



## **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 2018)**

### **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.**

*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.*

*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



## 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)**

#### HIGHLIGHTS

- Recorded a turnover of approximately RMB479,837,000 for the year ended 31 December 2018 (2017: approximately RMB404,651,000).
- Recorded a loss attributable to owners of the Company of approximately RMB53,698,000 for the year ended 31 December 2018 (2017: approximately RMB53,834,000).
- The Directors do not recommend the distribution of final dividends for the year ended 31 December 2018 (2017: 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 2018.

For the year ended 31 December 2018, the turnover is approximately RMB479,837,000 representing an increase of approximately 18.6% as compared with that of the year 2017. The loss attributable to owners of the Company for the year ended 31 December 2018 is approximately RMB53,698,000 representing a decrease of approximately 0.25% as compared with that of the year 2017.

The audited results of the Group for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	479,837	404,651
Cost of sales		<u>(429,726)</u>	<u>(355,633)</u>
Gross profit		50,111	49,018
Other income	5	5,019	11,309
Selling and distribution expenses		(10,195)	(9,711)
Administrative expenses		(41,930)	(48,818)
Impairment loss		(40,203)	(42,305)
Finance costs	6	(17,110)	(28,988)
Fair value change on investment properties		1,400	15,941
Sharing result of associated companies		<u>5,373</u>	<u>2,104</u>
Loss before income tax	7	(47,535)	(51,450)
Income tax expense	8	<u>(1,799)</u>	<u>(5,390)</u>
Loss for the year		<u>(49,334)</u>	<u>(56,840)</u>
<b>Other comprehensive expense for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of financial statement of foreign operations		(4,547)	(2)
<i>Item that will not be reclassified to profit or loss:</i>			
Net fair value loss on equity investment designated as at FVTOCI		(4,803)	–
<b>Total comprehensive expenses the year</b>		<u><b>(58,684)</b></u>	<u><b>(56,842)</b></u>

	<i>Notes</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Loss for the year attributable to:</b>			
– Owners of the Company		<b>(53,698)</b>	(53,834)
– Non-controlling interests		<b>4,364</b>	(3,006)
		<hr/>	<hr/>
Loss for the year		<b>(49,334)</b>	(56,840)
		<hr/>	<hr/>
<b>Total comprehensive expenses for the year attributable to:</b>			
– Owners of the Company		<b>(61,333)</b>	(53,928)
– Non-controlling interests		<b>2,649</b>	(2,914)
		<hr/>	<hr/>
		<b>(58,684)</b>	(56,842)
		<hr/>	<hr/>
<b>Loss per share</b>			
– Basic and diluted (RMB cents)	9	<b>(3.07)</b>	(3.81)
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		76,622	81,782
Prepaid land lease premium		4,485	4,533
Intangible assets		306	426
Investment properties		555,240	553,840
Interest in associates		83,062	77,689
Goodwill		23,408	23,408
Equity investment at fair value through other comprehensive income		5,708	10,782
Deferred tax assets		2,968	2,968
		<hr/>	<hr/>
Total non-current assets		751,799	755,428
<b>Current assets</b>			
Inventories		35,414	59,282
Trade receivables	11	91,637	72,901
Prepayment, deposit and other receivables		217,163	194,119
Cash and cash equivalents		101,032	75,151
		<hr/>	<hr/>
Total current assets		445,246	401,453
		<hr/>	<hr/>
<b>Total assets</b>		<b>1,197,045</b>	1,156,881
<b>Current liabilities</b>			
Trade payables	12	170,747	187,444
Amount due to related parties		790	749
Advance from customers		104,954	111,707
Accrual and other payables		167,808	370,907
Dividend payables		3,454	6,004
Bank and other borrowings		13,665	45,619
Obligation under finance lease		–	326
Tax payables		17,944	17,131
		<hr/>	<hr/>
Total current liabilities		479,362	739,887
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(34,116)</b>	(338,434)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>717,683</b>	416,994
		<hr/>	<hr/>

	<i>Notes</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Other borrowings		<b>282,627</b>	184,987
Deferred tax liabilities		<b>63,404</b>	63,054
Total non-current liabilities		<b>346,031</b>	248,041
<b>Total liabilities</b>		<b>825,393</b>	987,928
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVE</b>			
Share capital	13	<b>328,800</b>	148,800
Reserves		<b>(10,465)</b>	(30,515)
Equity attributable to owners of the Company		<b>318,335</b>	118,285
Non-controlling interests		<b>53,317</b>	50,668
<b>TOTAL EQUITY</b>		<b>371,652</b>	168,953

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

### 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 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 equity investment at fair value through other comprehensive income 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 2018, the Group had recorded net current liabilities of approximately RMB34,116,000; and (ii) The Group incurred a loss of RMB49,334,000 for the year ended 31 December 2018.

