



2015

Annual Report



南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY CO.,LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code : 1708

* for identification purpose only

Contents

	<i>Page</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	9
Biographical Details of Directors, Supervisors and Senior Management	17
Report of the Directors	21
Corporate Governance Report	30
Report of the Supervisory Committee	38
Auditor's Report	39
Consolidated Balance Sheet	41
Balance Sheet of the Company	43
Consolidated Income Statement	45
Income Statement of the Company	47
Consolidated Cash Flow Statement	48
Cash Flow Statement of the Company	50
Consolidated Statement of Changes in Equity	52
Statement of Changes in Equity of the Company	54
Notes to the Financial Statements	56
Five-Year Financial Summary	170

Corporate Information

EXECUTIVE DIRECTORS

Mr. Sha Min (Chairman)
Mr. Chang Yong
(Vice Chairman)
Mr. Zhu Xiang
(Chief Executive Officer)

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Su Ming
Mr. Geng Nai Fan
Mr. Shum Shing Kei

SUPERVISORS

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Mr. Li Gang

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

Mr. Shum Shing Kei (Chairman)
Mr. Xu Su Ming
Mr. Geng Nai Fan

REMUNERATION COMMITTEE

Mr. Xu Su Ming (Chairman)
Mr. Zhu Xiang
Mr. Shum Shing Kei

NOMINATION COMMITTEE

Mr. Xu Su Ming (Chairman)
Mr. Geng Nai Fan
Mr. Chang Yong

AUTHORISED REPRESENTATIVES

Mr. Zhu Xiang
Ms. Wong Lai Yuk

AUDITOR

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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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Central, Hong Kong

STOCK CODE

1708

Chairman's Statement



Mr. Sha Min *Chairman*

“

*To all Shareholders,
On behalf of the board of directors (the
“Board”) of Nanjing Sample Technology
Company Limited (the “Company”), I hereby
present the annual report of the Company
(together with its subsidiaries referred
to as the “Group”) for the year ended 31
December 2015 (the “period under review”)
for your review and consideration.*

”

Chairman's Statement

RESULTS

Income and the profit attributable to the shareholders of the Company for the 2015 financial year amounted to approximately RMB1,226,308,424 and RMB164,468,923 respectively (for the year ended 31 December 2014: RMB907,225,991.66 and RMB137,953,042.32), representing an increase of 35.17% and 19.22%, respectively. The increase in income was mainly attributable to the rapid growth of income from system integration as compared with the same period last year. Furthermore, the newly developed cross-border trading and service business of the Group has generated another source of revenue to the Group. The increase in the profit attributable to the shareholders of the Company for the year was mainly due to the increase in operating income of the Group during the period under review, and the increase of operating profit as compared with the same period last year.

DIVIDEND

During the period under review, the Board recommended the payment of a final dividend of RMB0.3 per share for the year ended 31 December 2015.

BUSINESS AND OPERATION REVIEW

According to the Group's strategy, the Company identified its strategic goal for 2015 as to focus on intelligent transportation, intelligent logistics, cross-border e-commerce and smart car business areas, explore opportunities in the industry, deploy layouts in two large trading platforms with certain trading scale, launch the related intelligent terminal with own intellectual property right, center at target clients, use IOT + mobile communication methods to quickly accumulate clients, provide integrated services based on Big Data, monitoring services, e-commerce trading platform and the ancillary financial services and build a healthy and vivid ecosystem for the industry. Centered at the above strategic goals, under the leadership of the Board of the Company, in 2015 the Company emphasized on building cross-boundary e-commerce ecosystem, shifted to IOT information service business, continuously developed technologic innovation and improved users' experience. We achieved satisfactory result in such aspects.

Building intelligent urban ecosystem, achieving initial result in commercial model transformation

In 2015, "Recommendations for the Development of Economy and Society under the Thirteenth Five-Year Plan from The Central Government" ("Thirteenth Five-Year Plan") (2016-2020) was formally promulgated, which clearly stated that during the period of "Thirteenth Five-Year Plan", the government will support the connections between green city, smart city and forest city construction and urban infrastructure. Industry participants consider that it means during the period of "Thirteenth Five-Year Plan", China will enter into the age of intelligent city 2.0. As of the end of 2015, Ministry of Housing and Ministry of Science and Technology has jointly published three lists containing about 300 national smart city pilots. Recently, the Central Government and the State Council promulgated "Certain Opinions on Further Strengthening Urban Planning, Construction and Management", which has stated that the goal is to develop dozens of smart cities with distinctive characteristics by 2020; and persistently improve cities' efficiency via smart city development and a series of urban planning, construction and management measures. Local governments are becoming more and more concerned about social capital engagement. Corporations tend to form a syndicate and invest in smart cities by a jointly-operated and diversified development model, which is well accepted by local governments. It is anticipated that in 2016, the concept of smart city will show some opportunities and since 2016, investment amount may be up to RMB100 billion, even RMB1,000 billion. The Group keeps itself abreast of the latest industry movements, increases input in technological research and development, actively promotes applying technology of IOT in the development of smart city and proactively innovates to transform from project construction to service operation in the commercial model of smart city development, so as to build up smart

Chairman's Statement

city ecosystem and gain experience in foreign projects. The Group recorded its historical high in total revenue exceeding RMB1.2 billion and net revenue exceeding RMB160 million, with an operating cash flow of RMB153 million, which showed a significant improvement in the ability of going concern.

Promoting intelligent traffic model in Nanjing and successfully developing new business

During the period under review, as a constructor, maintenance contractor and operator of 320 intelligent traffic projects in Nanjing, the Group, through introducing RFID technology based environmental-friendly E-card and accessory system, realized the concept of non-stop electronic toll clearing, smart parking, realtime traffic information release and enquiry, which in turn settled various issues in the development of intelligent urban transportation and provided Nanjing with a better platform for urban transportation services. Nanjing City Intelligent Transportation Co., Ltd., a subsidiary of the Company, was successfully listed in "2015 Deloitte-Jiangsu Technology Fast 30 Program", which confirmed the Company's achievement and encouraged the Company to continue to further develop and explore in intelligent transportation business.

During the period under review, the Group won the tenders for identification system of motor vehicles supervision E-card (with green labels) in Xuzhou and for identification system of motor vehicles supervision E-card (with green labels) in Huaian. All motor vehicles in Xuzhou and Huaian will be installed with supervision E-card (with green labels) while base stations will be set up in restricted areas for environmental protection purpose, so as to supervise the track of highly polluting vehicles and make punishment if necessary. To facilitate the construction, the Group and Xuzhou's municipal government determined to carry out the project with public-private partnership (PPP) model, representing the Group's first PPP-modeled intelligent transportation project outside Nanjing. Green label E-card is critical to the strategic deployment of "Internet + Transportation". With successful application in Xuzhou and Huaian projects, it had significant strategic meanings to promote green label E-card project and again laid a solid foundation for the Group to provide internet of vehicle operation services to government, corporations and the public. In future, the intelligent transportation model adopted in Nanjing will continuously promote within Jiangsu Province. With intelligent and highly efficient traffic flow management, non-stop toll collection, parking guidance and traffic condition release service, drivers can easily acquire the information about real-time traffic conditions, which provides the public with an all-time easy travel model.

Security smart lock projects were well-recognized, intelligent logistics market further expanded

During the period under review, based on National Radio Frequency Identification Device (RFID) technology and with focus on platform operating business, the Group applied security smart locks on the customs' logistics vehicles and containers monitoring system, coupled with the customers' smart electronic lock and intranet system, which made the management of the customers' monitoring system intelligent, informative and highly effective. Currently, security smart lock has been successfully applied in Yangtze River Delta region radiating from Shanghai free trade zone and Pearl River Delta region radiating from Guangdong sub-administration. Import and export monitoring system with security smart lock based on RFID technology provides newly automatic and speedy customs clearing service to corporations, which is time-saving and highly effectively. With GPS position system, corporations can track their goods and retrieve security information throughout the logistics process. Security smart locks and monitoring platform has become the critical parts of intelligence and modernization reform, which realizes on-the-track monitoring of import and export goods and non-paper custom clearance. In future, based on the successful experience in Shanghai free trade zone, the Group will expand our market in import and export monitoring business to upper and middle Yangtze River region, Bohai Rim and Central and Western Regions.

Chairman's Statement

During the period under review, the Nanjing Customs Clearance Information Public Service Platform, which was developed by the Group, was officially launched and open for service. The system is the first logistics visibility monitoring information service system, the development of which is led by Nanjing Customs, and is the first "Internet +" information service platform open to corporations. The platform can enquire logistics clearance and monitoring status in real-time through mobile app, WeChat, etc., which is a visualized service consolidating all monitoring information throughout the logistics procedure, including information about single certificate, inspection, yard, tally, customs clearing and logistics. This is an innovative reform for the management and service of the customs and an evolutionary upgrade for corporate services, which significantly improves the logistics information services. Launching the system is fully in line with the general strategy of General Administration of Customs to improve the customs monitoring and service. Continuously disclosing customs clearance information and improving one-stop service provides convenience to corporations, reduces costs and improves efficiency and investment conditions, while also facilitates the customs monitoring to reduce preliminary work and trace record, making the whole process and system to be in line with international standards.

Launching cross-border e-commerce service platform receiving positive market feedback

During the period under review, the Group gave the highest priority to the development of cross-border e-commerce ecosystem and launched Maohd, a comprehensive cross-border trading service platform designed to provide trading service to small and medium-sized companies ("Maohd" Platform). With the intelligent terminal devices, such as security smart lock, which is a self-developed product based on RFID technology, and intelligent checkpoint, "Maohd" Platform automatically collects data of cross-border goods, including logistics and customs clearance information. "Maohd" Platform also allows data sharing with administration authorities, including commodity inspection authority, quality inspection authority and taxation authority, as well as financial institutions. "Maohd" Platform not only provides highly efficient one-stop basic services, from cross-border logistics, commodity inspection, quality inspection to customs clearance services, to small and medium-sized companies, but also value-added services necessary for cross-border trading corporations, including tax rebate, foreign exchange settlement and financing, which helps small and medium-sized cross-border trading companies to improve efficiency, reduce trading risks and costs and deal with the corporate financing issues. "Maohd" Platform has received positive feedback from small and medium-sized companies, and it is aimed at helping domestic companies to develop overseas markets, facilitating foreign trading companies to gradually develop, and enhancing the competitiveness of domestic companies in Jiangsu and Zhejiang regions.

Strengthening external cooperation and achieving remarkable R&D results

During the period under review, the Group and Jiangsu Digital jointly established Jiangsu one zero one one network technology Co., Ltd., and strove to establish a mobile Internet social application platform in China. 蜗牛 Talk, a mobile Internet social application designed for drivers by Jiangsu one zero one one network technology Co., Ltd., features with brief interactive live audio to meet the demand of drivers for listening and sharing information, which is an audio platform available for listening and sharing information. 蜗牛 Talk is also the core business segment of the Group in establishing smart traffic ecosystem and we are planning to connect 蜗牛 Talk with intelligent central control system and turn it into a new generation smart car audio social platform.

We have acquired massive data through development and operation of smart cities for many years. To reasonably and effectively utilize the data and help those creative and ambitious youth to realize their dream, during the period, the Group launched Machtalk – Free Space, providing four major services, namely cloud storage, cloud server, cloud website and cloud database. Within such free zone, all resources in Machtalk – Free Space are provided for free, including basic cloud computing service, data of every industry, and successful case, to help client to realize their dream.

Chairman's Statement

During the period under review, the Group entered into strategic cooperation agreement with Glarun Group Co., Ltd. ("Glarun Group"). Both parties will formulate a system for top management discussion for the purpose of establishing a long-term stable strategic cooperation relationship in the areas such as city intelligent transportation and systems integration. The Group and Glarun Group are strongly positioned to complement with each other in the areas such as city intelligent transportation and systems integration, and the strategic cooperation will result in a win-win situation for in-depth cooperation between both parties. It establishes stronger ties between the nation, Nanjing city and the two companies in meeting the requirements for medium to long term strategic planning with full utilization of the strengths of both parties in terms of technology, talents and industries in the areas of rail transportation, intelligent transportation and supply chain integration. The core competence of both companies will be enhanced for promoting the sustainable development of the domestic intelligent transport industry.

During the period under review, the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, construction of which was undertaken by the Group, and the Center for Transportation and Logistics of Massachusetts Institute of Technology (MIT) confirmed the intent to cooperate in respect of the research in system and planning of city public logistics delivery, and entered into cooperation research agreement, signifying a new stage of RFID Engineering Center in international cooperation research aspect.

During the period under review, the Group was rewarded "RFID Technology Enterprise Joint Research and Innovation Center", "Excellent Software Product", "Famous Brand of Tertiary Industry in Jiangsu", "2015 Outstanding Innovative Entrepreneur in Electronic Information Industry of China", "2015 Outstanding Resolution for Smart City in China", "Sub-committees of Radio Frequency Identification Device (RFID) Industrial Technology and Innovation Strategic Union" and "2015 China Intelligent Transportation Systems Association Science and Technology Prize (Third Prize)".

Prospects

Internet is the critical part for the development of modern network economy, which affects the basis of the whole economy and society. The development of modern Internet and IOT are going into a new age and demonstrating three major changes: first, change in model. Traditional industrial organizational model, which is closed, procedurized and standardized, is turning into an open, networking, flexible and particular model; second, business expansion. Our M&A model is changing from vertical amalgamation along the industry chain to horizontal amalgamation across various industries. Internet information service is extending to each business in the economy and society. E-commerce platform, Internet financial platform, industry Internet and IOT has become the new components of modern Internet industry; third, change in growing points. Internet industry is changing from liking people to linking things. Customers Internet continues expanding while industrial Internet and IOT grows rapidly, which is a new growing point and blue sea for the development of modern Internet and IOT industry. From the point of view of application, Internet and IOT are getting harmonized with economy and society and dynamically changing people's living styles.

Focusing on core business, creating two major ecosystems

The Group embraces three major industries, namely intelligent city, intelligent logistics and smart transportation, focusing on IOT to build cross-border e-commerce ecosystem and smart transportation ecosystem, consolidates internal and external operating resources based on existing RFID technology and data processing technology and rapidly gains advantage on core businesses. On the basis of core businesses, the Group explores development in models, including smart city industry fund, Internet (IOT) industry fund and PPP industry fund, study new business models by self-operation, investment and merger and acquisition, accelerates inputs in on-the-track monitoring, cross-border ecommerce and intelligent transportation, continuously expands peripheral business of core businesses, further improves and extends operating service

Chairman's Statement

to each level governments, import and export companies and end users as well as focuses on smart city big data service and import and export business big data service, so as to create a healthy and vigorous ecosystem for the industry and provide users with quality living styles.

Strengthen R&D of core techniques of IOT, further enhancing competitiveness in the industry

In 2016, the state will launch a series of special study topics and application demonstration projects on the IOT industry at state level. The industry universal technical standard will continue to be improved as member unit of the state IOT basic standard working group and undertaking unit of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center. The Group will actively participate in the formulation of the industry standards, increase investment in R&D, undertake the R&D of the relevant special topics and the establishment of application demonstration projects, fully utilize the technology, industry and market advantage of National Engineering Center on IOT sensing, big data, cloud computing, and fully leverage on the advantages of the Company in the IOT field to design smart products and provide value added services. The competitive edge of the Company will further increase, and it is our ambition to become the leading IOT company in China possessing IOT core technology and being able to provide IOT value added services and highly recognized in domestic and international IOT markets.

Attracting more talents, realizing sustainable development of the Group

In 2016, the Group will motivate the sense of responsibility and mission of operating management team and core business staff in each level to realize a sustainable and healthy development of the Company. Also, the Company will advocate the value-creating-oriented culture of attitude on performance and establish a profit sharing and binding system for shareholders, operating team management and core staff, so as to attract talented management and core staff, strengthen the Company's core competitiveness, ensure the achievement of the Company's development strategy and operating targets as well as sustainable development. Meanwhile, the Company tends to attract more talents, focuses on training a team specializing in IOT technology and product research and development, puts emphasis on middle to high end talents and improves resources allocation.

On behalf of Sample Technology, I would like to extend my heart-felt gratitude to our customers, suppliers and shareholders for their unfailing support and faith. I will lead every staff member to continue to innovate development with dedicated efforts to enable the Group to achieve another pinnacle of performance.

