南大苏富特科技

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 2017)

CHARACTERISTICS OF THE 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.

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 GEM 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 purposes only*

NANDA SOFTECH 南大苏富特科技

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HIGHLIGHTS

- Recorded a turnover of approximately RMB404,651,000 for the year ended 31 December 2017 (2016: approximately RMB443,365,000).
- Recorded a loss attributable to owners of the Company of approximately RMB53,834,000 for the year ended 31 December 2017 (2016: approximately RMB109,609,000).
- The Directors do not recommend the distribution of final dividends for the year ended 31 December 2017 (2016: 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 2017.

For the year ended 31 December 2017, the turnover is approximately RMB404,651,000 representing a drop of approximately 8.7% as compared with that of the year 2016. The loss attributable to owners of the Company for the year ended 31 December 2017 is approximately RMB53,834,000 representing a drop of approximately 50.9% as compared with that of the year 2016.

The audited results of the Group for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017**	(Represented) 2016
		RMB'000	*RMB'000*
Revenue	4	**404,651**	443,365
Cost of sales		**(355,633)**	(384,322)
Gross profit		**49,018**	59,043
Other income	5	**11,309**	7,943
Selling and distribution expenses		**(9,711)**	(13,434)
Administrative expenses		**(48,818)**	(76,365)
Finance costs	6	**(28,988)**	(38,449)
Impairment loss		**(42,305)**	(53,288)
Fair value change on investment properties		**15,941**	8,168
Sharing result of associated companies		**2,104**	2,431
Loss before income tax	7	**(51,450)**	(103,951)
Income tax expense	8	**(5,390)**	(2,308)
Loss for the year		**(56,840)**	(106,259)
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statement of foreign operations		**(2)**	1,960
Total comprehensive loss for the year		**(56,842)**	(104,299)

	Notes	2017	(Represented) 2016
		RMB'000	*RMB'000*
Loss for the year attributable to:			
– Owners of the Company		**(53,834)**	(109,609)
– Non-controlling interests		**(3,006)**	3,350
Loss for the year		**(56,840)**	(106,259)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(53,928)**	(107,649)
– Non-controlling interests		**(2,914)**	3,350
		(56,842)	(104,299)
Loss per share			
– Basic and diluted (RMB cents)	9	**(3.81)**	(8.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** *RMB'000*	(Represented) 2016 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**81,782**	83,160
Prepaid land lease premium		**4,533**	4,645
Intangible assets		**426**	1,073
Investment properties		**553,840**	537,899
Interest in associated companies		**77,689**	81,481
Goodwill		**23,408**	23,408
Available-for-sale financial assets		**10,782**	8,219
Deferred tax assets		**2,968**	2,968
Total non-current assets		**755,428**	742,853
Current assets			
Inventories		**59,282**	33,809
Trade receivables	11	**72,901**	180,068
Prepayment, deposit and other receivables		**194,119**	153,343
Financial assets at fair value through profit or loss		**–**	10,000
Cash and cash equivalents		**75,151**	49,652
Total current assets		**401,453**	426,872
Total assets		**1,156,881**	1,169,725
Current liabilities			
Short-term borrowings		**45,619**	166,877
Trade payables	12	**187,444**	217,174
Amount due to related parties		**749**	–
Advance from customers		**111,707**	91,551
Accrual and other payables		**370,907**	346,759
Dividend payables		**6,004**	6,004
Obligation under finance lease		**326**	1,232
Tax payables		**17,131**	16,613
Total current liabilities		**739,887**	846,210
Net current liabilities		**(338,434)**	(419,338)
Total assets less current liabilities		**416,994**	323,515

	Notes	2017	(Represented) 2016
		RMB'000	*RMB'000*
Non-current liabilities			
Long-term borrowings		**184,987**	52,046
Obligation under finance lease		**–**	326
Deferred tax liabilities		**63,054**	59,069
Total non-current liabilities		**248,041**	111,441
Total liabilities		**987,928**	957,651
NET ASSETS		**168,953**	212,074
CAPITAL AND RESERVE			
Share capital	13	**148,800**	140,380
Reserves		**(30,515)**	15,662
Equity attributable to owners of the Company		**118,285**	156,042
Non-controlling interests		**50,668**	56,032
TOTAL EQUITY		**168,953**	212,074

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are presented in Renminbi ("**RMB**") which is also the functional currency of the Company.