These conditions indicate the existence of 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 that, as at the date of approving the consolidated financial statement, two related companies, which Mr. Zhu Yong Ning, the Chairman of the Group, holds directorship in, have provided a loan of RMB55,000,000 to the Company for daily operation which will not be called for repayment over the next twelve months.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs 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.

### 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.

	2018 <i>RMB’000</i>	2017 <i>RMB’000</i>
Computer hardware and software products	<b>180,082</b>	227,666
Provision of system integration service	<b>283,909</b>	162,896
Rental and properties management service income	<b>15,667</b>	14,055
Others	<b>179</b>	34
	<b>479,837</b>	404,651



## 5. OTHER INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Bank interest income	327	236
Gain on disposal of property, plant and equipment	16	–
Gain on disposal of interest in an associated company	–	2,982
Government grants	2,055	6,890
Realised gain on financial assets at fair value through profit or loss	–	397
Sundry income	2,621	804
	<u>5,019</u>	<u>11,309</u>

## 6. FINANCE COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest on bank and other borrowings	17,110	13,974
Interest on finance lease	–	103
Interest on other debts	–	14,911
	<u>17,110</u>	<u>28,988</u>

## 7. LOSS BEFORE INCOME TAX

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Amortisation of prepaid land lease premium	48	112
Amortisation of intangible assets	120	647
Auditor's remuneration	700	670
Cost of inventories recognised as expenses	429,726	355,633
Depreciation of property, plant and equipment	3,203	4,087
Net foreign exchange loss/(gain)	(1)	155
Operating lease charges on rented premises	742	4,679
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	31,431	31,633
– Contribution to defined contribution plans	6,332	9,893
	<u>6,332</u>	<u>9,893</u>

## 8. INCOME TAX EXPENSE

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax – PRC	1,449	1,405
Deferred tax	350	3,985
Income tax expenses	<u>1,799</u>	<u>5,390</u>

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 2018 and 2017 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% (2017: 15% or 25%) of the estimated assessable profits of the subsidiaries during the year.

On 27 December 2017, the Company 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 obtaining the Hi-tech certificate. As a result, the Company was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2017.

## 9. LOSS PER SHARE

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Loss for the year attributable to the owner of the Company	<u>(53,698)</u>	<u>(53,834)</u>
<b>Number of shares</b>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>1,749,370</u>	<u>1,414,181</u>

No diluted loss per share is calculated for the year ended 31 December 2018 and 2017 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 online education business are aggregated and presented as “others”. These reporting segments have been laid down based on 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:

	<b>Computer hardware and software products RMB'000</b>	<b>System integration service RMB'000</b>	<b>Property investment RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<i>For the year ended 31 December 2018</i>					
Revenue from external customers	<u>180,082</u>	<u>283,909</u>	<u>15,667</u>	<u>179</u>	<u>479,837</u>
Reportable segment profit	<u>5,822</u>	<u>38,702</u>	<u>5,444</u>	143	50,111
Government grants					2,055
Gain on disposal of property plant and equipment					16
Interest income					327
Other income					2,621
Fair value change on investment properties					1,400
Share of results of associated companies					5,373
Finance costs					(17,110)
Impairment loss on trade receivables					(6,054)
Impairment loss on prepayment, deposit and other receivables					(34,149)
Research expenses					(12,933)
Unallocated corporate expenses					<u>(39,192)</u>
Loss before income tax					<u>(47,535)</u>
<i>As at 31 December 2018</i>					
<b>Segment assets</b>	<b>45,996</b>	<b>811,607</b>	<b>231,107</b>	<b>454</b>	<b>1,089,164</b>
Goodwill	–	22,877	–	531	23,408
Interest in associated companies					83,062
Unallocated corporate assets					<u>1,411</u>
Total assets					<u>1,197,045</u>
<b>Segment liabilities</b>	<b>53,722</b>	<b>594,324</b>	<b>164,403</b>	<b>1,964</b>	<b>814,413</b>
Unallocated corporate liabilities					<u>10,980</u>
Total liabilities					<u>825,393</u>
Other segment information					
Depreciation of property, plant and equipment	201	2,510	15	477	3,203
Amortisation of intangible assets	–	120	–	–	120
Amortisation of prepaid premium for land lease	–	48	–	–	48
	<u>–</u>	<u>48</u>	<u>–</u>	<u>–</u>	<u>48</u>