By Order of the Board

Sha Min

Chairman

Nanjing, China

23 March 2016

Management Discussion and Analysis

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2015 was approximately RMB1,226,308,424, representing an increase of approximately 35.2% over last year. The increase was mainly due to the rapid growth of income from system integration as compared to that of last year. In addition, the cross-border trade and service business that newly developed by the Group has brought new income for the Group.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2015 was approximately 27.6%, representing a decrease of approximately 5.1% over last year. The decrease was mainly due to the gross profit margin of cross-border trade and service business is comparatively lower.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2015 was approximately RMB31,520,776, representing an increase of approximately 22.8% over last year. The increase was mainly attributable to the active exploration of new market by the Group during the Period.

General and Administrative Expenses

General and administrative expenses of the Group for the year ended 31 December 2015 was approximately RMB102,485,667, representing an increase of approximately 7.3% over last year. The increase was mainly attributable to the increase of investment on research and development during the Review Period.

Net Profit Attributable to Shareholders of the Company

For the year ended 31 December 2015, the Group recorded a net profit attributable to the shareholders of the Company of approximately RMB164,468,923, representing an increase of 19.2% over last year. The increase was mainly attributable to the increase in operating income and the increase in operating profit of the Group during the Review Period as compared to that of last year.

Construction in Progress

As at 31 December 2015, the Group's construction in progress amounted to RMB25,322,742 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the new construction of R&D centre for smart city project and modification project.

Management Discussion and Analysis

Other Current Assets

As at 31 December 2015, the Group's other current assets amounted to RMB156,802,978 which recorded a substantial increase as compared with that of the same period last year. The increase was mainly due to the entrusted loan made by the Company during the Review Period, details of which can be referred to the announcement dated 28 October 2015.

Fixed Assets and Investment Property

During the Review Period, the Company has leased out part of the self-use property, therefore the nature of the asset has been changed from fixed assets to investment property which resulted the significant changes of the fixed assets and investment property as compared to that of the same period last year.

Other Non-current Assets

As at 31 December 2015, the Group's other non-current assets amounted to RMB120,000,000 which was mainly due to the assets management plan respectively taken by the Company and Jiangsu Ruifu Intelligent Tech. Co., Limited, a wholly-owned subsidiary of the Company, details of which can be referred to the announcement dated 21 May 2015.

Available-for-sale Financial Assets

As at 31 December 2015, the Group's available-for-sale financial assets amounted to RMB44,520,000 which was recorded a decrease of 62.7% as compared to that of last year. The decrease was mainly due to the Company transferred its 19% equity interests in Zhong Jian Zhi Kang Supply Chain Service Company Limited to Hong Shi International Health Industry Company Limited, details of which can be referred to the announcement dated 25 August 2015.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2015, the shareholders' equity of the Group was approximately RMB1,669,545,805. Current assets were approximately RMB2,498,942,679, comprising cash and bank balances of approximately RMB1,212,720,958. Non-current liabilities were approximately RMB156,450,423. Current liabilities were approximately RMB1,321,319,106, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2015, net assets per share of the Group was approximately RMB5.27 (31 December 2014: RMB5.01). The short-term borrowings of the Group were RMB508,765,000.

CAPITAL STRUCTURE

The Group's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to approximately RMB1,723,376,471; and total liabilities amounted to approximately RMB1,477,769,529 which included long-term borrowing amounted to approximately RMB138,210,000 at annual interest rate ranging from 4.99% to 5.4%, short-term borrowing amounted to approximately RMB508,765,000 at annual interest rate ranging from 4.79% to 6.8%, non-current liabilities due within one year amounted to approximately RMB27,860,000 at annual interest rate ranging from 4.99% to 5.4%. Total assets amounted to approximately RMB3,201,146,000. As at the end of the period, the Company's gearing ratio was 46.16% (2014: 51.8%).

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2015, bank deposits of RMB24,435,812 were pledged to the bank for projects in progress (2014: RMB118,233,799).

GEARING RATIO

For the year ended 31 December 2015, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2014: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

Since the Group mainly conducts its business in the PRC and most of the sales and purchases of the Group were denominated in RMB, the Group's operating results were not exposed to any foreign currency risk.

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

On 25 August 2015, the Company and Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司) entered into a share transfer agreement by which the Company's 19% equity interest in Zhong Jian Zhi Kang Supply Chain Service Company Limited (中健之康供應鏈服務有限責任公司) were transferred to Hong Shi International Health Industry Company Limited at a consideration of RMB 75,680,000. The Disposal was completed on 4 November 2015.

Save as disclosed above, the Group did not have any other material acquisition and disposal investment during the Review Period.

CAPITAL COMMITMENT

As at 31 December 2015, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, total employees' remuneration of the Group was approximately RMB52,802,000 (2014: RMB45,847,000) and the number of employees was 442 (2014: 405). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

Management Discussion and Analysis

BUSINESS REVIEW

Strategic business

As for the expressway system integration business, the Group continued to increase its market share and gain influence in the industry as its primary goal, and by actively bidding for major and significant projects, and initiatively developing strategic cooperation in the industry, the Group won bids of key projects, expanded the customer resources, secured its business income and improved customer satisfaction in the industry. During the period under review, the Group successfully signed contracts concerning projects such as traffic engineering project of widening and renovating and expanding Huizhou-Shenzhen Expressway (Huizhou section), electrical and mechanical engineering monitoring and toll collecting communication system project of Meizhou Bay-Chongqing Expressway (Putian section), electrical and mechanical works for tunnels of Ruili-Longchuan section of Ruili-Tengchong Expressway, electrical and mechanical works for Bazhong-Nanchong-Guang'an (Chuanyu boundary) and electrical and mechanical works for Shouchang, Jiande- Baisha, Kahua of Hangxinjing Highway (Zhejiang-Jiangxi boundary) (Quzhou section); and the Group made remarkable improvement in the depth and width in the market resources of expressway system integration. During the period under review, the Group promoted the implementation of all the projects according to the progress of the awarded projects, and completed the electrical and mechanical engineering project of the Eastern section of Chengdu Second Ring Expressway, network monitoring and renovating project of Guizhou Jing Qing Long to Sheng Jing Guan Section, and renovating works of the Guiyang Northeastern Ring Expressway (Jianpo-Xiaobi section), which had reopened for service. In respect of Guiyang Jianpo-Xiaobi project, we adopted a new business model of establishing a joint venture with other industry players to carry out the project, which enabled us to communicate and learn from first-tier domestic integrator and completed the work at guaranteed quality within a short period of time, which represented a new record of the Company.

Leverage on the resources accumulated in customs logistics, the Group actively launched cross-border trading and services business, and realized the full control and monitoring of the process of goods delivery from the suppliers to on-the-track monitoring service, to customs clearance was achieved. This prevented false trading in the greatest extent. Such model differentiated with other competitors, competitive barriers to entry was enhanced.

During the reporting period, the Group all-round developed PPP project, and successfully entered into letter of intent of co-operation for Xuzhou City North Bus Terminal Urban Public Transport Functional integrated PPP project and construction contract with Huaihai Economic Zone of Modern Logistics Service Hub. On the other hand, the Group actively carried out implementation and preparation work of acceptance of affiliated project of West Third Ring Road of Xuzhou, it is expected that it will be completed by the first quarter of 2016. At the same time, the universal terminal project in Xuzhou Gangxuang building operation area was actively promoted.

Management Discussion and Analysis

As for the customs logistic business, during the period under review, the Group focused on transformation of customs business. Kept optimizing the transformation plan, the Group finally formulated a series solution which can be reproduced and promoted, including technology, pre-sale service, operation and after-sale service. Based on business transformation, the Group optimized and upgraded existing technology and products and advanced the operation and service pilot project through investment in order to realize the prospect and business scale of current market, which was the basis of forecast and analysis report of our business transformation. The Group put emphasis on the after-sale maintenance service and sales in Eastern and Southern China while actively promoted the sales of new projects in Middle and the Western China and Bohai Circle region. During the period under review, the Group successfully signed contracts of projects such as intelligent customs project in Linyi comprehensive bonded area, Phase One International Logistics Center project of Shouguang Chenming Modern Logistic Co., Ltd., monitoring system for customs special monitoring area in Jilin bonded logistics center, contracts for application and software development for inspection and quarantine monitoring system, renovating project (Phase Two) for intelligent cargo customs in China (Shanghai) Pilot Free Trade Zone and Phase One intelligent information system project in Ganzhou comprehensive bonded area. During the period under review, the Group actively started the construction of customs service platform and finalized commercial cloud customs service platform proposal, product framework design and commercial model design. Team building and detail product design will be the next step of the Company.

Information service

During the period under review, the Group strengthened its ability to provide information service for customs and foreign trade enterprises on the basis of smart electronic lock provision. We actively explored market. On the basis of the operation of smart locks for Shanghai and Guangdong customs, we finished the second phase of Shanghai project. In addition, we got new operation contracts of smart electronic locks from Hangzhou and Jiangxi. The number of activated smart locks and trainees reached historical high. During the period under review, the Group actively advanced customs integrated solution and system construction, and developed a system able to read and write international protocol and provide technology support, together with software integration and operation and management of related system, which is capable to connect external system.

As for the intelligent urban transportation business, the Group put effort in building and improving the structure of platform system and developed user service. The model of urban smart traffic project successfully implemented in Nanjing by the Company was actively promoted in other cities of the entire province. During the period under review, the Group actively participated in the comprehensive management and operation service platform (Public Private Partnership) project of Nanjing static traffic and automotive electronic identification GB project, and actively promoted the implementation of the projects. On the other hand, the project of Critical Technology R&D and Application Demonstration of Intelligent Traffic System of Nanjing City was undertaken by the Group, which has passed the inspection and acceptance by the Ministry of Science and Technology of China. Such project formed part of the Youth Olympic Science and Technology Pillar Program, and was demonstrated successfully on Youth Olympics, which ensured the smooth flow of traffic during the Youth Olympic Games, and also provided continue technical support and protection in urban traffic management, especially urban management in Nanjing during the post-Youth Olympic era.

Management Discussion and Analysis

Research and Development

During the period under review, the Group finished the draft of “Development Plan for Next Three Years of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center”, which was prepared according to the existing operation assessment indicator system of the National Engineering Center and covered eight major aspects, namely manpower planning, financial positions, project profile, technological output, technological achievements transformation, conference, open topic and major research. Meanwhile, the renovation of website and laboratory equipment was completed and the Group acquired some new equipment and prepared for the CNAS certification. During the period under review, the Group joined the State IOT Task Force led by Institute of Standardization under Ministry of Industry and Information Technology. We were responsible for setting a set of standards for data interface. In addition, the Group cooperated with Southeast University and completed and successfully applied for the third batch of industrial professors in the province. We have started to prepare the white paper about RFID technology and industrial development with Southeast University.

During the period under review, the Group’s two provincial software projects, one National Science & Technology Pillar Program and one Nanjing City of Joint Distribution Funding Project was accepted. Meanwhile, the Group actively advanced and developed various government projects, such as provincial industry transformation (software) project, provincial technological achievements transformation project, State “863 Plan” project, provincial industrial academic research forwarding joint project, provincial technological project, provincial technological planning project, national IOT major application demonstration project and Nanjing e-commerce special funding project. During the period under review, the Group completed the R&D of 5 prototypes of RFID readers and writers under international standards. All of these readers are under testing.

During the period under review, the Group actively participated in the R&D of international standards readers and writers and active readers and writers with the Ministry of Public Security, promoted the application of active products, and focused on cooperative research and development, application and planning of new products in the industry. During the period under review, the Group attached great importance to the application and protection of intellectual property rights, actively carried out filing application for 7 patents, 11 software copyrights and 1 software products assessments, and was granted 11 patents, 29 software copyrights and 1 software product licenses.

BUSINESS PROSPECTS

Strategic business

In 2016, the Group will concentrate on its two core businesses, namely the intelligent logistics and the intelligent traffic businesses. The Group will focus its resources on developing technologies such as the IOT data collecting technology, big data cloud computing technology, mobile internet technology, logistics and vehicle information service technology, so as to form the smart city ecosystem to facilitate the transformation of business model of the Company.

Management Discussion and Analysis

In 2016, the Group's first priority is to enrich and perfect three major ecosystems. The Group will focus on the demand of intelligent urban infrastructure under the new trend, and to integrate its internal and external infrastructure resources, to continuously explore the PPP operation model, to optimize asset structure, and to promote the steady growth of scale of production. By expanding its cross-border trading and services business, the Group will create new opportunities for its logistics customs and intelligent electronic customs locks, and to integrate the innovative and traditional industries to achieve collaborated development.

For intelligent logistics, the Group will speed up the layout of intelligent terminals for intelligent customs and intelligent customs locks, and to build the intelligent logistics platform through on-the-track monitoring safety service, speedy customs clearing service and safety-assured food delivery service, in order to enhance its capacity in providing intelligent logistics services and cross-border trading services business. It is anticipated that it will maintain its growth in 2016, and small to middle-sized companies will obtain trading financial facility from financial institutions to a certain extent. The Group will set up more major offices in Jiangsu, Zhejiang and Shanghai, as well as some cities in Anhui, so as to promote the business model of foreign trading comprehensive service within operating regions. In addition, we will introduce cross-border import business to Suzhou cross-border pilot zone in order to increase the cross-border export trading scale in Longtan Port, Nanjing.

With respect to the intelligent traffic business, by virtue of preliminary basis, the Group will reproduce and promote Nanjing's intelligent traffic model around the country, continue to build an accurate data collection platform for city intelligent traffic data based on automobile E-cards (automobile e-label) and bases on the road and build up a intelligent traffic ecosystem supported by big data in respect of intelligent traffic, smart car business, automobile after-sale service market and smart driving.

Information Service

In 2016, for the customs logistics sector, the Group will continuously dedicate marketing efforts to other regions with the innovative service model of Shanghai customs, so as to provide all-in-one intelligent on-the-track monitoring service based on its intelligent customs and intelligent electronic customs locks for various customs departments. The Group will also provide value-added services; optimize the general resolution of informationalization and intelligentization within the customs area; introduce new businesses such as cross-border e-commerce platform, individual solidier, storage and other IOT application projects; and focus on "Cloud Customs" corporate services.

In 2016, for the city traffic service, the Group will dedicate to make investment in, construct, operate and manage smart cities with focus on the service on two ecosystems, smart car business and cross-border e-commerce. With IOT + mobile network technology, the Group can definitely provide quality lifestyle comprehensive service platform to the clients. As the Group will continue to promote the application of environmental-friendly E-cards, it will provide intelligent travelling, intelligent parking, intelligent training and vehicle trading integrated services based on electronic environmental friendly labelling, data collecting stations and geomagnetic technologies for inner city traffic departments, environment protection departments, vehicle enterprises as well as the public.

Management Discussion and Analysis

Research and Development

In 2016, the Group will continue to engage the State's RFID System Engineering technology R&D Centre to carry out prospective technology research in relation to its core businesses, and will cooperate with respective enterprises, colleges and research centers, to focus all research and development efforts on the expansion of its core businesses, and will research, develop and launch new lines of product. In accordance with the Company's ecosystem business planning, the Group will fully leverage on the positions and influence of National Engineering Center to strengthen the resources sharing and cooperation with other institutions within the industry or related fields through external cooperation in order to complement the ecosystems. With its core technologies and intelligent properties and the upgraded and repetitive computing of core products, the Group will endeavor to enhance the competitive power of its products and services, and to raise the competition threshold within the industry, so as to support the IOT and mobile internet business strategies of the Company.

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 51, received postgraduate education, is an executive Director and Chairman of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. Mr. Sha was elected as a committee member of the Nanjing City Committee of the Chinese People's Political Consultative Conference in January 2003 and a committee member of the Jiangsu Province Committee of the Chinese People's Political Consultative Conference in January 2013. Mr. Sha was conferred the honorary titles of "Outstanding Builder of Socialism with Chinese Characteristics of Jiangsu Province", "Nanjing Zijin Technology Entrepreneurship Excellent Talent" and "Second Prize for Progress in Science and Technology of Jiangsu Province" in 2012, "The Eleventh Good Citizen of Nanjing City", ""and "Jiangsu Province Innovation and Entrepreneur Talent Award" in 2013 and "Outstanding Private Entrepreneurs of Jiangsu Province " in 2014. He joined the Company in December 1997 and was first appointed as an executive Director in December 1999. He is currently the president of China RFID Association, a committee member of the 11th Chinese People's Political Consultative Conference of Jiangsu Province, a standing committee member of Federation of Industry and Commerce of Jiangsu Province, secretary general of Internet of Things Alliance of Nanjing, Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing, vice president of Nanjing Software Industry Association and vice-chairman of Nanjing Enterprises Association. He is a tech entrepreneur and industrial professor.