In preparing these consolidated financial statements, the directors of the Company have considered the future liquidity of the Group. In light of the following: (i) As at 31 December 2017, the Group had recorded net current liabilities of approximately RMB 338,434,000; (ii) The Group incurred a loss of RMB56,840,000 for the year ended 31 December 2017.

These conditions indicate the existence of a material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

– Reference is made to the agreement of the Company dated on 6 June 2017, the Company, 中核華興建設有限公司 ("**Huaxing**") and 南京鵬大科技發展有限公司 ("**Pengda**")) have entered into an agreement in respect of a new repayment arrangement (the "**Repayment Arrangement**"). As at the date of approving the consolidated financial statements, Mr. Zhu Yong Ning ("**Mr. Zhu**"), the substantial shareholder, the Chairman of the Board and Executive Director of the Company, holds directorship in Pengda. It is regarded as a related company to the Company.

Pursuant to the Repayment Arrangement, the settlement sum of approximately RMB213,560,000 will be satisfied partly by Pengda for and on behalf of the Company by way of procure transfer of 39 residential properties developed in a new real estate project named "The Lalu 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) settled by the Company in cash. Any taxes arising from the said transfer shall be borne by the Company solely. The completion of the Repayment Arrangement is subject to procedures for issuance of relevant title deeds of such properties to Huaxing. The details of the terms have been disclosed to the announcements of the Company dated on 9 June 2017, 29 September 2017 and 30 November 2017, respectively.

Pengda has confirmed not to call for repayment of the amount owed by the Company, after the completion of the Repayment Arrangement, over the next twelve months.

– As at the date of approving the consolidated financial statements, two related companies, which Mr. Zhu holds directorship in, have totally provided a loan of RMB150,000,000 to the Company for daily operation which will not be called for repayment over the next twelve months.

Based on the above conditions, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the financial statements to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Amendments to HKFRSs and a new interpretation that are mandatorily effective for the current year ended 31 December 2017

In the current year, the Group has applied for the first time in the current year the following amendments and a new interpretation to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised standards, interpretations and amendments issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]

Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or its Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The Directors anticipate that the application of the new and revised HKFRSs, other than those set out below, will have no material impact on the consolidated financial statements.

4. REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Computer hardware and software products	**227,666**	235,420
Provision of system integration service	**162,896**	195,853
Rental and properties management service income	**14,055**	12,092
Others	**34**	–
	404,651	443,365

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**236**	3,644
Gain on disposal of property, plant and equipment	**–**	5
Gain on disposal of interest in an associated company	**2,982**	–
Government grants	**6,890**	1,897
Realised gain on financial assets at fair value through profit or loss	**397**	1,843
Sundry income	**804**	554
	11,309	7,943

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**13,974**	21,022
Interest on finance lease	**103**	210
Interest on other debts	**14,911**	17,217
	28,988	38,449

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Impairment of available-for-sale financial assets	**2,522**	–
Impairment of inventories	**418**	–
Amortisation of prepaid premium for land leases	**112**	112
Amortisation of intangible assets	**647**	629
Auditor's remuneration	**670**	680
Cost of inventories recognised as expenses	**355,633**	384,322
Depreciation of property, plant and equipment	**4,087**	4,495
Gain on disposal of property, plant and equipment	**–**	(5)
Net foreign exchange loss/(gain)	**155**	(557)
Operating lease charges on rented premises	**4,679**	4,614
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**31,633**	30,441
– Contribution to defined contribution plans	**9,893**	10,457

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC	**1,405**	(1,836)
Deferred tax	**3,985**	4,144
Income tax expenses	**5,390**	2,308

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. No Hong Kong profits tax was provided for the year ended 31 December 2017 and 2016 as the Group did not have assessable profit arising or derived from Hong Kong during both years. Enterprise income tax arising from subsidiary operating in the PRC was calculated at either 15% or 25% (2016: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

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

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

Reconciliation between income tax expense and accounting loss at applicable tax rates is as follows:

	2017	2016
	RMB'000	*RMB'000*
Loss before income tax	**(51,450)**	(103,951)
Tax on profit at applicable tax rates	**(12,862)**	(31,359)
Effect of expenses not deductible for tax purpose	**1,062**	1,124
Effect of income not taxable for tax purpose	**(404)**	(96)
Tax effect of tax loss not recognised	**17,535**	32,414
Tax effect of temporary difference not recognised	**59**	225
Income tax expense	**5,390**	2,308

9. LOSS PER SHARE

	2017	2016
	RMB'000	*RMB'000*
Loss for the year attributable to the owner of the Company	**53,834**	109,609
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,414,181**	1,322,795

No diluted loss per share is calculated for the year ended 31 December 2017 and 2016 as there were no dilutive potential ordinary shares in existence.

10. SEGMENT REPORTING

(a) Reportable segments

According to the internal organizational structure of the Group, requirement for managements and internal reporting system, the operating business is classified into three reporting segments: the computer hardware and software products, system integration service and property investment. The unreported operating segments including business are aggregated as "others". These deporting segments have been laid down based on in the internal organization structure, management requirements and internal reporting system. The management of the Group will evaluate the operating results of these report segments to determine the distribution of resources and evaluation on its results.

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

Segment results represent the gross profits earned by each segment.

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2017

	Computer hardware and software products *RMB'000*	System integration service *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers	**227,666**	**162,896**	**14,055**	**34**	**404,651**
Reportable segment profit	**6,362**	**32,077**	**10,573**	**6**	**49,018**
Government grants					**6,890**
Gain on disposal of interest in an associated company					**2,982**
Interest income					**236**
Other income					**1,201**
Fair value change on investment properties					**15,941**
Share of results of associated companies					**2,104**
Finance costs					**(28,988)**
Impairment loss on trade receivables					**(30,831)**
Impairment loss on prepayment, deposit and other receivables					**(8,534)**
Impairment loss on available-for-sale financial assets					**(2,522)**
Impairment loss on inventories					**(418)**
Research expenses					**(12,407)**
Unallocated corporate expenses					**(46,122)**
Loss before income tax					**(51,450)**
As at 31 December 2017					
Segment assets	**75,961**	**417,772**	**559,190**	**659**	**1,053,582**
Goodwill	**–**	**22,877**	**–**	**531**	**23,408**
Interest in associated companies					**77,689**
Unallocated cash and cash equivalents					**146**
Unallocated corporate assets					**2,056**
Total assets					**1,156,881**
Segment liabilities	**62,749**	**615,378**	**67,798**	**48**	**745,973**
Bank and other borrowings	**7,781**	**222,825**	**–**	**–**	**230,606**
Unallocated corporate liabilities					**11,349**
Total liabilities					**987,928**
Other segment information					
Depreciation of property, plant and equipment	**204**	**3,744**	**36**	**103**	**4,087**
Amortisation of intangible assets	**–**	**348**	**–**	**299**	**647**
Amortisation of prepaid premium for land lease	**–**	**112**	**–**	**–**	**112**
Additions to non-current assets	**19**	**2,642**	**–**	**48**	**2,709**

For the year ended 31 December 2016

	Computer hardware and software products *RMB'000*	System integration service *RMB'000*	Property investment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers	235,420	195,853	12,092	–	443,365
Reportable segment profit	9,534	38,914	10,595	–	59,043
Government grants					1,897
Interest income					3,644
Other income					2,402
Fair value change on investment properties					8,168
Share of results of associated companies					2,431
Financial costs					(38,449)
Impairment loss on trade receivables					(30,396)
Impairment loss on prepayment, deposit and other receivables					(22,892)
Research expenses					(2,288)
Unallocated corporate expenses					(87,511)
Loss before income tax					(103,951)
As at 31 December 2016					
Segment assets	73,601	423,964	541,719	9,616	1,048,900
Goodwill	–	22,877	–	531	23,408
Interest in associated companies					81,481
Unallocated cash and cash equivalents					255
Unallocated corporate assets					15,681
Total assets					1,169,725
Segment liabilities	83,113	551,862	64,095	98	699,168
Bank and other borrowings	9,059	209,864	–	–	218,923
Unallocated corporate liabilities					39,560
Total liabilities					957,651
Other segment information					
Depreciation of property, plant and equipment	206	4,070	19	200	4,495
Amortisation of intangible assets	–	348	–	281	629
Amortisation of prepaid premium for land lease	–	112	–	–	112
Additions to non-current assets	25	298	–	578	901

(b) Geographic information

All of the Group's revenue from external customers are generated from the PRC.