	Computer hardware and software products <i>RMB'000</i>	System integration service <i>RMB'000</i>	Property investment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b><i>For the year ended 31 December 2017</i></b>					
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)
<b><i>As at 31 December 2017</i></b>					
<b>Segment assets</b>	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
<b>Segment liabilities</b>	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

(b) **Geographic information**

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

(c) **Information about major customers**

For the year ended 31 December 2018 and 2017, there were no customers accounted for over 10% of the total revenue of the Group.

**11. TRADE RECEIVABLES**

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivable	213,078	182,852
Less: allowance for impairment loss of trade receivables	<u>(121,441)</u>	<u>(109,951)</u>
	<u><b>91,637</b></u>	<u><b>72,901</b></u>

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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 3 months	63,262	29,489
3–6 months	3,654	39,073
6–12 months	10,857	1,046
Over 1 year	<u>13,864</u>	<u>3,293</u>
	<u><b>91,637</b></u>	<u><b>72,901</b></u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Neither past due nor impaired	63,262	29,489
Less than 3 month past due	3,654	39,073
More than 3 months past due	<u>24,721</u>	<u>4,339</u>
	<u><b>91,637</b></u>	<u><b>72,901</b></u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
At 1 January (1 January 2018 amount has been restated)	115,397	79,128
Impairment loss recognised	6,054	30,831
Exchange realignment	<u>(10)</u>	<u>(8)</u>
At 31 December	<u><b>121,441</b></u>	<u><b>109,951</b></u>

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 relating 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:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 3 months	<b>46,078</b>	28,263
More than 3 months	<b>124,669</b>	159,181
	<b>170,747</b>	187,444

## 13. SHARE CAPITAL

	<b>Number of domestic share '000</b>	<b>Number of H share '000</b>	<b>Total '000</b>	<b>Amount RMB'000</b>
<b>Issued and fully paid:</b>				
At 1 January 2017, ordinary shares of RMB0.1 each	982,800	421,000	1,403,800	140,380
Issue of ordinary shares by placing ( <i>note a</i> )	–	84,200	84,200	8,420
At 31 December 2017 and 1 January 2018, ordinary shares of RMB0.1 each	982,800	505,200	1,488,000	148,800
Issue of ordinary shares by placing ( <i>note b</i> )	1,800,000	–	1,800,000	180,000
At 31 December 2018	<b>2,782,800</b>	<b>505,200</b>	<b>3,288,000</b>	<b>328,800</b>

*Notes:*

- (a) 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.
- (b) On 9 November 2018, 1,800,000,000 domestic shares of RMB0.1 each were allotted and issued at the subscription price of RMB0.147 per share. The net proceeds from the placing are approximately RMB264.6 million which were used to repay debts of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The turnover of the Group for the year ended 31 December 2018 was approximately RMB479,837,000, which represented an increase of approximately RMB75,186,000, when compared with 2017. During the year, some of the work-in-progress projects of the Group with an amount of approximately RMB95,225,000 has reached the settlement stage.

Loss attribute to owners of Company for the year ended 31 December 2018 was approximately RMB53,698,000, representing a decrease in loss of approximately RMB136,000, or 0.25% when compared with 2017. The decrease was primarily due to a decrease of approximately RMB11,878,000 in finance costs after settling the actual mediation amount to Nanjing Pengda Technology Development Co., Ltd. (the “**Pengda**”) in relation to the project funds and interests owned by the Company to China Nuclear Industry Huaxing Construction Company Limited.

### Financial Resources and Liquidity

As at 31 December 2018, current assets of the Group amounted to approximately RMB445,246,000, of which approximately RMB101,032,000 were cash and cash equivalents and approximately RMB308,800,000 were receivables and prepayments, representing an increase by RMB41,780,000 when compared with 2017. The increase in accounts receivables was attributable to an increase in turnover of approximately RMB75,186,000 for the year when compared with the previous year. Besides, impairment loss in accounts receivables and prepayments increase of approximately RMB40,203,000.