Mr. Chang Yong (常勇), aged 49, received postgraduate education, is an executive Director, vice chairman and general manager of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from 1990 to 1992. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive director and general manager of the Company in December 1997. Mr. Chang was elected as a member of the Chinese People's Political Consultative Committee of Xuanwu District in Nanjing City in 1998.

Mr. Zhu Xiang (朱翔), aged 39, received postgraduate education, is an executive Director and president of the Company. He graduated from Xi'an Jiaotong University in July 2000 and obtained a MBA degree from Nanjing University in June 2006. He joined the securities department of Hainan Airlines Company Limited in July 2000 as assistant to secretary of the board of directors. He joined the Company in March 2003 and was appointed as executive Director in May 2014, and successively served as senior manager of the Company's investment department, general manager of the investment centre, general manager of financing and investment centre, secretary of the board of directors and vice president.

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun (馬俊), aged 51, is a non-executive Director of the Company. He graduated from Nanjing University in economic management in 1995. He worked for 南京福申房地產開發有限責任公司 in 1998. Mr. Ma was appointed as non-executive Director of the Company in May 2010. He is currently the chairman and general manager of 南京福申房地產開發有限責任公司.

Biographical Details of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Su Ming (許蘇明), aged 59, holds a Master Degree and is also a Doctor of Philosophy in Law. He graduated and received his bachelor degree from Southeast University in January 1982, and later graduated and received his Doctor of Philosophy in Law from Nanjing University. Mr. Xu was appointed as independent non-executive Director of the Company in May 2011. He is currently the professor, tutor for doctoral candidates of the Southeast University as well as a member of Advisory Committee of Economic and Social Development of the People's Government of Nanjing City, counselor of the People's Government of Nanjing City, a Standing Committee Member of the Chinese People's Political Consultative Conference of Nanjing City and the vice chairman of Nanjing Federation of Social Sciences. Mr. Xu is currently an independent director of Sainty Martine Corporation Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 2608), Jiangsu JieJie Microelectronics Co., Ltd., Suzhou Pant Piezoelectric Tech Co., Ltd. and Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.

Mr. Geng Nai Fan (耿乃凡), aged 64, a Han Chinese with postgraduate education. In June 2007, he graduated from Southeast University. He obtained a doctor degree in Management Science and Engineering and holds the title of researcher and senior economist. He became a member of the Communist Party in June 1974 and started working in December 1968. He had been the Deputy Section Supervisor and Vice Manager of Nanjing Municipal Oil Company (南京市石油公司), the General Manager of Nanjing Municipal Investment Company (南京市投資公司), and the secretary of the party leadership group and General Manager of the Nanjing Municipal International Trust and Investment Company (南京市國際信託投資公司). Also, he served as a Chief Director of Jiangsu Province Publishing Company (江蘇省出版總社), the General Manager and the Vice Party Secretary of Jiangsu Publishing Group Company Limited (江蘇省出版集團有限公司). He had been engaged in various government departments and assumed positions including Department Head and Deputy Director General of Resources Bureau of Nanjing City, Vice Secretary of the party leadership group and Vice Director of Nanjing Municipal Planning Commission, Chief Secretary and member of the party leadership group of the Nanjing Municipal Government, Director and secretary of the party leadership group of the Jiangsu Province Broadcasting and Televisions Bureau. Mr. Geng was appointed as independent non-executive Director of the Company in May 2013.

Mr. Shum Shing Kei (沈成基), aged 45, holds a Master Degree. Mr. Shum graduated from the Hong Kong Polytechnic University and majored in accountancy. He obtained a master degree in financial management from the University of London, the United Kingdom. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From August 1993 to February 2002, he worked as auditing manager of Ernst & Young, Group Chief Financial Officer and Company Secretary of China Data Broadcasting Holdings Limited from March 2002 to July 2005 and qualified accountant consultant to Great Wall Motor Company Limited from September 2004 to September 2008. Mr. Shum was appointed as independent non-executive Director of the Company in May 2011. Mr. Shum is currently a practising partner of a certified public accountant firm in Hong Kong, mainly providing business advisory service and auditing service. Mr. Shum is currently the independent non-executive director of Zhejiang Shibao Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1057 and listed on Shenzhen Stock Exchange, stock code: 002703).

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 60, is a supervisor of the Company. Mr. Qiu was an EMBA graduate. He is now a professor of the economics and management college of Southeast University. He is also executive director of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From 1991 to 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate management and industrial development. He was first appointed as a supervisor of the Company in August 2007. He is currently an independent director of Nanjing Pharmaceutical Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600713) Zhong Dian Environmental Protection Limited* (a company listed on the Shenzhen Stock Exchange, stock code: 300172) and Tianjin Tai Da Limited* (a company listed on the Shenzhen Stock Exchange, stock Code: 000652).

Mr. Dai Jian Jun (戴建軍), aged 45, is a supervisor of the Company. He was educated in Jiangsu Public Security Professional School from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003.

Mr. Li Gang (李綱), aged 38, is a supervisor of the Company. He studied in Nanjing University of Aeronautics and Astronautics (南京航空航天大學) from 1996 to 2000 and obtained a bachelor degree in industrial automation. From July 2000 to July 2004, he was employed by Nanjing Merit Automation Co. Ltd. (南京明維自動化有限公司) as development team leader. From July 2004 to February 2007, he worked in Nanjing Orient Computer Technology Co., Ltd. (南京東部計算機科技有限公司). During April 2007 to February 2009, he worked as the head of SIS research and development in Nanjing SCİYON Automation Group Co., Ltd. (南京科遠自動化集團). Since February 2009, Mr. Li has been working in software development department of the Company as the department head of software development research institution. Mr. Li was appointed as a supervisor of the Company in December 2011 and resigned from this position on 21 March 2016.

Biographical Details of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT AND CORE TECHNICAL PERSONNEL

Ms. Miao Yun (繆雲), aged 46, received university education, is senior accountant and chief financial officer of the Company. She graduated from the East China Metallurgic Institute (now known as Anhui University of Technology) with a bachelor degree in July 1992, and then graduated from Nanjing University with MBA postgraduate in June 2007. She became a non-practicing member of China Certified Public Accountant Association in 2002. She worked in the financial department of Jinling Petrochemical Alkylbenzene Plant from 1992 to 1993, served as financial manager of Jintung Petrochemical Corporation Ltd. from 1993 to 2005 and chief financial officer of Jiangsu Sidiw Corporation Group from 2005 to 2013.

Mr. Xie Jinliang (解金亮), aged 39, having postgraduate education and acted as secretary to the board of directors of the Company. Mr. Xie graduated from Qingdao University with a bachelor degree. From March 2002 to April 2007, he worked for Qingdao Technology Property Right Exchange, and has served successively as project manager, department manager and assistant president. From May 2007 to January 2013, he worked for Jiangsu Kanion Pharmaceutical Co.,Ltd, and has served successively as investment consultant, manager of the securities department and representative of securities affairs. He joined in the Company in February 2013 and successively served as investment manager and general manager of the securities department.

Mr. Liang Biao (梁彪), aged 47, obtained a postgraduate degree and Ph.D., is a senior engineer, dean of research institute of the company and the Deputy Director of State Institute of Radio Frequency Identification (RFID) System Engineering Research Center. He graduated from East China Institute of Technology (now Nanjing University of Science and Technology) and Nanjing University of Science and Technology with a bachelor degree in engineering and a mater degree in engineering in July 1991 and in April 1994, respectively. He obtained a doctoral degree in engineering from Dongnan University in Jung 2009. Mr. Liang joined the Fifty-fifth Research Institute of China Electronics Technology Group Corporation in April 1994 and served as an engineer in the department of light and electricity. He joined the Company in March 2009, and has serving as the director, the assistant of dean and the vice dean of the strategic cooperation department of the research institute of the Company. Mr. Liang was selected in the third level of a program for talents, “333 engineer”, of Jiangsu Province in 2013 and was selected as the third batch of industrial professor (part time) in Jiangsu Province, and was hired by “circuit and system” discipline of Scool of Information of Dongnan University. Mr. Liang is currently serving as well a council member of China Software Industry Association, a member of China Federation of Logistics and Procurement Committee, an executive director of Provincial Computer Association, a member of “Provincial Outstanding Engineer (Software) Plan” Committee, the vice president of Provincial Entrepreneur Research and Development Institute Association and the vice president of provincial RFID Standardization Committee.

Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of visual identification and RFID technologies based full solutions to intelligent transportation, customs logistics and health safety and other application areas.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2015 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 8 and "Management Discussion and Analysis" on pages 9 to 16. An analysis of the Group's performance during the year ended 31 December 2015 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 170. In addition, the financial risk management of the Group can be referred in note XIV to the financial statements on pages 155 to 157.

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2015 are set out on pages 41 to 169 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.3 per share for the year ended 31 December 2015 (2014: RMB0.2 per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in the Note V(XII) to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this annual report were:

Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Chang Yong (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Xu Su Ming

Mr. Geng Nai Fan

Mr. Shum Shing Kei

Report of the Directors

Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Li Gang (resigned on 21 March 2016)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts were expired on 31 December 2015 and the further renewal of a term of 3 years shall be subject to the approval at the forthcoming annual general meeting of the Company.

Save as disclosed above, no Director or Supervisor has a service contract with the Company which is not terminable by the Company within one year without payment, other than statutory compensation.

INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICERS

Save as disclosed below, as at 31 December 2015, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions 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 ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Long Positions in Shares

Name of Director	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Sha Min (Note 1)	1,350,000	Beneficial owner	0.43%
	158,443,400	Interest of controlled corporation	50.01%
Chang Yong (Note 2)	158,443,400	Interest of controlled corporation	50.01%

Notes:

- Mr. Sha Min ("Mr. Sha") directly holds 1,350,000 domestic shares of the Company and is interested in 70% of equity interest of 南京萬物互聯投資管理企業(有限合夥) which in turn owns 90.09% of equity interest of Nanjing Sample Technology Group Company Limited and which in turn owns 158,443,400 domestic shares of the Company. Under the SFO, Mr. Sha is deemed to be interested in all 159,793,400 domestic shares of the Company. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 159,793,400 domestic share of the Company in which Mr. Sha is interested.
- Mr. Chang Yong ("Mr. Chang") is interested in 30% of equity interest of 南京萬物互聯投資管理企業(有限合夥) which in turn owns 90.09% of equity interest of Nanjing Sample Technology Group Company Limited and which in turn owns 158,443,400 domestic shares of the Company. Under the SFO, Mr. Chang is deemed to be interested in all 158,443,400 domestic shares of the Company.

Report of the Directors

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2015, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited ("Sample Group") (Note 1)	158,443,400 Domestic Shares	Beneficial owner/ Interest of controlled corporation	50.01%
Active Gold Holding Limited (Note 2)	49,545,000 Domestic Shares	Beneficial owner	15.64%
Ringing Finance Hong Kong Limited (Note 2)	49,545,000 Domestic Shares	Interest of controlled corporation	15.64%
北京豐匯達投資有限公司 (Note 2)	49,545,000 Domestic Shares	Interest of controlled corporation	15.64%
趙維 (Note 2)	49,545,000 Domestic Shares	Interest of controlled corporation	15.64%
Atlantis Capital Holdings Limited (Note 3)	24,997,000 H Shares	Interest of controlled corporation	7.89%
Liu Yang (Note 3)	24,997,000 H Shares	Interest of controlled corporation	7.89%
Riverwood Asset Management (Cayman) Ltd. (Note 3)	21,500,000 H Shares	Investment Manager	6.79%
Fan Qinglong	16,523,000 H Shares	Beneficial owner & interest of Controlled corporation	5.22%
Jiangsu Ruihua Investment Holding Group Company Ltd. ("Jiangsu Ruihua") (Note 4)	15,000,000 Domestic Shares	Beneficial owner	4.73%
Hwabao Trust Co., Ltd.	10,628,000 H Shares	Trustee	3.35%

Report of the Directors

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS *(Continued)*

Note:

- (1) Sample Group directly holds 153,493,400 Domestic Shares. Sample Group is also interested in 100% of the registered capital of Nanjing Sample Investment Development Company Limited* (南京三寶投資發展有限公司) ("Sample Investment"), which holds 4,950,000 Domestic Shares and therefore by virtue of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Investment. As such, Sample Group is the substantial and the single largest shareholders of the Company. Mr. Sha Min, the Chairman of the Company and Mr. Chang Yong, the Vice Chairman of the Company, respectively held 70% and 30% equity interests of 南京萬物互聯投資管理企業(有限合夥) which in turn owns 90.09% equity interest of Sample Group. By virtue of the SFO, Mr. Sha Min and Mr. Chang Yong are deemed to be interested in 158,443,400 Domestic Shares held by Sample Group.
- (2) Active Gold Holding Limited is wholly owned by Ringing Finance Hong Kong Limited which is in turn wholly owned by 北京豐匯達投資有限公司. In addition, 趙維 held 70% equity interest of 北京豐匯達投資有限公司.
- (3) Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Ltd. are 100% owned by Ms. Liu Yang. Under SFO, Ms. Liu Yang owned the 24,997,000 Shares in a capacity of interest under controlled corporation.
- (4) On 25 November 2015, Jiangsu Ruihua agreed to sell 1,250,000 domestic shares held in the Company to an independent third party (the "Disposal"). However, the completion of the Disposal is subject to completion of change of registration with Nanjing Administration for Industry and Commerce.

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2015, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2015, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

SHARE OPTION SCHEME

A share option scheme ("Share Option Scheme") was conditionally adopted by a resolution of the shareholders of the Company on 24 April 2004. On 30 December 2011, the shareholders of the Company had resolved by a special resolution to terminate the Share Option Scheme. No option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director or a Supervisor had a direct and indirect material interest, subsisted at the end of the year or at any time during the year.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 41.66% (2014: 49.44%) of the total sales for the year and sales to the largest customer included therein amounted to 13.99% (2014: 20.52%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 17.03% (2014: 22.33%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 5.57% (2014: 5.59%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, supervisors and employees and the five highest individuals of the Group are set out in Note V(XLVI) to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 170 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note V(XXX) to the financial statements. As at 31 December 2015, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 225,023,400 domestic shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, being the jurisdiction in which the Company was established, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

RESERVES

Details of the movements of reserves of the Group during the year are set out on page 52 in the consolidated statement of changes in equity.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2015, the Group's reserves available for distribution amounted to RMB832,932,029 (2014: RMB752,268,736).

INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the People's Republic of China ("PRC"). A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, during the reporting period, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of the final dividend of the year to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of final dividend of the year to natural persons whose names are registered on the H shares register of members of the Company. Details can be referred to the results announcement published by the Company on 23 March 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

As at 31 December 2015, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, for the year ended 31 December 2015, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2015, none of the Directors or Supervisors had the rights to subscribe for the H Shares of the Company.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management shareholders or substantial shareholders or any of their respective associates (as defined in the Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has other conflicts of interests with the Group.

Report of the Directors

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003 with terms of reference. The primary duties of the audit committee are to supervise the financial reporting process and internal control of the Company and to provide comments to the Board in relation to the preparing of annual report and accounts and interim report of the Company.

The audit committee comprises three independent non-executive Directors, namely Mr. Shum Shing Kei (the chairman of the audit committee), Mr. Xu Su Ming and Mr. Geng Nai Fan. The audit committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Xu Su Ming, Mr. Geng Nai Fan and Mr. Shum Shing Kei a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers the independent non-executive Directors to be independent.

EMOLUMENT POLICY

The emolument policy of the employees and seniors management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

RETIREMENT FUND OBLIGATION

The Group makes monthly contribution to certain defined contribution plan, pension schemes operated by Chinese provincial and municipal governments. The relevant provincial and municipal governments promised to fulfil the benefit obligations pursuant to these retirement schemes for all existing and future retired employees. Apart from these contributions, the Group has no other retirement benefit obligations. Contributions to these pension scheme is paid when incurs.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 31 December 2015, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note VIII to the consolidated financial statements.

Report of the Directors

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

On 21 October 2014, the Company entered into the Domestic Shares Subscription Agreement with Nanjing Sample Technology Group Company Limited (“Sample Group”), pursuant to which Sample Group subscribed 92,723,400 new domestic shares of the Company in cash at a subscription price of RMB4.5 per share. The fund raising was completed on 20 January 2015, with net proceeds amounting to RMB413,980,000 in aggregate after deducting the issuance expenses.

