Property Units before entering into any kind of leases or sale and purchase agreements with a mutual understanding that the fair market rental values (“**Potential Rental Values**”) relating to the period during which the Occupied Property Units were occupied (a) would either be factored in the sale consideration in the case of sale and purchase agreements, or in the lump sum lease payments in the case of long term lease agreements, to be entered into between the Company and the Potential Occupants; or (b) failing which, would be reimbursed by the Potential Occupants to the Company.

The Company had confidence in the financial ability of the Potential Occupants, and in assessing the related default risks, the Company considered that the interior decorations and fixtures brought in by the Potential Occupants to the relevant Occupied Property Units would give rise to benefits or values to the Company in excess of the Potential Rental Values. However, the Company had not yet materialized the feasible solution plan or entered into any binding formal leasing or sale and purchase agreements with the Potential Occupants, and therefore although the Occupied Property Units had been occupied by the Potential Occupants, the Company had not recorded any economic benefits (in the form of rentals or sale consideration) in its financial statements for the years ended 31 December 2014 to 2016.

As there is no documentary evidence supporting the Company's above-mentioned explanation about the arrangements with the Potential Occupants together with the underlying commercial reasons in respect of the Occupied Property Units, ShineWing considered that it would be necessary for them, as an alternative audit procedure, to interview the Potential Occupants to understand and confirm the commercial relationships and business arrangements with the Company in respect of the Occupied Property Units. However, despite a number of attempts and efforts, the management of the Company had not been able to secure the selected Potential Occupants' consent to be interviewed by ShineWing. The Company nonetheless respected their free will.

The Company has been trying its best to negotiate with the Potential Occupants for entering into a formal leasing agreement. However, the intention of the Potential Occupants is to purchase the relevant Occupied Property Units, and has never changed. The Company considers that the Freezing Order against the Buildings may have even given them a greater sense of uncertainty leading them to take a more cautious approach and inclined to keeping the status quo and refraining from entering into a formal leasing agreement for the time being, which is totally understandable. In the past few years, the Company maintained its stance of keeping a good relationship with the Potential Occupants so as to avoid disputes and potential lawsuits which would nonetheless ruin the peaceful atmosphere within the Buildings and thus be damaging to the market value of the Buildings and also the image of the Company. Besides, given the special status of the Proposed Property Sale that the Company is unable to complete such transactions due to the current restrictive government policy in the Notice, there may be chance that any arguments with the Potential Occupants would lead to undesirable chain reaction opening a floodgate of lawsuits initiated by the Property Buyers of the Proposed Sold IP Units. The avoidance of such damaging events would inherently yield intangible commercial benefits to the Company both as to its reputation and the overall market value and financial prospects of the Buildings and the Software Park as a whole.

Given that the Potential Occupants have been occupying the Occupied Property Units for three years or so since 2014 (which is a lengthy period) and uncooperative in responding to ShineWing's interview request for its audit work in the past, the Company intends to proactively negotiate with the Potential Occupants in a peaceful manner for an effective solution (such as entering into formal leasing arrangement with them). If no mutual agreement can be reached between the parties, the Audit Committee of the Company considers it is now the right time to take legal action against the Potential Occupants.

The Company has been seeking legal advice from its PRC legal counsel on the possible cause of action, merits and demerits of the case, and possible defence that may be encountered. After receiving the legal advice and if the same positively justifies taking determined legal action against the Potential Occupants, the Company plans to instruct its PRC legal counsel to issue legal letter to all Potential Occupants demanding them to either negotiate for and enter into a tenancy agreement (with payment of rent) with the Company or vacate the relevant Occupied Property Units. If the demand is not satisfied, the Company may bring out court proceedings against the relevant Potential Occupants.

Other alternative remedial measures to resolve the second qualified opinion include: (i) to continue attempting to persuade the Potential Occupants to fully cooperate with ShineWing in entertaining its interview request so as to allow ShineWing to evaluate the impact of their occupation on the financial position of the Company, (ii) to continue negotiating with the Potential Occupants for entering into formal leasing arrangements with the Company, and (iii) to expel the Potential Occupants from the relevant Occupied Property Units by way of legal action, which is elaborated above. Disposal of the Buildings out of the Group (including its consolidated subsidiary(ies) and other associated company(ies) having material impact on the Group) as mentioned in the foregoing section is also a solution to resolving both the first and the second qualified opinions.

THE THIRD QUALIFIED OPINION

The third qualified opinion is recapped as follows:

“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.”

ShineWing requested the audited accounts of NandaSoft Intelligent Technology (Shanghai) Co., Ltd. (“**Shanghai Co**”) for the period ended 31 December 2016.