(c) Information about major customers

For the years ended 31 December 2017 and 2016, there were no customers accounted for over 10% of the total revenue of the Group.

11. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivable	**182,852**	259,196
Less: allowance for impairment loss of trade receivables	**(109,951)**	(79,128)
	72,901	180,068

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date. The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**29,489**	72,980
3–6 months	**39,073**	5,288
6–12 months	**1,046**	21,111
Over 1 year	**3,293**	80,689
	72,901	180,068

The ageing of trade receivables which are past due but not impaired are as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**29,489**	72,980
Less than 1 month past due	**28,380**	526
1 to 3 months past due	**10,693**	4,762
4 to 6 months past due	**348**	7,098
More than 6 months past due	**3,991**	94,702
	72,901	180,068

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**79,128**	48,732
Impairment loss recognised	**30,831**	30,396
Exchange realignment	**(8)**	–
At 31 December	**109,951**	79,128

Trade receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE PAYABLES

The ageing analysis of the trade payables of the Group based on the invoice date at the reporting date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**28,263**	18,879
More than 3 months	**159,181**	198,295
	187,444	217,174

13. SHARE CAPITAL

	Number of domestic share	**Number of H share**	**Total**	**Amount**
	'000	***'000***	***'000***	***RMB'000***
Issued and fully paid:				
At 1 January 2016, ordinary shares of RMB0.1 each	819,000	421,000	1,240,000	124,000
Issue of ordinary shares by placing *(note a)*	163,800	–	163,800	16,380
At 31 December 2016 and 1 January 2017, ordinary shares of RMB0.1 each	982,800	421,000	1,403,800	140,380
Issue of ordinary shares by placing *(note b)*	–	84,200	84,200	8,420
At 31 December 2017	982,800	505,200	1,488,000	148,800

Notes:

(a) On 29 June 2016, pursuant to the placing and subscription agreement dated 9 March 2015, 163,800,000 domestic ordinary shares of RMB0.1 each were allotted and issued at the price of RMB0.28 per share. The net proceeds from the placing are approximately RMB45.86 million. The Company intends to apply such net proceeds for general working capital of the Group.

(b) On 16 November 2017, pursuant to the placing and subscription agreement dated 8 November 2017, 84,200,000 ordinary H shares of RMB0.1 each were allotted and issued at the subscription price of HK$0.226 per share. The net proceeds from the placing are approximately HK$18.5 million. The Company intends to improve its gearing ratio by repayment of loan and the balance for general working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The turnover of the Group for the year ended 31 December 2017 was approximately RMB404,651,000, which represents a decrease of approximately RMB38,714,000,when compared with 2016. With the rapid development of the Information Technology (the "**IT**") industry, the Group faced with unprecedented competition, which directly affected the market share of the Group, resulting in a decrease in sales of the Group during the year.

Loss attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB53,834,000, representing a decrease in loss of approximately RMB55,775,000 when compared with 2016. The decrease was primarily due to a decrease of approximately RMB9,461,000 in finance costs. In addition, the significant decrease in the administrative expenses were mainly due to the strictly cost control strategy adopted by the management. Furthermore, approximately RMB6,890,000 of government grants were received and confirmed during the year. Regarding to the reasons mentioned above, the loss attributable to owners of the Company for the year ended 31 December 2017 decreased by 50.9% as compared to the previous year.

Financial Resources and Liquidity

As at 31 December 2017, current assets of the Group amounted to approximately RMB401,453,000, of which approximately RMB75,151,000 were cash and cash equivalents and approximately RMB267,020,000 were receivables and prepayments, represents a decrease by RMB66,391,000 when compared with 2016. The decrease in receivables was attributable to a decrease in turnover of approximately RMB38,714,000 for the year when compared with previous year, which led to an overall decline in Trade receivables, while at the same time, the increase of approximately RMB39,365,000 in impairment loss in receivables.