According to the circular regarding the subscription of domestic shares of the Company dated 2 December 2014, approximately RMB251.00 million will be used for the expansion of the Group’s client base to increase the Group’s market shares in the areas of intelligent city and intelligent transportation and the execution of existing construction projects, approximately RMB83.00 million will be used to repay part of Group’s short term bank borrowings, approximately RMB46.20 million will be used for the expansion of the Group’s custom and logistic business, including the nation-wide promotion of the Group’s successfully researched safety intelligent lock project and the integration of the Group’s self-developed major intelligent systems, logistic information system, intelligent card system, safety intelligent lock system and GPS monitoring system, to strength the competitiveness of the Group’s custom clearance monitoring services and the remainder of approximately RMB33.45 will be applied as additional working capital.

As at 31 December 2015, the net proceeds were utilized for the following purposes:

Intended use of proceeds as set out in the circular	Intended amounts to be utilized as set out in the circular (RMB’million)	Actual amounts utilized as at 31 December 2015 (RMB’million)
Expansion of the Group’s client base to increase the Group’s market shares in the areas of intelligent city and intelligent transportation and the execution of existing construction projects	251.00	251.43
Repayment of Group’s short term bank borrowings	83.00	83.00
Expansion of the Group’s custom and logistic business	46.20	47.54
Additional working capital	33.45	32.01

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the year under review, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions contained in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. Management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

AUDITOR

The consolidated financial report of the Group for the year ended 31 December 2015 has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. A resolution will be submitted to the forthcoming annual general meeting to re-appoint the auditors and to authorise the Directors to fix their remuneration.

On behalf of the Board
Sha Min
Chairman

Nanjing, the PRC
23 March 2016

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability. During the year, the Company continued to strengthen its internal governance measures in order to comply with the provisions as set out in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The management occasionally held meetings and discussions to evaluate the effectiveness and the compliance of the internal governance measures. The internal governance measures have been adopted on standards no less exacting than those required by the Code.

The Company has complied with all the applicable code provisions of the Code to establish formal and transparent procedures to protect and maximize the interests of shareholders during the year.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2015.

BOARD OF DIRECTORS AND BOARD MEETING

The Directors of the Company during the year were as follows:

Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Chang Yong (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Xu Su Ming

Mr. Geng Nai Fan

Mr. Shum Shing Kei

Each of the Directors has entered into a service contract with the Company. The service contracts were expired on 31 December 2015 and the further renewal for another terms of three years shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

Corporate Governance Report

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control, risk management and monitoring the performance of the senior management. The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 17 to 18 of this annual report. The Board of Directors held at least one full Board meeting half-yearly. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

The roles of the Chairman and the Chief Executive Officer are segregated. Such segregation helps to reinforce their independence and accountability. The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that good corporate governance practices and procedures are established and that it acts in the best interests of the Group and the Company's shareholders as a whole and that the Board meetings are planned and conducted effectively. On the other hand, the Chief Executive Officer is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming fully accountability to the Board for all the Group's operations.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent. Independent Non-Executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision.

Apart from its statutory responsibilities, the Board of Directors approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board schedules at least two meetings a year at approximately half-yearly intervals and will be met as necessary.

During the year ended 31 December 2015, the Board held four meetings, two of which were regular meetings.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given for a regular Board meeting to give all Directors an opportunity to attend. All Directors are provided with relevant materials relating to the matters brought before the meetings at least three days in advance. The following table shows the attendance of each Director at the Board meetings held during the year.

Corporate Governance Report

Name of Directors	Number of attendance
Executive Directors	
Mr. Sha Min (<i>Chairman</i>)	4/4
Mr. Chang Yong (<i>Vice Chairman</i>)	4/4
Mr. Zhu Xiang (<i>Chief Executive Officer</i>)	4/4
Non-executive Director	
Mr. Ma Jun	4/4
Independent Non-executive Directors	
Mr. Xu Su Ming	4/4
Mr. Geng Nai Fan	4/4
Mr. Shum Shing Kei	4/4

Apart from the above regular board meetings held during the year, the Board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive detailed agenda for decision prior to each board meeting.

During the period under review, an annual general meeting was held on 22 May 2015 and one extraordinary general meeting was held on 19 October 2015. All non-executive directors have attended these general meetings.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by each Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2015 is recorded in the table below.

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending external seminars/ programmes
Executive Directors		
Mr. Sha Min	√	√
Mr. Chang Yong	√	√
Mr. Zhu Xiang	√	√
Non-executive Director		
Mr. Ma Jun	√	√
Independent Non-executive Directors		
Mr. Xu Su Ming	√	√
Mr. Geng Nai Fan	√	√
Mr. Shum Shing Kei	√	√

Corporate Governance Report

REMUNERATION COMMITTEE

The Company's remuneration committee has been approved in the board meeting on 10 November 2005. The terms of references setting out the remuneration committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The remuneration committee currently consists of two independent non-executive Directors, namely Mr. Xu Su Ming (chairman of remuneration committee), Mr. Shum Shing Kei and one executive Director, namely Mr. Zhu Xiang.

The role and function of the remuneration committee included determining the policy for the remuneration of directors, making recommendation to the board of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, making recommendations to the board of the remuneration of non-executive Directors, assessing performance of executive directors and approving the terms of executive directors' service contracts. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration.

One meeting was held during the year by the remuneration committee to review the remuneration packages and assess the performance of executive Directors and the director's fees of the independent non-executive Directors. All members of the remuneration committee attended the said meeting. The remuneration committee plans to meet at least once a year in the coming year.

No Director or any of his/her associates is involved in deciding his/her own remuneration at the meetings of the remuneration committee.

NOMINATION COMMITTEE

The Company's nomination committee was approved and established in the board meeting held on 25 August 2007. The terms of references setting out the nomination committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The nomination committee currently consists of two independent non-executive Directors, namely Mr. Xu Su Ming (chairman of nomination committee), Mr. Geng Nai Fan and one executive Director, namely Mr. Chang Yong.

Building a diverse culture is important to the success of the Company. Educational background and age diversity in addition to meritocracy are areas of focus for the Company's employee base. The same diversity principle is also applied to the composition of the Board to enhance the effectiveness of the Board and its corporate governance standard (the "**Diversity Policy**").

The nomination committee has been delegated the authority to review and assess the diversity of the Board and its skills and experience by way of consideration of a number of factors, including but not limited to, ethnicity, gender, age, cultural and educational background, and professional experience. The committee will give due consideration to the Diversity Policy when identifying and selecting suitably qualified candidates. The ultimate decision will be based on merit and contribution the chosen candidate will bring to the Board.

Corporate Governance Report

The nomination committee is responsible for developing measurable objectives to implement the Diversity Principle and for monitoring progress towards the achievement of these objectives.

The primary duties of the nomination committee are to review the structure, size and composition of the Board on a regular basis, to determine the policy, procedures and criteria of nomination of directors and where necessary, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession plan for Directors.

One meeting was held during the year by the nomination committee to review the nomination procedures and the current composition of the Board. All members of the nomination committee attended the said meeting.

AUDIT COMMITTEE

The Company established an audit committee on 27 August 2003. The terms of references setting out the audit committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The audit committee currently consists of three independent non-executive Directors, namely Mr. Shum Shing Kei (the chairman of the audit committee), Mr. Xu Su Ming and Mr. Geng Nai Fan.

The primary duties of the audit committee are to provide an independent review and supervision of financial reporting, and examines the effectiveness of the internal controls of the Group and ensuring the external auditor are independent and the effectiveness of the audit process. The audit committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls and financial reporting.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possess appropriate professional qualifications or accounting or related financial management expertise. Mr. Shum Shing Kei is an independent non-executive Director who possesses appropriate professional qualifications or accounting or related financial management expertise.

The audit committee held two meetings during the year. Details of the attendance of the audit committee meetings are as follows:

	Number of attendance
Mr. Xu Su Ming	2/2
Mr. Geng Nai Fan	2/2
Mr. Shum Shing Kei	2/2

Corporate Governance Report

During the year, the Group's annual audited results for the year ended 31 December 2014 and the unaudited interim results for the six months ended 30 June 2015 have been reviewed by the audit committee. Besides, the audit committee also reviewed the Group's annual audited results for the year ended 31 December 2015 with a recommendation to the Board for approval. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

No member of the audit committee is a former partner of the existing auditing firm of the Company during the one year after he/she ceases to be a partner of the auditing firm.

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2015 were performed by BDO China Shu Lun Pan Certified Public Accountants LLP. The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditors during the year ended 31 December 2015 are set out below:

	2015 RMB'000	2014 RMB'000
Services rendered		
Audit services		
– BDO China Shu Lun Pan Certified Public Accountants LLP	750	750
Non-audit services	–	–
	<u>750</u>	<u>750</u>

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; and
- (d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on page 39 of this annual report.

Corporate Governance Report

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Wong Lai Yuk, a member of The Hong Kong Institute of Chartered Secretaries. Ms Wong has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the overall responsibility for maintaining a sound and effective system of internal control and risk management and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Company's business strategies and the Group's business operations. The internal control is fundamental to the successful operation and day-to-day running of a business and to assists the Company in achieving its business objectives. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

During the year, the Board convened meetings periodically to discuss all material controls including financial, operational and compliance controls and risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. The Board and the audit committee have conducted reviews on its internal control system and evaluations on the effectiveness and the adequacy of the internal control measures on a regular basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.sampletech.com.cn, where extensive information and updates on the Group's business developments and operations, financial information and other information are available for public access.

Shareholders are provided with contact details of the Company, such as fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in the annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

Code provision A.6.7 stipulates that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding 3% (inclusive) or more of the total voting shares of the Company shall have the right to propose new motions to be included in the agenda of the Company's annual general meeting. The Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the general meetings. In addition, two or more shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting or class meeting by sending a written requisition to the Board. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: No. 10 Maqun Avenue, Qixia District, Nanjing, City
The People's Republic of China
Fax: (8625) 8435 6677
Email: irm@samples.cn

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sampletech.com.cn) immediately after the relevant general meetings.

CHANGE IN CONSTITUTIONAL DOCUMENT

During the period under review, the shareholders of the Company approved the amendment of the Company's Articles of Association to update the name change of a shareholder of the Company, details of which was disclosed in the Company's circular dated 21 April 2015. Save as disclosed, there has been no significant change in the Company's Articles of Association during the year ended 31 December 2015.

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2015 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

During the year under review, the supervisory committee performed supervisory duties faithfully in an active, pragmatic and prudent manner, and provided reasonable recommendations and opinions to the Board in respect of the operation and development plans of the Company. It also strictly and effectively supervised the Company's management in formulating significant policies and making decisions to ensure that they were in compliance with the laws and regulations of the PRC and the articles of association of the Company, and in the interests of the shareholders.

The supervisory committee has carefully reviewed the Company's annual report, audited by BDO China Shu Lun Pan Certified Public Accountants LLP, to be proposed by the Board and agreed that it truly and fully reflects the operating results and asset position of the Company. The supervisory committee has also reviewed the report of the directors. The supervisory committee are of the opinion that the members of the Board, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. Up till now, none of the Directors, general manager, and senior management had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees, or in violation of any laws and regulations and the articles of association of the Company. The supervisory committee is in recognition of the achievement and cost-effectiveness of the Company and has great confidence in the future development prospect of the Company.

On behalf of the Supervisory Committee
Qiu Xiang Yang
Chairman

Nanjing, the PRC
23 March 2016

Auditor's Report

Xin Hui Shi Bao Zi (2016) No. 111132

TO THE SHAREHOLDERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED:

We have audited the accompanying financial statements of Nanjing Sample Technology Company Limited (hereinafter "the Sample Technology Company"), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the 2015 financial year and the notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Sample Technology Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with China Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Report

III. OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Sample Technology Company as at 31 December 2015, and its operating results and cash flows for the 2015 financial year in accordance with the requirements of China Accounting Standards for Business Enterprises.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant: **Yang Xiong**

Chinese Certified Public Accountant: **Zhao Huan Qi**

Shanghai, the People's Republic of China

23 March 2016

Consolidated Balance Sheet

At 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	2015	2014
Current assets:			
Cash at bank and on hand	(I)	1,212,720,957.69	900,982,056.56
Notes receivable	(II)	430,000.00	7,842,580.10
Accounts receivable	(III)	405,045,579.64	234,683,339.39
Prepayments	(IV)	102,561,214.68	42,448,774.83
Interest receivable	(V)	806,088.29	–
Other receivables	(VI)	80,821,123.74	78,119,619.28
Inventories	(VII)	539,754,737.11	577,127,799.95
Other current assets	(VIII)	156,802,978.14	7,444,600.40
Total current assets		2,498,942,679.29	1,848,648,770.51
Non-current assets:			
Available-for-sale financial assets	(IX)	44,520,000.00	119,506,244.94
Long-term equity investments	(X)	3,475,159.72	709,053.12
Investment property	(XI)	211,022,900.00	–
Fixed assets	(XII)	246,314,755.16	412,553,068.26
Construction in progress	(XIII)	25,322,742.02	6,738,396.67
Construction materials	(XIV)	2,911,916.51	4,027,060.50
Intangible assets	(XV)	12,374,724.82	19,506,004.56
Long-term deferred expenses	(XVI)	12,365,667.87	12,881,878.40
Deferred income tax assets	(XVII)	23,895,454.79	10,193,466.27
Other non-current assets	(XVIII)	120,000,000.00	–
Total non-current assets		702,203,320.89	586,115,172.72
TOTAL ASSETS		3,201,146,000.18	2,434,763,943.23
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	(XIX)	508,765,000.00	524,000,000.00
Notes payable	(XX)	81,521,681.76	36,520,312.90
Accounts payable	(XXI)	526,961,876.08	406,030,216.39
Advances from customers	(XXII)	84,041,499.16	60,493,872.25
Staff remuneration payables	(XXIII)	3,137,558.73	397,375.48
Taxes payable	(XXIV)	38,877,388.22	36,188,173.83
Interest payable	(XXV)	1,060,086.67	–
Other payables	(XXVI)	49,094,015.39	47,765,320.26
Non-current liabilities due within 1 year	(XXVII)	27,860,000.00	70,000,000.00
Total current liabilities		1,321,319,106.01	1,181,395,271.11

Consolidated Balance Sheet

At 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	2015	2014
Non-current liabilities:			
Long-term borrowings	(XXVIII)	138,210,000.00	70,000,000.00
Deferred income	(XXIX)	9,128,698.17	9,622,739.47
Deferred income tax liabilities	(XVII)	9,111,725.27	636,670.96
Total non-current liabilities		156,450,423.44	80,259,410.43
Total liabilities		1,477,769,529.45	1,261,654,681.54
Shareholders' equity:			
Share capital	(XXX)	316,823,400.00	224,100,000.00
Capital surplus	(XXXI)	417,042,894.68	99,627,613.95
Other comprehensive income	(XXXII)	30,662,281.62	(3,879,022.15)
Surplus reserve	(XXXIII)	72,085,199.91	51,644,250.39
Undistributed profits	(XXXIV)	832,932,029.03	752,268,735.54
Total equity attributable to the shareholders of the Company		1,669,545,805.24	1,123,761,577.73
Minority interest		53,830,665.49	49,347,683.96
Total shareholders' equity		1,723,376,470.73	1,173,109,261.69
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,201,146,000.18	2,434,763,943.23
Net current assets		1,177,623,573.28	667,253,499.40
Total assets less current liabilities		1,879,826,894.17	1,253,368,672.12

Page 41 to page 169 of the financial statements were signed by the following person in charge:

Sha Min
Director

Zhu Xiang
Director

Sha Min
Legal representative

Miao Yun
Person in charge of
accounting function

Li Cheng Yang
Person in charge of
accounting department

Balance Sheet of the Company

At 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note XV	2015	2014
Current assets:			
Cash at bank and on hand		492,109,598.17	121,916,062.47
Notes receivable		350,000.00	7,752,080.00
Accounts receivable	(I)	117,726,444.46	71,527,607.28
Prepayments		76,642,149.27	29,070,493.76
Interest receivable		486,377.48	–
Other receivables	(II)	77,887,002.51	74,581,674.32
Inventories		43,318,172.08	18,802,276.60
Other current assets		101,480,980.82	2,578,639.90
Total current assets		910,000,724.79	326,228,834.33
Non-current assets:			
Available-for-sale financial assets		44,520,000.00	119,506,244.94
Long-term equity investments	(III)	337,977,688.00	318,077,688.00
Investment property		211,022,900.00	–
Fixed assets		120,054,741.86	270,879,387.26
Construction in progress		25,172,742.02	5,796,131.90
Intangible assets		9,050,454.92	14,941,330.72
Deferred income tax assets		4,810,566.61	3,141,055.36
Other non-current assets		60,000,000.00	–
Total non-current assets		812,609,093.41	732,341,838.18
TOTAL ASSETS		1,722,609,818.20	1,058,570,672.51
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings		210,000,000.00	264,000,000.00
Notes payable		58,634,477.76	10,885,661.00
Accounts payable		63,259,481.87	76,088,595.07
Advances from customers		31,536,250.33	18,176,795.18
Staff remuneration payables		1,685,500.56	97,155.47
Taxes payable		4,527,888.98	5,996,441.60
Interest payable		497,323.13	–
Other payables		21,650,152.01	5,490,885.50
Non-current liabilities due within 1 year		7,860,000.00	40,000,000.00
Total current liabilities		399,651,074.64	420,735,533.82

Balance Sheet of the Company

At 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XV	2015	2014
Non-current liabilities:			
Long-term borrowings		88,210,000.00	–
Deferred income		733,531.62	916,914.52
Deferred income tax liabilities		8,796,998.29	–
Total non-current liabilities		97,740,529.91	916,914.52
Total liabilities		497,391,604.55	421,652,448.34
Shareholders' equity:			
Share capital		316,823,400.00	224,100,000.00
Capital reserve		417,473,099.68	98,283,776.53
Other comprehensive income		35,342,451.12	–
Surplus reserve		72,085,199.91	51,644,250.39
Undistributed profits		383,494,062.94	262,890,197.25
Total shareholders' equity		1,225,218,213.65	636,918,224.17
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,722,609,818.20	1,058,570,672.51
Net current assets		510,349,650.15	(94,506,699.49)
Total assets less current liabilities		1,322,958,743.56	637,835,138.69

Page 41 to page 169 of the financial statements were signed by the following person in charge:

Sha Min
Director

Zhu Xiang
Director

Sha Min
Legal representative

Miao Yun
Person in charge of
accounting function

Li Cheng Yang
Person in charge of
accounting department

Consolidated Income Statement

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2015	2014
I. Total operating income	(XXXV)	1,226,308,423.63	907,225,991.66
II. Total operating cost		1,088,246,082.23	763,727,347.95
Including: Operating cost	(XXXV)	888,061,695.23	610,857,619.95
Taxes and surcharges	(XXXVI)	18,908,597.38	11,430,581.82
Selling and distribution expenses	(XXXVII)	31,520,776.37	25,668,659.74
General and administrative expenses	(XXXVIII)	102,485,667.20	95,488,723.80
Financial expenses	(XXXIX)	23,981,002.21	26,340,633.46
Asset impairment losses	(XL)	23,288,343.84	(6,058,870.82)
Add: Gain on fair value change	(XLI)	9,334,000.00	–
Share of profit of associates and jointly controlled entities	(XLII)	(1,733,893.40)	(90,946.88)
Other investment income	(XLII)	31,762,469.35	–
III. Operating profit		177,424,917.35	143,407,696.83
Add: Non-operating income	(XLIII)	11,168,761.32	24,422,386.96
Less: Non-operating expenses	(XLIV)	201,276.89	158,750.56
IV. Total profit		188,392,401.78	167,671,333.23
Less: Income tax expenses	(XLVII)	21,214,539.66	27,710,185.08
V. Net profit		167,177,862.12	139,961,148.15
Net profit attributable to the shareholders of the Company		164,468,923.01	137,953,042.32
Minority interests		2,708,939.11	2,008,105.83
VI. Net other comprehensive income after tax		34,541,303.77	(102,171.44)
Net other comprehensive income attributable to the shareholders of the Company after tax		34,541,303.77	(102,171.44)
Other comprehensive income to be re-categorized into profit and loss subsequently		34,541,303.77	(102,171.44)
Converted difference in foreign currency statements		(801,147.35)	(102,171.44)
Other		35,342,451.12	–
VII. Total comprehensive income		201,719,165.89	139,858,976.71
Total comprehensive income attributable to the shareholders of the Company		199,010,226.78	137,850,870.88
Total comprehensive income attributable to minority shareholders		2,708,939.11	2,008,105.83

Consolidated Income Statement

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2015	2014
VIII. Earnings per share:			
(1) Basic earnings per share (yuan/share)		0.532	0.616
(2) Diluted earnings per share (yuan/share)		0.532	0.616
IX. Dividend			
	(XLVIII)	63,364,680.00	22,410,000.00

Income Statement of the Company

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2015	2014
I. Operating income	(IV)	274,815,564.06	255,003,429.98
Less: Operating cost	(IV)	176,006,542.39	157,749,597.96
Taxes and surcharges		1,718,602.44	1,192,895.17
Selling and distribution expenses		13,795,835.01	11,526,147.93
General and administrative expenses		48,001,605.90	45,388,861.35
Financial expenses		13,707,030.64	10,784,724.90
Asset impairment losses		11,341,199.26	6,451,891.20
Add: Gain on fair value change		9,334,000.00	–
Share of profit of associates and jointly controlled entities		–	–
Other investment income	(V)	182,168,809.77	20,000,000.00
II. Operating profit		201,747,558.19	41,909,311.47
Add: Non-operating income		7,770,163.79	19,370,906.96
Less: Non-operating expenses		80,588.67	134,274.22
III. Total profit		209,437,133.31	61,145,944.21
Less: Income tax expenses		5,027,638.10	6,236,941.65
IV. Net profit		204,409,495.21	54,909,002.56
V. Total comprehensive income		204,409,495.21	54,909,002.56

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2015	2014
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,083,188,379.61	799,114,111.87
Refund of taxes and surcharges		4,347,101.05	3,242,111.67
Cash received relating to other operating activities	(XLIX).1	174,086,370.10	61,812,271.98
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		1,261,621,850.76	864,168,495.52
		<hr/>	<hr/>
Cash paid for goods and services		931,121,850.67	467,121,635.93
Cash paid to and on behalf of employees		50,383,224.36	45,360,613.05
Payments of tax charges		64,770,493.08	55,008,305.13
Cash paid relating to other operating activities	(XLIX).2	62,255,938.14	113,622,195.93
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		1,108,531,506.25	681,112,750.04
		<hr/>	<hr/>
Net cash flows from operating activities		153,090,344.51	183,055,745.48
		<hr/> <hr/>	<hr/> <hr/>
II. Cash flows from investing activities			
Cash received from disposal of investments		78,986,244.94	–
Cash received from returns on investments		28,196,280.08	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		106,691.86	76,361.29
Net cash received from disposal of subsidiaries and other operating entities		–	–
Cash received relating to other investing activities	(XLIX).3	360,000,000.00	–
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		467,289,216.88	76,361.29
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		32,154,572.13	107,317,226.69
Cash paid to acquire investments		8,500,000.00	18,470,000.00
Net increase of pledged loans		–	–
Net cash paid to acquire subsidiaries and other operating entities		–	–
Cash paid relating to other investing activities	(XLIX).4	630,000,000.00	–
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		670,654,572.13	125,787,226.69
		<hr/>	<hr/>
Net cash flows from investing activities		(203,365,355.25)	(125,710,865.40)
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Cash Flow Statement

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2015	2014
III. Cash flows from financing activities			
Cash received from capital contributions		413,979,069.07	–
Including: Cash received from investment by minority shareholders of subsidiaries		–	–
Cash received from borrowings		635,000,000.00	665,000,000.00
Sub-total of cash inflows from financing activities		1,048,979,069.07	665,000,000.00
Cash repayments of borrowings		493,930,000.00	412,250,000.00
Cash payments for interest expenses and distribution of dividends or profits		101,323,609.16	55,774,668.86
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		–	1,400,000.00
Sub-total of cash outflows from financing activities		595,253,609.16	468,024,668.86
Net cash flows from financing activities		453,725,459.91	196,975,331.14
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,086,438.39	114,581.09
V. Net increase in cash and cash equivalents		405,536,887.56	254,434,792.31
Add: Cash and cash equivalents at beginning of period		782,748,257.94	528,313,465.63
VI. Cash and cash equivalent at end of period		1,188,285,145.50	782,748,257.94

Cash Flow Statement of the Company

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2015	2014
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		281,833,362.70	297,676,852.34
Refund of taxes and surcharges		4,091,180.89	2,916,907.20
Cash received relating to other operating activities		12,244,706.80	11,487,619.21
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		298,169,250.39	312,081,378.75
		<hr/>	<hr/>
Cash paid for goods and services		246,010,650.23	181,131,280.42
Cash paid to and on behalf of employees		25,573,158.19	21,522,926.52
Payments of taxes and surcharges		20,668,950.48	17,521,103.32
Cash paid relating to other operating activities		29,568,764.43	24,494,719.60
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		321,821,523.33	244,670,029.86
		<hr/>	<hr/>
Net cash flows from operating activities		(23,652,272.94)	67,411,348.89
		<hr/> <hr/>	<hr/> <hr/>
II. Cash flows from investing activities			
Cash received from disposal of investments		88,986,244.94	–
Cash received from returns on investments		178,922,331.31	20,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	18,100.00
Cash received relating to other investing activities		180,000,000.00	–
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		447,908,576.25	20,018,100.00
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		26,850,587.32	76,516,558.85
Cash paid to acquire investments		33,900,000.00	18,120,000.00
Cash paid relating to other investing activities		340,000,000.00	–
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		400,750,587.32	94,636,558.85
		<hr/>	<hr/>
Net cash flows from investing activities		47,157,988.93	(74,618,458.85)
		<hr/> <hr/>	<hr/> <hr/>

Cash Flow Statement of the Company

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2015	2014
III. Cash flows from financing activities			
Cash received from capital contributions		413,979,069.07	–
Cash received from borrowings		310,000,000.00	290,000,000.00
Cash received relating to other financing activities		10,578,641.26	–
		<u>734,557,710.33</u>	<u>290,000,000.00</u>
Sub-total of cash inflows from financing activities		734,557,710.33	290,000,000.00
Cash repayments of borrowings		307,930,000.00	186,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		79,833,794.61	34,135,323.92
		<u>387,763,794.61</u>	<u>220,135,323.92</u>
Sub-total of cash outflows from financing activities		387,763,794.61	220,135,323.92
Net cash flows from financing activities		346,793,915.72	69,864,676.08
IV. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		370,299,631.71	62,657,566.12
Add: Cash and cash equivalents at beginning of period		117,861,653.67	55,204,087.55
VI. Cash and cash equivalent at end of period		488,161,285.38	117,861,653.67

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2015										
	Attributable to the shareholders of the Company					Other					Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Others	Minority interest	
I. Closing balance of prior year	224,100,000.00	99,627,613.95	-	(3,879,022.15)	-	51,644,250.39	-	752,288,735.54	-	49,347,683.96	1,173,109,261.69
II. Opening balance of current year	224,100,000.00	99,627,613.95	-	(3,879,022.15)	-	51,644,250.39	-	752,288,735.54	-	49,347,683.96	1,173,109,261.69
III. Changes during the period											
(i) Total comprehensive income	92,723,400.00	317,415,280.73	-	34,541,303.77	-	20,440,949.52	-	80,663,293.49	-	4,482,981.53	550,267,209.04
(ii) Shareholders contribution and capital reduction	-	-	-	34,541,303.77	-	-	-	164,468,923.01	-	2,708,939.11	201,719,165.89
1. Capital contribution by shareholders	92,723,400.00	321,255,669.07	-	-	-	-	-	-	-	-	413,979,069.07
(iii) Profit appropriation	92,723,400.00	321,255,669.07	-	-	-	-	-	-	-	-	413,979,069.07
1. Appropriation to surplus reserves	-	-	-	-	-	20,440,949.52	-	(83,805,229.52)	-	-	(63,364,680.00)
2. Distribution to shareholders	-	-	-	-	-	20,440,949.52	-	(20,440,949.52)	-	-	-
3. Others	-	-	-	-	-	-	-	(63,364,680.00)	-	-	(63,364,680.00)
(iv) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	(3,840,388.34)	-	-	-	-	-	-	-	1,774,042.42	(2,066,345.92)
IV. Closing balance of current period	316,823,400.00	417,042,894.68	-	30,662,281.62	-	72,085,199.91	-	832,992,029.03	-	53,830,665.49	1,723,376,470.73

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Attributable to the shareholders of the Company							Total shareholders' equity			
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk		Undistributed profits	Others	Minority interest
I. Closing balance of prior year	224,100,000.00	99,627,613.95	-	(3,776,850.71)	-	46,153,350.13	-	642,216,593.48	-	48,739,576.13	1,057,060,284.98
II. Opening balance of current year	224,100,000.00	99,627,613.95	-	(3,776,850.71)	-	46,153,350.13	-	642,216,593.48	-	48,739,576.13	1,057,060,284.98
III. Changes during the period	-	-	-	(102,171.44)	-	5,490,900.26	-	110,052,142.06	-	608,105.83	116,048,976.71
(I) Total comprehensive income	-	-	-	(102,171.44)	-	-	-	137,953,042.32	-	2,008,105.83	139,859,976.71
(II) Shareholders contribution and capital reduction	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	5,490,900.26	-	(27,900,900.26)	-	(1,400,000.00)	(23,810,000.00)
1. Appropriation to surplus reserves	-	-	-	-	-	5,490,900.26	-	(5,490,900.26)	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	-	(22,410,000.00)	-	(1,400,000.00)	(23,810,000.00)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	224,100,000.00	99,627,613.95	-	(3,879,022.15)	-	51,644,250.39	-	752,268,735.54	-	49,347,683.96	1,173,109,261.69

Statement of Changes In Equity of the Company

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2015							Total shareholders' equity
	Share capital	Capital reserve	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance of prior year	224,100,000.00	98,283,776.53	-	-	-	51,644,250.39	262,890,197.25	636,918,224.17
II. Opening balance of current year	224,100,000.00	98,283,776.53	-	-	-	51,644,250.39	262,890,197.25	636,918,224.17
III. Changes during the period								
(i) Total comprehensive income	92,723,400.00	319,189,323.15	-	35,342,451.12	-	20,440,949.52	120,603,865.69	588,299,989.48
(ii) Shareholders contribution and capital reduction	-	-	-	35,342,451.12	-	-	204,409,495.21	239,751,946.33
(iii) Profit appropriation	92,723,400.00	321,255,669.07	-	-	-	-	-	413,979,069.07
1. Capital contribution by shareholders	92,723,400.00	321,255,669.07	-	-	-	-	-	413,979,069.07
2. Profit appropriation	-	-	-	-	-	20,440,949.52	(83,805,629.52)	(63,364,680.00)
3. Appropriation to surplus reserves	-	-	-	-	-	20,440,949.52	(20,440,949.52)	-
4. Distribution to shareholders	-	-	-	-	-	-	(63,364,680.00)	(63,364,680.00)
5. Others	-	-	-	-	-	-	-	-
(iv) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-
(vi) Others	-	(2,066,345.92)	-	-	-	-	-	(2,066,345.92)
IV. Closing balance of current period	316,823,400.00	417,473,099.68	-	35,342,451.12	-	72,085,199.91	383,494,062.94	1,225,218,213.65

Statement of Changes In Equity of the Company

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	2014							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance of prior year	224,100,000.00	98,283,776.53	-	-	-	46,153,350.13	235,882,094.95	604,419,221.61
II. Opening balance of current year	224,100,000.00	98,283,776.53	-	-	-	46,153,350.13	235,882,094.95	604,419,221.61
III. Changes during the period								
(I) Total comprehensive income	-	-	-	-	-	5,490,900.26	27,008,102.30	32,499,002.56
(II) Shareholders contribution and capital reduction	-	-	-	-	-	-	54,909,002.56	54,909,002.56
(III) Profit appropriation	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	-	5,490,900.26	(27,900,900.26)	(22,410,000.00)
2. Distribution to shareholders	-	-	-	-	-	5,490,900.26	(5,490,900.26)	-
3. Others	-	-	-	-	-	-	(22,410,000.00)	(22,410,000.00)
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of current period	224,100,000.00	98,283,776.53	-	-	-	51,644,250.39	262,890,197.25	636,918,224.17

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC CORPORATE INFORMATION

(I) Company Overview

1. General information

南京三寶科技股份有限公司 (Nanjing Sample Technology Company Limited*) (the “Company”, together with its subsidiaries, the “Group”) was established in the People’s Republic of China (the “PRC”) and was approved to be reorganised into a joint stock limited company on 28 December 2000.