As at 31 December 2018, non-current liabilities was RMB346,031,000 and its current liabilities amounting to approximately RMB479,362,000, which mainly comprised trade payables, advance from customers and accrual and other payables. Current liabilities decreased by approximately 35.2% when compared with 2017 since the amount due to Pengda has fully repaid during the year. As at 31 December 2018, net assets of the Group amounted to approximately RMB371,652,000 (2017: approximately RMB168,953,000), representing an increase of RMB202,699,000 or approximately 120.0% when compared with 2017, which was due to the placing of 1,800,000,000 domestic shares at RMB0.147. As at 31 December 2018, short-term borrowings and long-term borrowings amounted to RMB 296,292,000 in total, the current liabilities were decreased by RMB260,525,000 and the total liabilities were decreased by RMB162,535,000. Its liquidity was sufficient to support the normal operation of the Group.

## Charge on Group Assets

As at 31 December 2018, the Group did not have assets pledged as security for the interest-bearing bank borrowings granted to the Group (2017: approximately RMB22,000,000).

## 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 2018, 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 2018, the Group did not have any contracted but not yet provided for capital commitment (2017: 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**").

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 (viz. 中國核工業華興建設有限公司 ("**Huaxing**") and 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.

According to the announcement on 22 June 2018 by the Company, the title to all the Settlement Properties as agreed with the Plaintiff has been duly transferred to Huaxing, and the Company has fully repaid in cash to Huaxing the outstanding balance and interest of the Settlement Sum (after deduction of the aggregate value of the Settlement Properties transferred). Such legal case was fully resolved.

#### *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 been made sufficient provision on borrowing and interest thereon. In February 2018, the relevant payment was fully settled. Such legal case was fully resolved.

### *Legal case 3*

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, 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 RMB6 million and interest thereof in total to Nanjing Zaibao. The Company made sufficient provision for this legal claim and in March 2018, the relevant payment was fully settled. Such legal case was fully resolved.

**(b) Sales and lease of the commercial properties of the Group**

The Group and certain potential buyers entered into sale and purchase agreement in relation to certain investment properties. However, due to changes in regulations by the municipal government, the aforesaid sales of investment properties were not completed, the Group will be responsible for the breach of contract.

As at 31 December 2018, save as disclosed above, the Group had no significant contingent liabilities.

**Employees and Remuneration Policies**

The remuneration for the employees of the Group for the year ended 31 December 2018 amounted to approximately RMB31,431,000 (2017: approximately RMB31,633,000), including directors' and supervisors' emoluments of approximately RMB1,147,000 (2017: approximately RMB1,228,000) and RMB638,000 (2017: approximately RMB527,000) respectively.

The number of employees for the year had decreased from 321 to 292.

The Group remunerated its staff based on their 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 2018 (2017: Nil).

## **Business Review**

During the year, guided by the business development strategy formulated by the Board and by taking the “Internet+” business as the core of development, the Company constantly consolidated its existing business foundation. While strengthening the existing major intelligent business platforms, the Company also actively explored potential development opportunities, extended business regions and scopes to broaden income-generating channels.

During the year, the Company continued to strengthen its technology research and development as well as technological innovation, and successfully received the High-Tech Enterprise recognition at the municipal and district level and passed the re-accreditation for Provincial Software Technical Centre. Meanwhile, the Company won the “Second Prize in Science and Technology Award Granted by the Jiangsu Province Highway & Transportation Society”, the “Award of Excellent Technological Innovative Highway Product of Jiangsu Province” and was awarded the title of “Tengyunjiashu Excellent Software and Information Service Enterprise” (騰雲駕數優秀軟件和信息服務企業).