As at 31 December 2017, non-current liabilities was RMB248,041,000 and its current liabilities amounting to approximately RMB739,887,000, which mainly comprised trade payables, advance from customers and accrual and other payables. Current liabilities decreased by approximately 12.6% when compared with 2016. As at 31 December 2017, short-term borrowings and long-term borrowings amounted to RMB230,606,000 in total, representing an increase of approximately 5.3% when compared with 2016. As at 31 December 2017, net assets of the Company amounted to approximately RMB168,953,000 (2016: approximately RMB212,074,000), representing a drop of approximately 20.3% when compared with 2016.

Charge on Group Assets

As at 31 December 2017, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City of approximately RMB22,000,000 (2016: approximately RMB22,000,000) were pledged as security for the interest-bearing bank borrowings granted to the Group.

Foreign Currency Risk

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

During the year ended 31 December 2017, 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 2017, the Group did not have any contracted for but not yet provided for capital commitment (2016: Nil).

Contingent Liabilities

(a) Litigation

Legal case 1

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by 中核華興建設有限公司 (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 ("**Nandasoft Block 2**"). The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of 南京物聯網應用研究院有限公司, 江蘇賽聯信息產業研究院股份有限公司 and 江蘇中晟智源科技產業有限公司 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 Nandasoft Block 2 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 天

目蘇建設投資項目管理有限公司, which is significantly different from the payment for the construction part of the above case. Therefore, the final price ordered in the above case caused 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 (2014) 蘇民初字第00015號 issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of Nandasoft Block 2, 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 from 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 disclosed in the Company's announcement dated 9 June 2017, the Company has entered into an agreement in respect of a new repayment arrangement (the "**Repayment Arrangement**") with the Plaintiff and the other relevant parties (namely 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 Repayment Arrangement, 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 Lalu 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.

As at 31 December 2017, the completion schedule for Lalu Nanjing has further delay and the chain effect of delay in the subsequent inspection and issuance of relevant title deeds to Huaxing, as disclosed in the Company's announcements dated 29 September 2017 and 30 November 2017, respectively. However, Pengda will continue to assist the Company in monitoring the progress. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was fully provided by the Company.

Legal case 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 廣州市愛民投資有限公司 ("**Aimin Investment**").

According to the civil complaint, the Company has borrowed RMB15,500,000 from Aimin Investment and total borrowing interest up to 10 October 2015 was RMB8,427,000. 上海宏昊投資管理有限公司 assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) 穗天法金民初字第5504號 issued by Guangzhou City Tianhe District People's Court, the bank balance of the Company of RMB23,927,000 was frozen or equivalent assets. The equity interest of 江蘇南大蘇富特投資有限公司 and 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) 穗天法金民初字第5504號, which ruled that the Company should repay the borrowings of principal amount of RMB15,500,000 and interest thereon, which is calculated at 24% interest rate per annum, to Aimin Investment.

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 RMB6,000,000 owed by Aimin Investment to the Company, and by reason of the settlement of RMB5,000,000 by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4,500,000 and interest thereon to Aimin Investment by the Company.

On 6 July 2017, the Guangzhou City Intermediate People's Court sustain the judgment for the Company which was liable for the repayment of the borrowing with the remaining principal amount of RMB11,500,000 (net of repayment of RMB4,000,000) and interest thereon to Aimin Investment.

The management of the Company have made sufficient provision on borrowing and interest thereon. Subsequent to the year end date, on February 2018, the relevant payment was fully settled.

Legal case 3

On 15 November 2016, 武漢金家房地產開發有限公司 ("**Wuhan Jinjia**") filed a litigation against the Company at Nanjing City Gulou District People's Court Case No.: (2016) 蘇0106民初11102號, requesting the Company to repay three borrowings with total principal amount and interest of RMB3,036,000 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal amount of RMB967,000 and interest of RMB1,009,000; 2. the second borrowing with principal amount of RMB43,000 and interest of RMB48,000; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB405,000.

On 15 March 2017, according to the letter of civil mediation "(2016) 蘇0106民初11102號" 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 Wuhan Jinjia before 22 March 2017, Wuhan Jinjia will voluntarily abandon other litigation requests.