The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 June 2004. On 22 November 2010, the Company’s H shares were successfully migrated from the GEM to the mainboard of the Stock Exchange (the “Main Board”).

The business registration number of the Company is 320100400023227 and the legal representative of the Company is Sha Min.

The registered capital of the Company is 316,823,400 yuan.

The addresses of the registered office and principal place of business of the Company are located at No. 10 Maqun Avenue, Qixia District, Nanjing City.

2. The nature of the industry

The Group is engaged in the information technology application (IT application) service industry.

3. Scope of business

Computer networks, industrial automation engineering design, installation; electronic products, computer development, manufacture, sale of self-production products, system integration; computer technology consulting and information services; research and development of ITS-based basic information collection technology and equipment.

4. Principal business

The Group is principally engaged in the provision of visual identification and RFID technologies-based full solutions to intelligent transportation, customs logistics and health safely and other application areas.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC CORPORATE INFORMATION *(Continued)*

(I) Company Overview *(Continued)*

5. Basic organizational structure of the Company

The Company has established Shareholders' General Meeting, the Board of Directors and the Supervisory Committee. The Company has: Investment Department, Finance Department, Securities Department, Technology Management Department, Research & Development Department, Human Resources Department, Procurement Department, Administration Department, Marketing Department, Legal Affairs Department, Engineering Technology Department, Office of the President and other functional departments.

6. The financial statements was approved by the board of directors on 23 March 2016.

(II) Scope of consolidated financial statements

As at 31 December 2015, the Company's subsidiaries within the consolidated financial statements are as follows:

Name of subsidiaries

江蘇智運科技發展有限公司(Jiangsu Intellitrans Company Limited*, hereafter referred to as "Jiangsu Intellitrans")

江蘇瑞福智能科技有限公司(Jiangsu Ruifu Intelligent Tech. Co., Limited*, hereafter referred to as "Ruifu")

南京三寶物流科技有限公司(Nanjing Sample Logistic Company Limited*, hereafter referred to as "Logistic")

南京物聯網研究院發展有限公司

(Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited*, hereafter referred to as "Wu Lian Wang")

Sample Technology (H.K.) Co., Limited, hereafter referred to as "Sample HK")

Federal International Enterprise Limited, hereafter referred to as "Federal")

南京城市智能交通股份有限公司(Nanjing City Intelligent Transportation Co., Ltd.*, hereafter referred to as "Intelligent Transportation")

揚州三寶信息技術有限公司(Yangzhou Sample Information Technology Co., Ltd.*, hereafter referred to as "Sample Information")

徐州三寶智能科技發展有限公司(Xuzhou Sample Intelligent Technology Development Co., Ltd.*, hereafter referred to as "Xuzhou Sample")

江蘇跨境電子商務服務有限公司(Jiangsu Cross-border e-Commerce Services Co., Ltd.*, hereafter referred to as "Cross-border e-Commerce")

南京貿互通電子商務有限公司(Nanjing Trade Connect & e-Commerce Co., Ltd.*, hereafter referred to as "Trade Connect")

中青世紀陽光體育科技南京有限公司 (Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.*, hereafter referred to as "Zhongqing Century")

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

The Group's financial statements have been prepared on a going concern basis and based on the actual transactions and matters incurred; in accordance with the China Accounting Standards for Business Enterprises, Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions (2014 Amendments) issued by CSRC and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance ("Hong Kong Companies Ordinance"); and the accounting policies and estimates of Notes III (SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES).

(II) Going concern

The Group has ability to continue as a going concern for at least 12 months since the end of the reporting period and there's no significant events affecting its ability to continue as a going concern.

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

(I) Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Group in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the consolidated and the Company's financial position as at 31 December 2015, and the consolidated and the Company's operating results and cash flow and other related information during the year then ended.

(II) Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

(III) Operating period

The Group's operating period is 12 months.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IV) Reporting currency

The reporting currency of the Company is Renminbi ("RMB"). The reporting currency for the offshore subsidiaries and businesses is the currency of the place in which they operate.

The currency used by the Group in the preparation of the financial statements is RMB.

(V) Accounting treatments for business combinations involving entities under and not under common control

1. Business combinations involving entities under common control

The assets and liabilities acquired by the Group in business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. If there is an inconsistency between the accounting policies adopted by the acquirees and those of the Company, the adjustment will be made by the Group according to the Group's accounting policies at the date of the combination, and the adjusted carrying value will be recognised on this basis.

The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital premium in capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The direct expenses incurred in business combination, including the audit fee, appraisal fee and legal service fee paid by the Group in connection with business combination shall be charged to the profit or loss when incurred.

The administrative charges and commission incurred upon issuance of equity securities in business combination shall be offset against the premium income from equity securities. If such amount cannot be offset by premium income, it shall be adjusted in retained earnings.

2. Business combinations involving entities not under common control

The assets paid and liabilities incurred or committed as a consideration of business combination by the Group were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(V) Accounting treatments for business combinations involving entities under and not under common control *(Continued)*

2. Business combinations involving entities not under common control *(Continued)*

The Group shall allocate the cost of combination on the date of acquisition and recognize the fair value of the identifiable assets, liabilities and contingent liabilities acquired from the acquiree.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Group shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the current period after verification.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the Group and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; if the fair value of any intangible asset can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value; As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations are likely to result in any out-flow of economic benefits from the Group, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values; As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall separately recognized as liabilities and shall be measured in light of their fair values.

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets on the date of acquisition. The Company recognises the relevant deferred tax assets and reduces goodwill accordingly if within 12 months of the acquisition date, new or updated information indicates that on the date of acquisition, the economic benefits brought by the deductible temporary differences is expected to be realized. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. Save as above, all other acquired deferred tax assets recognised under business combination shall be charged to profit or loss for the current period.

For business combinations involving entities not under common control, the agency fee paid by the acquirer such as audit, legal service and evaluation consultation and other management fees shall be recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued by the acquirer as the combination consideration shall be included in the amount of initial recognition of the equity securities or debt securities.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of consolidated financial statements

1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Group is based on controlling interests, and all the subsidiaries (including separate entities controlled by the Group) are included in the consolidated financial statements.

2. Consolidation method

The consolidated financial statements are prepared by the Group based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Group's consolidated financial statements, the Group will treat the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Group. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group. For subsidiaries acquired from a business combination involving entities not under common control, its financial statements are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from a business combination involving entities under common control, its financial statements are adjusted based on the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2. Consolidation method *(Continued)*

(1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity had been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance of retained earnings or current profit or loss in the comparative reporting period.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Group at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognised as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2. Consolidation method *(Continued)*

(2) Disposal of subsidiaries or business

① General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured to fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognised in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

When the Company's shareholding decreased thereby losing control as a result of the additional investment by other investor, the accounting treatment shall be made in accordance with the above principles.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2. Consolidation method *(Continued)*

(2) Disposal of subsidiaries or business *(Continued)*

② Disposal of subsidiary achieved by stages

When disposal of equity interests of subsidiaries through multiple transactions until control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of all transactions of disposal of the subsidiary's equity interests comply with one or more of the following:

- i. These transactions are achieved at the same time or the mutual effects on each other are considered.
- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole.
- iii. Achieving a transaction depends on at least achieving of one of the other transaction.
- iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions. If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be used.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VI) Preparation of consolidated financial statements *(Continued)*

2. Consolidation method *(Continued)*

(3) Acquisition of minority interest of subsidiary

The Group shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings in case the share premium in the capital reserve is insufficient for offsetting.

(4) Partial disposal of equity investment in subsidiary without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets continuously calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient for offsetting.

(VII) Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Group are recognised as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and value change which are fulfilled with four insignificant risk conditions are recognised as cash equivalents.

(VIII) Foreign currency transactions

1. Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Foreign currency monetary items at the balance sheet date shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss for the current period, except for those differences attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as cost of those assets.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(VIII) Foreign currency transactions *(Continued)*

2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owner's equity items other than "undistributed profit" are translated at a spot exchange rate when occurred. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date.

For disposal of overseas operation, the translation difference in the foreign currency financial statements relating to overseas operation be transferred from the owner's equity to the profit and loss account in the current period.

(IX) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of the financial instruments

The financial instruments was classified at the time of initial recognition as: financial assets or financial liabilities are measured at fair value and its change shall be recognised in the profit or loss for the current period, including financial assets or liabilities for trading and held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities etc.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments

- (1) Financial assets or financial liabilities are measured at fair value and its change shall be recognised in the profit or loss for the current period

When acquired, the financial assets or financial liabilities shall be initially recognised at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn), its transaction costs are included in the profit or loss for the current period.

The interest or cash dividend which was gained in the holding period are recognized as investment income. At the end of the period, the change in the fair value of the financial asset or financial liability shall be included in the profit or loss for the period.

When the said financial assets or financial liabilities are on disposal, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the gains and losses arising from the change in fair value shall be adjusted.

- (2) Held-to-maturity investments

Held-to-maturity investments are initially recognised the sum of its fair value at the time of acquisition (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

Interest income is calculated according to the amortised cost and effective interest rate and recorded into investment income during the holding period. The effective interest rate, ascertained when initially obtained, shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When disposed, the difference between the consideration obtained and the carrying amount of the investment shall be recorded into investment income.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments *(Continued)*

(3) Accounts receivable

The receivables that are formed in sale of goods or rendering of services to external parties, and the receivables, except for the debt instruments quoted in an active market, due to the Group from other entities, including accounts receivable, other receivables, etc., are initially recognised at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognised at their present value.

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount is charged to profit or loss for the current period.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised the sum of its fair value when obtained (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

The interests or cash dividends to be obtained during the period the available-for-sale financial assets are held shall be recorded into investment income. By the end of the reporting period, financial assets are measured at fair value, and the change in fair value shall be recorded into other comprehensive income. However, measurement at cost shall be used when there is no quoted price in an active market and the fair value of investments in equity instruments cannot be reliably measured and derivative financial assets is linked to equity instruments where equity instrument shall be settled by delivery.

When disposed, the difference between the consideration obtained and the carrying amount of the financial assets shall be recorded into investment gains or losses; meanwhile, the corresponding disposal portion of accumulated change in fair value previously recorded into other comprehensive income shall be transferred to investment gains or losses.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments *(Continued)*

(5) Other financial liabilities

Other financial liabilities are initially recognised the sum of its fair value and the relevant transaction costs, and subsequently measured at amortised cost.

3. Recognition and measurement of transfer of financial assets

A financial asset shall be derecognised while the Group has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be derecognised if the Group has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making a judgment on whether the transfer of financial assets satisfies the above conditions for derecognition. The transfer of financial assets could be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the two amounts below shall be recorded into profit or loss for the current period:

- (1) The carrying amount of the financial asset transferred;
- (2) The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the shareholders' equities (in cases where the transferred financial asset is available-for-sale financial asset).

If the partial transfer of financial assets satisfies the conditions for derecognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognised part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

- (1) The carrying amount of the derecognised portion;
- (2) The sum of consideration of the derecognised portion and the corresponding derecognised portion of accumulated change in fair value previously recorded into shareholders' equity (in cases where the transferred financial assets are available-for-sale financial assets).

Financial assets will still be recognised if they fail to satisfy the conditions for derecognition, with the consideration received recognised as a financial liability.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IX) Financial instruments *(Continued)*

4. Conditions for derecognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability is derecognized; an agreement is entered between the Group and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the original financial liabilities will be derecognized in full or in part, and the financial liabilities whose terms have been amended shall be recognised as a new financial liability.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Where the Group repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognised part and derecognised part on the repurchase date. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

5. Method of determining the fair values of financial assets and liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(IX) Financial instruments *(Continued)*

6. Impairment provision of financial assets (excluding accounts receivable)

The Group shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

(1) Impairment provision for available-for-sale financial asset:

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively at the end of the period, they will be recognised as impaired, the cumulative loss arising from decline in fair value that had been recognised directly in the shareholders' equity shall be removed from the shareholders' equity and recognised as impairment loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss for the current period.

Impairment losses recognised for an investment in an available-for-sale equity instrument shall not be reversed through profit or loss.

(2) Impairment provision for held-to-maturity investments:

The measurement of the impairment loss for held-to-maturity investments shall be treated with reference to that for the accounts receivable.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(X) Accounts receivable

1 Accounts receivable that are individually significant and subject to separate provision

Individually significant accounts receivable: the amount of accounts receivable are individually more than RMB10 million (including RMB10 million) and other receivables are individually more than RMB5 million (including RMB5 million).

Individually significant accounts receivable are subject to separate impairment test, and if there are objective evidence that they are impaired, the impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount. Accounts receivable which are not impaired according to the separate impairment test, shall be categorised into the corresponding groups for provision of bad debts.

2 Accounts receivable that are subject to bad debts provision by groups based on the credit risk characteristics

Basis for determination of groups:

Group 1	Accounts receivable due from governments
Group 2	Accounts receivable due from non-governments
Group 3	Accounts receivable within the scope of combination
Group 4	Retention monies receivable
Group 5	Other receivables

Methods for provision of bad debts by groups:

Group 1	Discounting method
Group 2	Aging analysis method
Group 3	No provisions are made
Group 4	No provisions are made
Group 5	Aging analysis method

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(X) Accounts receivable (Continued)

2 Accounts receivable that are subject to bad debts provision by groups based on the credit characteristics (Continued)

Where aging analysis method is used for provision of bad debts for groups:

Aging	Provision ratios for accounts receivable (%)	Provision ratios for other receivables (%)
Within 1 year (including 1 year)	3	5
1 to 2 years	8	10
2 to 3 years	30	50
Over 3 years	100	100

Discounting method is used for provision of bad debts for groups which are accounts receivable due from governments. The customer groups of governments refer to the customs, public security and transport departments of the PRC government. For these customer groups, according to historical information, the average terms of credit is 3 to 5 years, and thus their liabilities are discounted at the interest rate of the PRC government bond in the same period to calculate the recoverable amount. Comparison will be made between the discounted value and the carrying amount. Provision will be made for bad debts if there is any impairment.

3 Accounts receivable which are individually insignificant but subject to separate bad debts provision

For individually insignificant accounts receivable, if there is objective evidence that the receivables are impaired at the end of the period, the impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount.

At the end of the period, notes receivable and prepayments which are not classified into groups with similar credit risks characteristics are subject to separate impairment test. If there is objective evidence that the receivables are impaired, the impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount. If there is no impairment identified according to the impairment test, no provision for bad debts shall be recognised.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XI) Inventories

1. Classification of inventories

Inventories include goods in transit, raw materials, circulating materials, goods-in-stock and goods in processing contract and assets formed by construction contracts, etc.

2. Cost of inventories

Cost of inventories is determined using the weighted average method.

3. Basis for the determination of net realisable value for different type of inventories

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling price less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless there is evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realisable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of sales contract.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XI) Inventories *(Continued)*

4. Inventory system

The perpetual inventory system is adopted.

5. Amortisation of low-value consumables and packaging materials

Low-value consumables and packaging materials are amortised using the one-time write-off method.

(XII) Long-term equity investments

1. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Group together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Group.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the investor can exercise significant influence over the investee, the investee is an associate of the Group.

2. Recognition of initial investment cost

(1) Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Group pays cash, transfers non-cash assets, bear debts or issue equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost of long-term equity investments on the date of combination and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XII) Long-term equity investments *(Continued)*

2. Recognition of initial investment cost *(Continued)*

- (1) Long-term equity investments formed through business combination of entities *(Continued)*

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

- (2) Long-term equity investments acquired by other means

The initial cost of investment of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost which is actually paid.

The initial cost of investment of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the non-monetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidence that the fair value of the assets received is more reliable. For non-monetary assets transaction which does not meet the above conditions, the initial cost of investment of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable. The initial cost of investment of a long-term equity investment obtained by the Company through debt restructurings shall be ascertained based on their fair value.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XII) Long-term equity investments *(Continued)*

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for by cost method

Long-term equity investment in subsidiaries of the Group is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised as the Company's shares of the cash dividends or profits declared by the investee.