### ***Intelligent Transportation***

During the year, the intelligent transportation business of the Jiangsu Changtian Zhiyuan Technology Company Ltd., which is controlled by the Company, continued to maintain its strong advantages. In 2018, the segment achieved sales revenue of approximately RMB260,000,000, representing a significant increase of approximately 85% as compared to last year. During the year, the Company undertook several major provincial projects, including the tender section HJD-ZHGL of intelligent highway construction project of the 328 national highway Haijiang section rapid transformation project, two major projects, namely the project of the management buildings of Jiangnan Second Station and station buildings of the Jiangnan service area of the Ring Expressway and the project of engineering signal and monitoring system for the major overhaul of the Danjie Line of Danyang City, the project of “Construction for High-Definition Renovation of the WuXi-Zhang Jiagang Highway Monitoring System (錫張高速公路監控系統高清化改造施工)” of Jiangsu Yangtze Bridge Co., Ltd. and the Expressway Video Monitoring Encryption of Intelligent Transportation Project in Taizhou City. The Company expanded the new business with Jiangsu Provincial Transportation Engineering Construction Bureau where the Company undertook the business of tender section ZD-92 of the electromechanical engineering of the toll collection, communication, and monitoring systems of Taizhou-Zhenjiang Highway (from Zhenjiang New Area to Danyang). These key projects provide strong support for the Company’s annual results. The Company also actively participated in the tender project of transportation resources and expanded key projects outside the province.

### ***Computer Hardware Sales and IT Service Business***

During the year, Jiangsu NandaSoft Computer Equipment Co., Ltd., which is controlled by the Company, continued to maintain a good cooperation with Lenovo Group, Shanghai Branch, as a result, computer hardware sales business maintained steady development. On the basis of maintaining the original key customers, the Company actively expanded new resources in government departments, education systems and financial systems, and constantly explored high-quality corporate key customers.

During the year, the IT service department of the Company focused on expanding the business of Jiangsu Human Resources and Social Security Information Center to provide technical services and support for the operation and maintenance of its personnel management information department. At the same time, the Company actively developed businesses in other regions and undertook the construction project of the Cloud Computing Center of Huai'an municipal government. The traditional IT service business of the Company has maintained a sound development as a whole.

### ***Smart Education***

During the year, Jiangsu Zhiya Online Education Technology Ltd., which is controlled by the Company, continued to take “Intelligent Online Cloud Platform” as the core of its business development, with in-depth tapping of the vocational education resources of Changzhou Science and Education City and explored more business cooperation models. Relying on the main functions of the training bases in the industrial center of Changzhou Science and Education City, the Company simultaneously developed the “Education Cloud Platform for Training Bases” and supporting Online Training Courses. In terms of new customer development, the Company cooperated with Changzhou Vocational Institute of Engineering (常州工程職業技術學院) and took “Zhiya Online” quality courses as an entry point, thereby making inroads into the market for liberal study courses in universities and colleges in Changzhou Science and Education City. At the same time, the Company further enriched the content of courses, introduced artificial intelligence, medical care and other high-end professional training courses, which improved the service quality of the platform.

The Company actively sought to establish cooperation with more vocational colleges to get through more business channels, focused on creating the output of training mode combining vocational ability training and employment, and cultivated practical courses with market competitiveness.

### ***Smart Medical Service***

During the year, the associated company, Jiangsu NandaSoft Medical Technology Co., Ltd continued to take remote medical information services as the core of its business development, continued to solidify the foundation of the strategic cooperation with Jiangsu Provincial People’s Hospital, and expanded the service coverage and beneficiary regions of the business. During the year, the Company reached cooperation with five medical insitutions including Dongtai People’s Hospital and Suqian Zhongwu Hospital in Jiangsu Province, providing smart medical service solutions for more grass-root medical institutions.

During the year, the Company strengthened its product research and development and launched the “Health Room” project, the plan design and demonstration of which have been completed. At the same time, the Company actively enriched its hardware products and software services to expand revenue pipeline. During the year, the Company developed the intelligent single-lead ECG recorder (model: XDZ-1000-B), which has currently passed the inspection of Tianjin Medical Devices Quality Supervision and Testing Center under State Food and Drug Administration.

### ***Intellectual property trading platform of Chinese universities and colleges***

During the year, the intellectual property trading platform of universities and colleges which is owned by associated company, Nanjing Zhonggao Intellectual Property Co., Ltd., has been operating steadily and its influence in the industry enhancing continuously. The platform established cooperation with many “985”, “211” and “Double First-Class” universities as well as experts, continuously enriched patent resources. As of the end of 2018, the platform had more than 200 colleges and universities and over 3,000 patented products being put on shelf with more than 500 incubable results. With respect to patent asseessment, the PMES system of the platform provided approximately 1,000 patent value evaluation for universities, experts and enterprises during the year, and the “Patent Bag” APP was downloaded more than 80,000 times throughout the entire pipeline. With respect to the construction of branch platforms, the Company completed the sub-platform project acceptance and delivery of Tianjin, Changshu and Baoji.