During the year ended 31 December 2017, the Company made repayment of the principal amount and interest to Wuhan Jinjia and the legal case was fully resolved.

Legal case 4

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 (“**Nanjing Zaibao**”) filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People’s Court Case No.: (2016) 蘇0115民15397號, 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 南京南大蘇富特系統集成有限責任公司 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 Nanjing Zaibao 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 Nanjing Zaibao.

南大蘇富特系統集成有限責任公司, a wholly-owned subsidiary of the Group, 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 Nanjing Zaibao.

According to (2017) 蘇01民終3169號, one of the defendant of the case, 維信醫療（蘇州）有限公司, objected the Jiangning District People’s Court the judgment of the first instance, and filed an appeal to 江蘇省中級人民法院. On 19 June 2017, the court judged that the Group should repay the borrowing with the principal amount of RMB 6 million and interest thereof in total to Nanjing Zaibao.

As at 31 December 2017, the Company made sufficient provision for this legal claim.

Save as disclose above, the Group had no significant contingent liabilities as at 31 December 2017.

Employees and Remuneration Policies

The remuneration for the employees of the Group for the year ended 31 December 2017 amounted to approximately RMB31,633,000 (2016: approximately RMB30,441,000), including the directors' and supervisors' emoluments of approximately RMB1,228,000 (2016: approximately RMB1,114,000) and RMB433,000 (2016: approximately RMB503,000) respectively.

The number of employees for the year had decreased from 325 to 321.

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 2017 (2016: Nil).

Business Review

During the year, the Company focused on the demand of market development and monitored the development direction of the industry to innovate business development model and actively seek transformation opportunities. The Company continued to consolidate its strength in such sectors as smart transportation and system integration where it traditionally enjoyed advantages. On top of this, we continued to push forward our development as an Internet Plus platform enterprise by tapping into the trend of the deep fusion of Internet Plus and industry resources and strengthening the development of new business sectors such as intelligent medical care, smart education and intellectual property trading platform of Chinese universities and colleges.

In 2017, with the joint efforts of the Company's technology and management teams, the Company successfully obtained the re-authentication as a national high-tech enterprise, was granted the patent for "A method for generating of intelligent password protection" and "the centralized storage and optimization method of electronic files based on HDFS" and obtained a certificate of the 9001 Quality Management Certification, and was certified under the intellectual property management system and obtained a certificate.

Information Technology and Product Development

During the year, the Company continued to tap the needs of customers in the educational system, and successfully completed the research and development of the ERMS electronic files management system V2.0 and V2.1. We secured many colleges as our customers, including the Archives of Nanjing University of Technology, Archives of Nanjing Normal University, Archives of Nanjing College of Information Technology, and Information Centre of Xi'an Jiaotong University, providing an electronic file solution for them for which we have received positive feedback. In the meantime, the Company launched the electronic file security management system V1.0 using data security as a new breakthrough point, creating new market space for subsequent development.

As for cloud computing projects, the Company successfully advanced the development and marketization of the customized desktop cloud system, NandaSoft desktop cloud system 2.0, and secured such customers as, Jianye District Health Service Centre, Nanjing Xianlin Health Service Centre. We prepared for the bidding of NandaSoft desktop cloud system by understanding the actual demand of the market.

During the year, the Company continued to strengthen its in-depth cooperation with Jiangsu Provincial People's Hospital, intensified efforts to expand the resources of Provincial People's Hospital and provincial medical institutions at all levels, and established new cooperation on telemedicine services with Baoying County People's Hospital and Suqian First People's Hospital. The Company actively explored the new development model of "Internet + Hospital", offering solutions for the provision of online medical technology support by the central hospital to grass-root and remote areas, the sharing of high-quality medical resources at the provincial level, and the reduction of patients' medical expenses. As for platform development, the Company launched the Haoxinshu (好心舒) Coronary Heart Disease Steward App, "Expert Remote Consultation System" smart cloud and the "Chronic Disease Management System" during the year, and completed the testing of integrated platform for cloud detection, diagnosis and treatment. With Jiangsu Provincial People's Hospital at the centre, we gathered a group of experts on chronic diseases, such as coronary heart disease, to provide real time operation guidance for grass-root hospitals and remote areas. In the meantime, the Company worked well with the Jiangsu Provincial Nursing Association and developed the first online training product for nursing knowledge and skills – "Specialist Nurses Upgrading Platform", in order to help medical workers across the province acquire knowledge and cases online so they can improve their professional skills and have a reasonable career planning. The platform has been effectively used among nurses across the province, establishing the Company's professional image in the field of medical software development.