(2) Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

The Group recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, recognition shall be made after the adjustment of the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XII) Long-term equity investments *(Continued)*

3. Subsequent measurement and recognition of profit or loss *(Continued)*

(2) Long-term equity investment accounted for by equity method *(Continued)*

In recognition of share of losses in the investee, the Group treats it in the following order: Firstly, the Group will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

(3) Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XII) Long-term equity investments *(Continued)*

3. Subsequent measurement and recognition of profit or loss *(Continued)*

(3) Disposal of long-term equity investments *(Continued)*

When the Group loses the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When the Group loses the controls over the investee due to partially disposal of equity investment, the additional investment by other companies causing the Company's shareholding decreased and other reasons, the remaining equities shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities can not impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred on pro rata basis; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XIII) Investment property

Investment property is held to earn rentals or for capital appreciation or both which include leased land use rights; land use rights held for sale after appreciation; leased buildings (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

For investment property where there is an active property market and the Group can obtain the market price and the relevant information regarding the same type of or similar property market, so as to reasonably estimate the fair value of the investment property, the Group adopts the fair value model for subsequent measurement of investment property. Changes in fair value will be charged to the profit and loss for the current period.

To ascertain the fair value for the investment property shall be referenced to the current market price of the same type of or similar property in the active property market. When the current market price of the same type of or similar property cannot be obtained, it shall be referenced to the recent transaction price of the same type of or similar property in the active property market and also shall be considered the status, date and location of transaction, so as to reasonably estimate the fair value of the investment property or the fair value shall be ascertained based on the future expected rental income or the relevant present value of cashflows.

When there's evidence that the fair value of an investment property cannot be reliably obtained, the investment property when firstly acquired shall be measured by the cost model until disposal and assuming no residual value.

The net amount of proceeds from sale, transfer, retirement or damage of an investment property after deduction of its carrying amount and related taxes and expenses shall be recognised in profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XIV) Fixed assets

1. Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed asset is recognised when it meets the following conditions:

- (1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) and its cost can be reliably measured.

2. Method for depreciation of different fixed assets

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining useful life of the leased asset.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XIV) Fixed assets *(Continued)*

2. Method for depreciation of different fixed assets *(Continued)*

The useful life and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	30	5	3.17
Machinery and equipment	10	5	9.50
Transportation equipment	5	5	19.00
Electronic and office equipment	3-10	5	9.5-31.67

3. Recognition basis and measurement method of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Group and the lessor, assets under finance lease will be recognised:

- (1) upon the expiry of lease, the ownership of the leased asset is transferred to the Group;
- (2) The Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- (3) the lease term accounts for the majority of the useful life of the leased asset;
- (4) the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset.

On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XV) Construction in progress

Construction in progress is measured and recognised as fixed assets at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

(XVI) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

Borrowing costs refers to the borrowing interests, amortisation of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Group that are directly attributable to the acquisition, construction or production of assets qualified for capitalisation, the costs will be capitalised and included in the costs of the related assets. Other borrowing costs shall be recognised as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalisation are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs begins when the following three conditions are fully satisfied:

- (1) expenditures for the assets (including cash paid, transferred non-monetary assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalisation) have been incurred;
- (2) borrowing costs have been incurred;
- (3) acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XVI) Borrowing costs *(Continued)*

2. Capitalisation period of borrowing costs

The capitalisation period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalisation of borrowing costs is temporarily suspended.

Capitalisation of borrowing costs shall be suspended when the qualifying asset under acquisition and construction or production is ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of its relevant borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

3. Suspension of capitalisation period

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalisation of the borrowing costs shall continue. The borrowing costs incurred during such suspension period shall be recognised as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalisation of borrowing costs commences.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XVI) Borrowing costs *(Continued)*

4. Calculation of capitalisation of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalised amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalisation rate of the general borrowing used. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

Where there is any discount or premium for the borrowings, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined based on the effective interest method and an adjustment shall be made to the amount of interests in each period.

(XVII) Intangible assets

1. Valuation method of intangible assets

- (1) Intangible assets are initially measured at cost upon acquisition

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XVII) Intangible assets *(Continued)*

1. Valuation method of intangible assets *(Continued)*

- (1) Intangible assets are initially measured at cost upon acquisition *(Continued)*

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

- (2) Subsequent measurement

The Company shall analyse and judge the useful life of intangible assets upon acquisition.

As for intangible assets with a finite useful life, they are amortised using the straight-line method over the term in which economic benefits are brought to the Group; If the term in which economic benefits are brought to the Group by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite useful life, and shall not be amortised.

2. Estimated useful lives for the intangible assets with finite useful life:

Items	Estimated useful lives (year(s))	Basis
Land use rights	50	Terms of the land lease
Software	8	expected useful lives
Know-how	8	expected useful lives

For an intangible asset with a finite useful life, review on its useful life and amortisation method is performed at each period-end.

Upon review, useful life and amortisation method for the intangible assets are no different from the previous estimate at the end of this period.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XVII) Intangible assets *(Continued)*

3. **Judgement basis for the intangible assets with indefinite useful lives and the procedure for review of its useful lives**

As of the balance sheet date, there weren't intangible assets with indefinite useful lives.

4. **Specific criteria for the division of research phase and development phase**

The expenses for internal research and development projects of the Group are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

5. **Specific criteria for expenses qualified for capitalization in the development phase**

The expenses in the development phase for internal research and development projects are recognized as intangible assets if the following conditions are fulfilled:

- (1) it is technically feasible to complete such intangible asset so that it will be available for use or for sale;
- (2) there is intention to complete the intangible asset for use or sale;
- (3) the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- (4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- (5) the expenses attributable to the development stage of the intangible asset can be measured reliably.

Expenses incurred during the development stage which do not meet the above conditions, are accounted for in profit or loss for the current period when it is incurred. Expenses incurred during the research phase are accounted for in the profit or loss for the current period when it is incurred.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XVIII) Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, projects under construction, intangible assets with finite useful life that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill and intangible assets with indefinite useful life shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the relevant sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill existed, an impairment test will be made firstly on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then the Company will make an impairment test on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent accounting periods.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(XIX) Long-term deferred expenses

Long-term deferred expenses are expenditures and other expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. Long-term deferred expenses are amortized evenly over the estimated benefit period.

Type	Amortization method	Amortization period	Note
Renovation fee	Straight-line method	5 years	Benefit period
e-Card fee	Straight-line method	5 years	Benefit period
Consultation fee	Straight-line method	5 years	Benefit period
Insurance	Straight-line method	2 years	Benefit period

(XX) Employee remuneration

1. Method of accounting treatment for short-term remuneration

During the accounting period when the staff provides service, the Group will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Group will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Group will determine the relevant amount of employee remuneration in accordance with the required provision basis and provision ratios.

Employee welfare is non-monetary benefits which are measured at fair value.

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

The Group will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Group will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to basic pension insurance, the Group also established the enterprise annuity payment system (supplementary pension insurance)/enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Group makes payment to local social insurance agencies/annuity scheme based on a certain proportion of total staff remunerations. Corresponding expenditure is included in the profit or loss for the current period or costs of related assets.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XX) Employee remuneration *(Continued)*

2. Method of accounting treatment for retirement benefit plan *(Continued)*

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or relevant costs of assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets of the defined benefit scheme. When the defined benefit scheme has surplus, the Group will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All defined benefit plans obligations, including the expected duty of payment within 12 months after the end of annual reporting period during which the staff provided service, were discounted based on the bond market yield of sovereign bond matching the term of defined benefit plans obligations and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme would be charged into the current profits and loss or relevant costs of assets. The changes generated from the re-calculation of the net liabilities or net assets of the defined benefit scheme would be included in the other comprehensive income and are not reversed to profit or loss in a subsequent accounting period.

When the defined benefit scheme is settled, the gain or loss is recognised based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

3. Method of accounting treatment for termination benefits

The Group will pay termination benefits when the Group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs and expense for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognized as liabilities which would be charged into current profits and loss.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXI) Estimated liabilities

1. Recognition criteria for estimated liabilities

The Group shall recognise the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

2. Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXI) Estimated liabilities *(Continued)*

2. Method of measuring the various estimated liabilities *(Continued)*

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

(XXII) Revenue

1. Principles of recognition of the revenue from sales of goods and method of measurement

(1) *Recognition of the revenue from sales of goods and general principles of measurement*

Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have been transferred to the buyer; the Group does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods; the amount of revenue can be reliably measured; when it is probable that the economic benefits associated will flow to the Group and when the relevant amount of costs incurred or to be incurred can be measured reliably.

(2) *Specific criteria for judging recognition of the revenue from sales of goods of the Group*

Sales of goods (products) of the Group mainly consist of sales of software products and sales of special RFID equipment. For installation-free products, income is recognised after delivery and inspection by the purchaser. For products required installation and testing, income is recognised after completion of the project and inspection of the client as stipulated in the relevant contracts or agreements.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXII) Revenue *(Continued)*

2. Principles of recognition of revenue from abalienating the right of use assets and method of measurement

When the economic benefit related to the transaction will very likely flow to the Group and the income amount can be reliably measured, the income amount from abalienating the right to use assets is recognized according to the below conditions:

- (1) The amount of interest income will be calculated and determined by the time when others use the Group's monetary capital and the effective interest rate.
- (2) Income from the use of the assets is calculated and determined with reference to the agreed chargeable hours and calculation method stipulated in the relevant contracts or agreements.

3. Principles of recognition of revenue from rendering of services and method of measurement

Revenue from rendering of services of the Group mainly consists of technological development revenue and maintenance revenue, of which:

- (1) Technological development revenue is recognized as realized after completion of technological developing projects undertaken and inspection of the client;
- (2) Maintenance revenue is recognized as realized at the total revenue as stipulated in relevant contracts amortised over period of rendering of services thereunder.

4. Principles of recognition of revenue from general system integration and method of measurement

General system integration projects of the Group are integration projects for customs logistics. Revenue of such projects is recognized on a one-off basis, which is to be recognized as realized at receiving the payment or receipt after rendering the services and inspection of the party receiving the services.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXII) Revenue *(Continued)*

5. Principles of recognition of revenue from construction contract using percentage of completion method and method of measurement

- (1) *Specific criteria for judging recognition of revenue of the Group from construction contract using percentage of completion method*

Revenue from intelligent transportation construction development projects of the Group in progress are recognized using percentage of completion method in accordance with the stipulation of the construction contract. Specific principles are as follows:

- ① When outcome of contracts of intelligent transportation construction development projects can be reliably measured, the Group shall recognize revenue and expenses related to such contracts on the balance sheet date using percentage of completion method. The percentage of completion is determined as the proportion of work under such contracts performed to total work estimated in such contracts.
- ② When outcome of contracts of intelligent transportation construction development projects cannot be reliably measured, it shall be treated as following respectively:
 - If cost of the contracts is recoverable, sales revenue of the projects are recognized based on the actual recoverable contractual cost, which is recognized as current contractual expenses;
 - If cost of the contracts is unrecoverable, it is recognized as current contractual cost at occurrence and is not recognized as sales revenue of the projects.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXII) Revenue *(Continued)*

5. Principles of recognition of revenue from construction contract using percentage of completion method and method of measurement *(Continued)*

(2) *Business characteristics relevant to revenue from construction contract using percentage of completion method and general principles of measurement*

Intelligent transportation business of the Group is carried out by direct sales through tender, in which the Group directly provides customers with complete system integrating services, specifically: to design industrial solutions by itself, develop or direct procurement of software systems by itself, purchase in the market or produce by itself general equipment, engage factories certified to manufacture hardware equipment of correspondent systems to manufacture special hardware equipment and finally combine these three elements into a complete information system through overall coordination, management, installation and adjustment. Duration of intelligent transportation projects of the Group, being the period from commencement of work to the completion, is generally 12 months, where the shortest can be 6 months and the longest more than 24 months. As these projects involves higher contractual amount and spread over more than one balance sheet date and accounting period, their revenue is recognized according to their construction contracts.

(XXIII) Government grant

1. Types

Government grants are monetary assets or non-monetary assets obtained from the government by the Group at no consideration, and are classified into government grant related to asset and government grant related to income.

Government grants related to assets is obtained by the Group for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets. Government grants related to revenue refer to the government grants other than those related to assets.

The standard for the Group to classify the government grant as asset-related is: government grant that is used to purchase or form long-term assets in any other method, including the government allocations for purchase of fixed assets or intangible assets and financial interest subsidy for special loans for fixed assets.

The standard for the Group to classify the government grant as income-related is: government grant other than asset-related government grants.

2. Recognition time point

Government grants related to assets, recognition shall be made when the asset constructed or procured is put into use or relevant inspection report is obtained from the relevant departments.

Government grants related to income are recognized when the grants are received.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES *(Continued)*

(XXIII) Government grant *(Continued)*

3. Accounting treatment

Government grants related to assets should be presented as deferred income and recognized as non-operating income evenly over the useful life of the assets constructed or procured.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Group in subsequent periods, the grant shall be recognized as deferred income, and recognized in non-operating income over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred by the Group, the grant shall be recognized immediately as non-operating income for the current period.

(XXIV) Deferred tax assets and liabilities

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred tax liabilities shall be recognised for the taxable temporary difference.

The exceptions for not recognition of deferred tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets, repay debt, at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

The Group was granted the legal rights of net settlement of current income tax assets and current income tax liabilities. Deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Group records the net amount after offsetting its current income tax assets and current income tax liabilities.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(XXV) Change in major accounting policies and accounting estimates

1. Change in major accounting policies

There were no changes in major accounting policies of the Group during the reporting period.

2. Change in major accounting estimates

There were no changes in major accounting estimates of the Group during the reporting period.

IV. TAXATION

(I) Main types of taxes and corresponding rates

Tax Name	Tax basis	Standard tax rate
Value-added Tax ("VAT")	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	17%, 6%
Business tax	Based on taxable revenue	3%
City maintenance and construction tax	Based on business tax paid and VAT payable	7%
Enterprise income tax	Based on taxable profits	25%
Education surcharge	Based on business tax paid and VAT payable	3%
Local education surcharge	Based on business tax paid and VAT payable	2%

Effective tax rate of enterprise income tax of the companies of the Group

Name of the company	Effective tax rate	Notes
The Company	15%	High and new technology enterprise
Jiangsu Intellitrans Company Limited	15%	High and new technology enterprise
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	15%	High and new technology enterprise
Sample Technology (H.K.) Co., Limited	16.5%	Overseas company (Hong Kong)
Federal International Enterprise Limited	16.5%	Overseas company (Hong Kong)
Nanjing City Intelligent Transportation Co., Ltd.	12.5%	Software company
Other subsidiaries	25%	

The offshore subsidiaries of the Company were taxed at the local applicable income tax rate.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Tax preferential and approval document

1. VAT

The VAT preferential policy relating to the sales revenue of software products are: (1) In accordance with the requirements of the document (財稅[2000]25號) of Ministry of Finance and State Administration of Taxation, from 24 June 2000 to the end of 2010, as for the sales of the self-developed and produced software products by the VAT general tax payers, after the VAT is levied at a statutory tax rate of 17%, the VAT refund policies will be applied for the excess of the actual VAT burden over 3%. The refunded tax will be used by the enterprise for the research and development of software products and the expansion of production, not as the taxable income for the enterprise income tax and will not levied the enterprise income tax. (2) On 28 January 2011, the State Council issued the Circular on the Certain Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry (國發[2011]4號), pursuant to which, the preferential VAT policies for software industry shall continue.

On 16 July 2001, the Company obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 24 June 2003, Nanjing Sample Logistic Company Limited obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 11 September 2003, Jiangsu Intellitrans Company Limited obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 19 August 2004, Jiangsu Ruiifu Intelligent Tech. Co., Ltd. obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. On 17 September 2012, Nanjing City Intelligent Transporations Co., Ltd. obtained the Software Enterprise Verification Certificate (軟件企業認定證書) and was certified as software enterprise. The above companies selling self-developed-and-manufactured software products enjoy the said preferential VAT policies.

2. Enterprise income tax

On 2 September 2014, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the effective tax rate of enterprise income tax for the Company is 15% in 2015.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Tax preferential and approval document (Continued)

2. Enterprise income tax (Continued)

On 31 October 2014, Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2015.

On 6 July 2015, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% in 2015.