During the year, by relying on the cooperation foundation and resource advantages with State Intellectual Property Office, the Company and IP Publishing House carried out a series of explorations and researches in the cultural creativity aspect. Through multiple discussions, in order to seize the development opportunities of the youth innovation education market in the new era, the two parties jointly set up Beijing Zhong Zhi Cultural Creative Development Company Limited\* (北京中知文化創意發展有限公司), and created the first phase of “I can also invent” (我也會發明) series of youth original animation brand during the year. This series of books has successfully tapped into many schools in China and become the designated extended learning materials, laying a solid foundation for the creation of a series of brands thereafter. Beijing Zhong Zhi Cultural Creative Development Company Limited was established in May 2018 with a registered capital of RMB40 million, which is held as to 41% by the Group.



## Use of Proceeds From the Company's Share Placing

The net proceeds received by the Company from the placing of 1,800,000,000 domestic shares of the Company at a price of RMB0.147 each on 9 November 2018 (the "Share Placing"), after deducting issue expenses relating to the Share Placing paid by the Company, amounted to approximately RMB264,600,000.

The analysis of the planned and actual use of these proceeds is set out below:

	<b>Planned use of proceeds RMB'000</b>	<b>Actual use of proceeds up to 31 December 2018 RMB'000</b>
<b>Planned application of proceeds from Placing</b>		
1 repayment to Pengda of the portion of the Settlement Sum actually contributed by Pengda to Huaxing and to Mr. Zhu of his loan made to the Company used to repay Huaxing in cash, and the interest accrued	212,800	212,800
2 repay other loans and debts of the Group including without limitation the Shareholder's loans to the Company	51,800	51,800
	<u>264,600</u>	<u>264,600</u>

## Prospects

The Company will continue to carry out business innovation and transformation to promote the close connection between the Internet and medical, educational and transportation resources, scientific research results and cultural innovation resources, so as to strengthen the operation foundation of various platforms.

In the future, on the basis of maintaining the existing major smart platform business and through exploration and innovation, the Company will develop more abundant business resources, create more extensive cooperation channels and actively carry out offline business to provide support for online business. The Company will continue to rely on the talent advantages and scientific and technological strength of Nanjing University to promote the construction of an Internet platform-typed enterprise through scientific and technological measures and adhere to the model innovation, business innovation and technology innovation, striving to build an excellent benchmark enterprise in the "Internet +" sector.

## **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 2018.

## **CORPORATE GOVERNANCE**

During the year under review, Company has complied with the provisions set out in Appendix 15 of the Code of Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules"), save for the deviation from CG Code provision A.2.1. The Board has adopted the CG Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believe our commitment to the highest standards of governance will translate into long-term value and ultimately maximise returns to shareholders and stakeholders.

## **AUDIT COMMITTEE**

The Company established an audit committee on 8 December 2000. As at 31 December 2018, it comprises three Independent Non-Executive Directors, Mr. Xie Man Lin, Mr. Shi Zhong Hua and Ms. Xu Xiao Qin. The primary duties of the audit committee are to review and provide supervision over the financial reporting and risk management and internal control system of the Group.

During the year under review, the Audit Committee has reviewed the financial statements for the year ended 31 December 2018, the 2018 Annual Report, 2018 Interim Report, quarterly reports and relevant announcements related to performance and gave comments and advices, and considers that the preparation of these results is in compliance with applicable accounting standards and the relevant regulatory requirements and laws, and adequate disclosures were made.

## **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 2018, 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 2018, 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 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 RMB251,700,000 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 potential 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 RMB74,200,000. We are unable to obtain sufficient and appropriate audit evidence 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 2017 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 27 March 2018.

As the auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2017 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 2018 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2018.

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 RMB49,334,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately RMB34,116,000, 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.

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  
30 March 2019

*As at the date of this announcement, the Board comprises nine Directors, of which two are executive Directors, namely Mr. Zhu Yong Ning (Chairman) and Mr. Wu Qing An, four are non-executive Directors, namely Mr. Yin Shou Rong, Mr. Xu Zhi Bin, Mr. Sha Min and Mr. Xu Hao and three are independent non-executive Directors, namely Mr. Xie Man Lin, Ms. Xu Xiao Qin and Mr. Shi Zhong Hua.*

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