During the year, Nanjing Zhonggao Intellectual Property Co., Ltd., in which the Company was interested, was established, and so was the intellectual property trading platform of Chinese universities. Relying on rich intellectual property resources of the National Intellectual Property Office, Nanjing University of Technology and Science and other universities, and giving full play to the function of big data, the platform enables accurate docking between universities intellectual property and the market, thus completing the effective delivery of scientific and technological achievements to the market. Since its foundation, Zhonggao Intellectual Property has finished the development of the patent evaluation system PMES 1.0 and completed PMES 2.0's design work. It has also completed the development and testing of "Patent Bag" V1.0 and "Patent Treasure" V1.0, and further improved on their functions and constantly enhanced user experience to establish a good foundation for a successful debut in

2018. During the year, Zhonggao Intellectual Property set up Zhonggao (Tianjin) Intellectual Property Management Co., Ltd., and Changshu Zhonggao Intellectual Property Service Co., Ltd., further expanding into the national market with Nanjing as the operational centre.

IT Service

In terms of intelligent transportation, our subsidiary Jiangsu Changtian Zhiyuan Transportation Technology Company Limited continued to leverage its traditional business advantages and undertook a number of major intelligent transportation projects, including the construction project of the YQLYLJX-GZGL section of the road project of Taizhou City Road Project, Nanjing traffic and transportation comprehensive emergency command system project NJ-JT-YJXT section, BHTJD-1 section of Zhumadian North interchange project of Beijing, Hongkong and Macao Expressway and the construction of 201 line highway from Shiwei to Labudalin sections' electrical and mechanical engineering. These projects provided a strong support for the Group's performance throughout the year.

In the field of smart education, the Company continued to improve the construction of "Intelligent Online Cloud Platform", and obtained a certificate for 9001 quality management certification. We further cooperated with 5 vocational schools in Changzhou Science and Education City, continued to provide online education and training for students, and provided digital campus services for information construction in colleges and universities. During the year, Zhiya Online Company secured new customers including Changzhou Information Technology College and Changzhou Institute of Mechatronic Technology, and designed the "Military Theory", "Lecture on Innovative Entrepreneurship Law" and 4 other courses for students who wanted to upgrade from junior colleges to universities and strengthened the cooperation of the development of video courses with Changzhou Vocational Institute of light Industry. In addition, the Company has successfully applied for the science and technology support program of Changzhou Municipal Science and Technology Bureau.

Future Prospects

Looking ahead, with the steady implementation of the scientific innovation-driven strategy, the Company will continue to follow the trend of market development, grasp the development opportunities in the era of big data, adjust the direction of strategic development, and strive to become a professional "Internet +" platform enterprise. The Company will continue to leverage Nanjing University's research strength and talent advantages to promote the deep fusion of the Company's related businesses in the fields of health care, education, intellectual property, transportation and other fields, and create a larger landscape for the long-term development of the Company.

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

At 31 December 2017, 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 deemed beneficial interest in the Company's domestic share capital *(Note 1)*	Percentage of deemed beneficial interest in the Company's H share capital *(Note 1)*	Percentage of deemed beneficial interest in the Company's total share capital *(Note 1)*
Zhu Yong Ning	Interest of controlled corporation	358,800,000 *(Note 2)*	–	36.51%	–	24.11%

Notes:

(1) As of 31 December 2017, the Company issued 982,800,000 domestic shares, 505,200,000 H shares, i.e. 1,488,000,000 shares in total.

(2) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd. ("**Jiangsu Keneng Electricity**") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares. 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 on 29 June 2016. The other 180,000,000 domestic shares were transferred from Nanjing Vegetables & Subsidiary Food Co., Ltd to Jiangsu Kenery Electricity on 12 December 2017.