The Company holds a minority equity interest in the Shanghai Co, and is a passive investor not actively engaged in the management and operation thereof. There is a lawsuit ongoing initiated by the Company against the Shanghai Co about a claim of outstanding debts owed by the latter to the former, which is currently heard by the People’s Court of Gulou District, Nanjing (南京市鼓樓區人民法院) at first instance. Due to this lawsuit, the relationship between the Company and the management of the Shanghai Co has turned bad and the management has become uncooperative and, despite request by the finance manager of the Company on a quarterly basis, they refused to provide the requested audited accounts of the Shanghai Co to facilitate or support the audit of the Company’s annual accounts.

Under the PRC law, every shareholder of a PRC company shall have the right to access financial information of such company.

The Company issued a formal demand letter to the Shanghai Co on 11 May 2017 demanding, amongst others, provision of the missing financial records for the year ended 31 December 2016, and in the future provision of financial records in a stipulated timely manner. No positive response indicating its willingness to provide the outstanding financial records has been received from the Shanghai Co since the issuance of the first demand letter on 11 May 2017, and therefore the Company subsequently issued a more strongly worded demand letter on 1 June 2017 to the Shanghai Co.

If the Shanghai Co continues to refuse to satisfy the Company's demands by July 2017, the Company plans to instruct its PRC legal counsel to issue another legal letter, and if further in vain, then to apply to court for compelling disclosure of the outstanding financial information. In the meantime, the Company will continue exploring opportunity to dispose of its equity interest in the Shanghai Co by the end of 2017, which is an alternative measure to resolve the third qualified opinion.

The Audit Committee of the Company is satisfied with the actions already taken by the Company as mentioned above and considers they are sufficient and moderate at the moment. The Audit Committee further agrees that the Company should take more determined legal actions in this regard, such as issuing legal letter and/or initiating lawsuit to retrieve the missing financial records and/or claim damages if the Shanghai Co fail to satisfy the Company's demand for provision of financial records.

THE FOURTH QUALIFIED OPINION

The fourth qualified opinion is recapped as follows:

“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.”

ShineWing requested the audited accounts of Promed Medical Technology Information (Suzhou) Company Limited (“**Suzhou Co**”) for the period ended 31 December 2016.

The Company holds a minority equity interest in the Suzhou Co, and is a passive investor not actively engaged in the management and operation thereof. The finance manager of the Company approached the finance department of the Suzhou Co every quarter to request financial records of the Suzhou Co, but to no avail. As a result, the Company was unable to secure proper financial records/accounts of the Suzhou Co to facilitate or support the audit of the Company's annual accounts.

The Company's investing subsidiary issued a formal demand letter to the Suzhou Co on 11 May 2017 demanding, amongst others, provision of the missing financial records for year ended 31 December 2016, and in the future provision of financial records in a stipulated timely manner (i.e. before publication of the annual results of the Group for the relevant financial year).

The responsible accounting personnel of the Suzhou Co positively replied recently that they would provide the Company with the outstanding financial records when the 2016 audited financial statements are available. As at the date hereof, the Company has received the outstanding financial records in respect of the Suzhou Co.

If the Suzhou Co will, as promised, provide all the outstanding financial records in the past (which have now been provided) and future financial records in a timely manner as requested by the Company, ShineWing will then assess whether such financial records fulfill the reporting standard.

The Audit Committee of the Company is satisfied with the actions already taken by the Company as mentioned above and considers they are sufficient and moderate at the moment. The Audit Committee further agrees that the Company should take more determined legal actions in this regard, such as issuing legal letter and/or initiating lawsuit to retrieve the missing financial records and/or claim damages if the Suzhou Co fail to satisfy the Company's demand for provision of financial records.

CONTINUOUS OPERATION AND GOING CONCERN

As at 31 December 2016 and the date of this announcement, the Company has secured: (i) short-term bank loans of RMB14,060,000, (ii) long-term bank loans of RMB21,600,000, and (iii) with the aid of a substantial shareholder of the Company, Jiangsu Keneng Electricity Technology Co., Ltd., other third parties' loans of approximately RMB150,000,000.

The Company's substantial shareholder, Jiangsu Keneng Electricity Technology Co., Ltd., has given a written undertaking to unconditionally provide the Company with financial support (including by means of provision of capital and guarantee) in circumstances where the Company faces operation cash flow problems and is unable to satisfy short-term liabilities, effective for one year from 20 March 2017.

Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

The Company will issue further announcement(s) in due course to regularly report updates of the development of matters related to the abovementioned four qualified opinions of ShineWing.

By order 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, 25 July 2017

As at the date of this announcement, the Board comprises nine directors, of which three are executive directors, namely Mr. Zhu Yong Ning (Chairman), Mr. Liu Jian (alias, Liu Jian Bang) and Mr. Wu Qing An, two are non-executive directors, namely Mr. Wong Wa Tak and Mr. Yin Shou Rong, and four are independent non-executive directors, namely Dr. Li Daxi, Mr. Xie Man Lin, Ms. Xu Xiaoqin and Mr. Shi Zhonghua.

* For identification purposes only

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement (if any) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at www.nandasoft.com.