Save as disclosed above, as at 31 December 2017, 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 2017 were rights to acquire benefits by means of the acquisition of shares 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 2017, 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	Number of H shares	Percentage of H shares	Number of domestic shares and H shares	Percentage of domestic shares and H shares
Jiangsu Keneng Electricity Technology Co., Ltd. *(Note 1 and 3)*	Beneficial Owner	358,800,000	36.51%	–	–	358,800,000	24.11%
Nanjing University Asset Administration Company Limited	Beneficial Owner	127,848,097	13.01%	–	–	127,848,097	8.59%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd	Beneficial Owner	121,000,000	12.31%	–	–	121,000,000	8.13%
Jiang Su Education Development Company Limited	Beneficial Owner	84,159,944	8.56%	–	–	84,159,944	5.66%
Oriental Petroleum (Yangtze) Limited *(Note 2)*	Beneficial Owner	–	–	84,200,000	16.67%	84,200,000	5.66%
Anhui Jiuxi Property Investment Co., Ltd *(Note 3)*	Beneficial Owner	83,661,016	8.51%	–	–	83,661,016	5.62%
Shanghai Shiyuen Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%	–	–	55,000,000	3.70%

Notes:

(1) 358,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd ("**Jiangsu Keneng Electricity**") which Mr. Zhu Yong Ning held 90% ownership. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.

(2) 84,200,000 H shares were issued to Oriental Petrolem (Yangtze) Limited on 16 November 2017.

(3) Nanjing Vegetables & Subsidary Food Co., Ltd has transferred 83,661,016 domestic shares and 180,000,000 domestic shares to Anhui Jiuxi Property Investment Co., Ltd and Jiangsu Keneng Electricity on 8 December 2017 and 12 December 2017 respectively.

Save as disclosed above, as at 31 December 2017, 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.

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.

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 2017.

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 three Independent Non-Executive Directors, 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 2017 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

Qualified Opinion

We have audited the consolidated financial statements of Jiangsu NandaSoft Technology Company Limited (the "**Company**") and its subsidiaries (together the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Qualified of Opinion

1. ***Intention to disposal of investment properties and Occupied investment properties by Potential buyer***

   The management of the Company determine that investment properties located at Nanjing Nandasoft Software Park amounted to RMB185,300,000 are for sales purpose, which are regarded as investment properties and fair value is used for subsequent measurement. As there is uncertainty as to whether the sale and purchase contract entered between the Company and the buyers for the aforesaid investment properties will continue to be fulfilled, we are unable to obtain sufficient and appropriate audit evidence to judge the impact on the consolidated financial statements caused by the influence of the result of such event on the investment properties.

Furthermore, part of buildings were occupied by occupants and has been recognised as investment properties as to RMB142,400,000 and properties, plant and equipment as to RMB7,168,000. Since we are not allowed to contact the related occupants, and the Company is unable to provide any information relating to such kind of assets which was occupied by the related occupants without consideration, hence, we are unable to judge the impact of such event in the consolidated financial statements.

2. ***Opening balances, corresponding figures and comparative financial statements***

The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016 contained qualification on the possible effect of the limitations on the scope of the audit in relation to investment properties and interest in associated companies. Details of which has been set out in the auditor's report dated 24 March 2017.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2016 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the investment properties and interest in associated companies would have a significant effect on the opening balances on the consolidated financial position of the Group as at 31 December 2017 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2017.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB56,840,000 for the year ended 31 December 2017 and, as of that date, the Group had net current liabilities of approximately RMB338,434,000, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

AUDITORS

On 28 February, 2018, the Shareholders of the Company passed the ordinary resolution which approved the resignation of Shing Wing Certified Public Accountants as auditors of the Company and appointed Elite Partners CPA Limited as the auditors of the Company's Financial Report for the year 2017.

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
27 March 2018

As at the date thereof, the Board comprises:

Executive Directors:	Mr. ZHU Yong Ning and Mr. WU Qing An;
Non-Executive Director:	Mr. WONG Wa Tak, Mr. YIN Shou Rong, Mr. XU Zhi Bin and Mr. SHA Min;
Independent Non-Executive Directors:	Mr. XIE Man Lin, Mr. SHI Zhong Hua and Ms. XU Xiao Qin.

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