On 17 September, 2012, Nanjing City Intelligent Transportation Co., Ltd. a subsidiary of the Group, obtained the Software Enterprise Verification Certificate issued by the Jiangsu Economic and Information Commission (江蘇省經濟和信息化委員會) and was identified as software enterprise. According to the relevant provisions of the notice on a number of preferential policies on enterprise income tax by the Ministry of Finance, State Administration of Taxation, the software enterprises can enjoy 2-Year Free and 3-Year Half of enterprise income tax incentives. According to the notice issued by the tax authorities in-charge of the company, the company is exempted from enterprise income tax in 2012 and 2013. The effective tax rate of enterprise income tax of the Company for 2014, 2015, 2016 is 12.5%.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS:

(Note: Asset and liability items are as at 31 December of each year)

(I) Cash at bank and on hand

Item	2015	2014
Cash on hand	164,248.41	275,658.26
Bank deposits	1,188,120,897.09	782,472,599.68
Others	24,435,812.19	118,233,798.62
Total	1,212,720,957.69	900,982,056.56
Including: Total amount of deposits abroad	35,575,673.89	33,807,807.77

Of which, details of restricted cash are listed as below:

Items	2015	2014
Deposits for bank accepted bills of exchange	10,433,292.79	91,849,992.02
Deposits of guarantee letter	14,002,519.40	26,258,806.60
Guarantee deposits	—	125,000.00
Total	24,435,812.19	118,233,798.62

Note: The above deposits have been excluded from the closing balance of cash and cash equivalents, and included in the cash relating to other operating activities.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(II) Notes receivable

1. Classification of notes receivable

Type	2015	2014
Bank accepted bills of exchange	430,000.00	7,842,580.10

2. There were no pledged notes receivable at the end of the year.

3. At the end of the year, notes receivable endorsed or discounted and not yet due as at the end of the year

Item	Derecognized amount at the end of the year	Amount not yet derecognize at the end of the year
Endorsed bank accepted bills of exchange	6,919,500.00	-
Total	6,919,500.00	-

4. There were no notes receivable which were converted to account receivables due to the drawer's inability to settle the note at the end of the year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(III) Accounts receivable

1. The aging analysis of accounts receivable

Aging	2015				2014			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	Percentage		Provision		Percentage		Provision	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year	331,003,412.85	73.04	10,368,895.12	3.13	106,752,852.16	40.75	3,462,176.24	3.24
1 to 2 years	50,626,354.38	11.17	4,101,926.16	8.10	126,652,359.26	48.34	9,876,519.70	7.80
2-3 years	47,186,046.85	10.41	14,010,676.43	29.69	19,039,435.14	7.27	4,556,994.18	23.93
Over 3 years	24,381,149.80	5.38	19,669,886.53	80.68	9,534,907.58	3.64	9,400,524.63	98.59
Total	453,196,963.88	100.00	48,151,384.24	10.62	261,979,554.14	100.00	27,296,214.75	10.42

2. Disclosure of accounts receivable by categories

Categories	2015					2014				
	Closing balance		Provision for bad debts		Carrying Amount	Closing balance		Provision for bad debts		Carrying Amount
	Percentage		Provision			Percentage		Provision		
	Amount	(%)	Amount	(%)	Amount	Amount	(%)	Amount	(%)	Amount
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-	-
Including: due from governments	27,090,639.81	5.98	4,996,581.02	18.44	22,094,058.79	30,688,029.18	11.71	2,588,404.38	8.43	28,099,624.80
due from non-governments	426,106,324.07	94.02	43,154,803.22	10.13	382,951,520.85	231,291,524.96	88.29	24,707,810.37	10.68	206,583,714.59
Sub-total for the group	453,196,963.88	100.00	48,151,384.24	10.62	405,045,579.64	261,979,554.14	100.00	27,296,214.75	10.42	234,683,339.39
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
Total	453,196,963.88	100.00	48,151,384.24	10.62	405,045,579.64	261,979,554.14	100.00	27,296,214.75	10.42	234,683,339.39

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(III) Accounts receivable (Continued)

2. Disclosure of accounts receivable by categories (Continued)

In the groups, provision for bad debts for accounts receivable due from governments are made using discounting method:

Category	2015		2014	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	27,090,639.81	4,996,581.02	30,688,029.18	2,588,404.38

In the groups, provision for bad debts for accounts receivable due from non-governments are made using aging analysis:

Aging	2015				2014			
	Closing balance		Provision		Closing balance		Provision	
	Amount	Percentage (%)	Provision for bad debts	Percentage (%)	Amount	Percentage (%)	Provision for bad debts	Percentage (%)
Within 1 year	322,661,856.53	75.72	9,679,855.69	3.00	93,928,185.25	40.61	2,817,845.55	3.00
1 to 2 years	42,813,560.78	10.05	3,425,084.86	8.00	117,561,496.46	50.83	9,404,919.72	8.00
2 to 3 years	43,687,205.85	10.25	13,106,161.76	30.00	10,452,568.79	4.52	3,135,770.64	30.00
Over 3 years	16,943,700.91	3.98	16,943,700.91	100.00	9,349,274.46	4.04	9,349,274.46	100.00
Total	426,106,324.07	100.00	43,154,803.22		231,291,524.96	100.00	24,707,810.37	

3. There were no actual write-off of accounts receivable in the current year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(III) Accounts receivable (Continued)

4. The situation of provision, reversal or receipt of provision of bad debts for the current year

Item	2014	Increase for the current period	Decrease for the current period	2015
Provision of bad debts	27,296,214.75	20,855,169.49	-	48,151,384.24

5. Particulars of the top five of accounts receivable at the end of the year

Name of Unit	Accounts Receivable	2015 Percentage of the total accounts receivable (%)	Provision of bad debts
Ka Lung Int'l Industrial (HK) Limited	39,159,336.55	8.64	1,174,780.10
Shijiazhuang Pan-Technology Development Co., Ltd. (石家莊泛安科技開發有限公司)	33,290,118.23	7.34	998,703.55
Nanjing City Public Security Bureau (南京市公安局)	27,767,788.00	6.13	950,750.40
Sichuan Li Pan Expressway Co., Ltd. (四川麗攀高速公路有限公司)	17,086,272.22	3.77	512,588.17
Sichuan Guanggan Expressway Co., Ltd. (四川廣甘高速公路有限責任公司)	15,846,692.88	3.50	475,400.79
Total	133,150,207.88	29.38	4,112,223.01

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(III) Accounts receivable (Continued)

6. There were no accounts receivables derecognised due to transfer of financial assets in the current year.
7. There were no accounts receivables not completely derecognised but transferred in the current year.
8. There were no accounts receivable-backed securitisations in the current year.

(IV) Prepayments

1. Prepayments by aging

Aging	2015		2014	
	Closing balance	Percentage (%)	Closing balance	Percentage (%)
Within 1 year	95,112,552.42	92.74	36,527,805.18	86.05
1 to 2 years	4,961,842.61	4.84	3,362,263.65	7.92
2 to 3 years	971,093.65	0.95	2,427,742.61	5.72
Over 3 years	1,515,726.00	1.47	130,963.39	0.31
Total	102,561,214.68	100.00	42,448,774.83	100.00

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(IV) Prepayments (Continued)

2. Particulars of the top five of prepayments at the end of the year

Name of Unit	Relationship with the Company	Closing balance	Aging	Reason of unsettlement
Yishang Mingtian Technology Co., Ltd. (易尚明天科技有限公司)	Supplier	61,050,000.00	Within 1 year	prepayments for raw materials
Jiangsu Machinery Engineering Co., Ltd. (江蘇省機械施工有限公司)	Supplier	5,000,000.00	Within 1 year	prepayments for construction work
Beijing Shuzhiyuan Technology Co., Ltd. (北京數智源科技股份有限公司)	Supplier	3,243,427.67	1-2 years	prepayments for construction work
Fujian Expressway Information Technology Co., Ltd. (福建省高速公路信息科技有限公司)	Supplier	3,038,864.50	Within 1 year	prepayments for construction work
Shanghai Sansi Engineering Co., Ltd. (上海三思工程有限公司)	Supplier	2,295,416.00	Within 1 year	prepayments for construction work
Total		74,627,708.17		

3. There were no significant prepayments aged over 1 year included in the closing balance at the end of the year.

(V) Interest receivable

Item	2015	2014
Interest receivable from entrusted loan	444,444.45	—
Interest receivable from asset management plan	361,643.84	—
Total	806,088.29	—

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VI) Other receivables

1. The aging analysis of other receivables

Types	2015				2014			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	Percentage		Provision percentage		Percentage		Provision percentage	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Within 1 year (including one year)	42,498,288.83	50.54	686,700.01	1.62	37,124,650.74	46.61	202,261.75	0.54
1 to 2 years	6,916,105.76	8.22	36,747.59	0.53	8,194,013.74	10.29	32,012.20	0.39
2 to 3 years	2,667,962.30	3.17	17,027.50	0.64	24,270,369.55	30.47	1,265,529.80	5.21
Over 3 years	32,012,491.54	38.07	2,533,249.59	7.91	10,067,458.99	12.63	37,069.99	0.37
Total	84,094,848.43	100.00	3,273,724.69	3.89	79,656,493.02	100.00	1,536,873.74	1.93

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VI) Other receivables (Continued)

2. Disclosure of other receivables by categories

Types	2015					2014				
	Closing balance		Provision for bad debts			Closing balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Provision percentage (%)	Carrying amount
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-	-
Including: Retention monies	67,426,067.90	80.18	-	-	67,426,067.90	72,723,006.34	91.30	-	-	72,723,006.34
Others	16,668,780.53	19.82	3,273,724.69	19.64	13,395,055.84	6,933,486.68	8.70	1,536,873.74	22.17	5,396,612.94
Sub-total for the group	84,094,848.43	100.00	3,273,724.69	3.89	80,821,123.74	79,656,493.02	100.00	1,536,873.74	1.93	78,119,619.28
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
Total	84,094,848.43	100.00	3,273,724.69	3.89	80,821,123.74	79,656,493.02	100.00	1,536,873.74	1.93	78,119,619.28

In the groups, provision for bad debts for other receivables is made using aging analysis:

Aging	2015				2014			
	Closing balance		Provision		Closing balance		Provision	
	Amount	Percentage (%)	Provision for bad debts	percentage (%)	Amount	Percentage (%)	Provision for bad debts	percentage (%)
Within 1 year	13,734,000.00	82.39	686,700.01	5.00	4,045,235.04	58.34	202,261.75	5.00
1 to 2 years	367,475.94	2.21	36,747.59	10.00	320,122.05	4.62	32,012.20	10.00
2 to 3 years	34,055.00	0.20	17,027.50	50.00	2,531,059.60	36.50	1,265,529.80	50.00
Over 3 years	2,533,249.59	15.20	2,533,249.59	100.00	37,069.99	0.54	37,069.99	100.00
Total	16,668,780.53	100.00	3,273,724.69		6,933,486.68	100.00	1,536,873.74	

3. The situation of provision, reversal or receipt of provision of bad debts for the current year

Item	2014	Increase for the current period	Decrease for the current period	2015
Provision of bad debts	1,536,873.74	1,736,850.95	-	3,273,724.69

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VI) Other receivables (Continued)

4. There were no actual write-off of other receivables in the current year.

5. Classification of other receivables by nature

Nature	2015	2014
Retention monies	67,426,067.90	72,723,006.34
Petty Cash	2,857,995.18	3,679,255.42
Export tax refund	7,203,995.08	—
Other	6,606,790.27	3,254,231.26
Total	84,094,848.43	79,656,493.02

6. Particulars of the top five of other receivable at the end of the year

Name	Nature or content	Closing balance	Aging	Percentage of the total other receivables (%)	Closing amount of provision of bad debts
Nanning Ningwu Expressway Co., Ltd. (南平寧武高速公路有限責任公司)	Retention monies	10,485,236.00	Over 3 years	12.47	—
Jiangning District Tax Bureau (江寧區國稅局)	Export tax refund	7,164,052.94	Within 1 year	8.52	358,202.65
Headquarter for Construction of Yunnan Meng-Xin Expressway (雲南蒙新高速公路建設指揮部)	Retention monies	5,050,000.00	Over 3 years	6.00	—
Hunan Province Jihuai Expressway Construction and Development Co., Ltd. (湖南省吉懷高速公路建設開發有限公司)	Retention monies	4,616,206.38	Over 3 years	5.49	—
Sichuan Baguangyu Expressway Development Co., Ltd. (四川巴廣渝高速公路開發有限責任公司)	Retention monies	4,162,030.00	Within 1 year	4.95	—
Total		31,477,525.32		37.43	38,202.65

7. There were no other receivables derecognised due to transfer of financial assets in the current year.

8. There were no other receivables not completely derecognised but transferred in the current year.

9. There were no other receivables-backed securitisations in the current year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VII) Inventories

1. Classification of Inventories

Items	2015			2014		
	Closing balance	Provision for declines in value of inventories	Carrying amount	Closing balance	Provision for declines in value of inventories	Carrying amount
Raw materials	487,787.57	-	487,787.57	595,615.61	-	595,615.61
Commodity Stocks	10,875,002.46	1,498,796.37	9,376,206.09	10,583,597.25	1,013,597.23	9,570,000.02
Work in progress	39,267,844.44	-	39,267,844.44	16,195,170.77	-	16,195,170.77
Assets of construction contract completed but not yet settle	490,622,899.01	-	490,622,899.01	550,767,013.55	-	550,767,013.55
Total	541,253,533.48	1,498,796.37	539,754,737.11	578,141,397.18	1,013,597.23	577,127,799.95

2. Provisions for declines in the value of inventories

Type of inventory	2014	Current period provision	Current period reductions	2015
			Reversal Write-off	
Commodity stocks	1,013,597.23	696,323.40	- 211,124.26	1,498,796.37
Total	1,013,597.23	696,323.40	- 211,124.26	1,498,796.37

3. Assets of construction contract completed but not yet settle

Items	2015	2014
Accumulated costs incurred	1,920,574,740.36	1,039,805,695.22
Accumulated recognised gross profit	591,773,820.69	306,405,837.10
Less: Expected loss	-	-
Amount billed	2,021,725,662.04	795,444,518.77
Assets of construction contract completed but not yet settle	490,622,899.01	550,767,013.55

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VII) Inventories (Continued)

4. Major construction projects at the end of the year

Items	Year of Commencement	Contracted value of the project	Accumulated progress of completion	Accumulated costs incurred	Accumulated recognised gross profit	Accumulated progress billings	Inventory at the year-end
Section A5 contract for project of the Eastern section of Chengdu Second Ring Expressway 成都第二繞城高速公路東段項目第A5合同段	2014	293,050,088.00	90.00%	253,219,525.75	78,479,677.28	201,894,409.00	129,804,794.03
Ancillary works for Xuzhou City Third Ring West Road Elevated Expressway Project 徐州市三環西路高架快速路附屬工程	2015	190,621,168.00	90.00%	149,645,835.97	30,520,951.20	79,150,000.00	101,016,787.17
Electrical and mechanical engineering monitoring, toll, communications systems project for the Putian section of Meizhou Bay to Chongqing Expressway 涇洲灣至重慶高速公路莆田段機電工程監控、收費、通信系統	2015	54,817,133.00	-	29,724,004.34	-	-	29,724,004.34
2nd stage of Intelligent traffic management system Phase I of Suzhou Industrial Park 蘇州工業園區智能交通管理系統二期二階段	2014	69,801,297.98	96.89%	44,831,290.02	22,997,616.83	40,191,635.53	27,637,271.32
Xuzhou City Transportation Bureau (ancillary works construction cooperation contract for Xuzhou Third Ring East Road Elevated Expressway Project 徐州市交通運輸局(徐州市三環東路高架快速路項目附屬工程合作建設合同)	2014	200,000,000.00	100.00%	185,228,423.16	39,500,000.00	200,000,000.00	24,728,423.16
Section S7 Traffic Engineering of widening & expansion project of Huizhou section of Huizhou-Shenzhen Expressway 惠深高速公路惠州段加寬改擴建工程交通工程S7合同段	2015	86,989,244.00	82.26%	61,107,855.03	20,036,626.71	57,201,630.58	23,942,851.16
Construction tender 24 Mechanical and electrical engineering (including mechanical and electrical for tunnel) for Huishui of Guizhou Province to Luodian Highway 貴州省惠水至羅甸公路機電工程(含隧道機電)施工24標	2014	66,971,735.00	80.00%	41,149,745.62	16,069,252.16	35,514,071.00	21,704,926.78

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VII) Inventories (Continued)

4. Major construction projects at the end of the year (Continued)

Items	Year of Commencement	Contracted value of the project	Accumulated progress of completion	Accumulated costs incurred	Accumulated recognised gross profit	Accumulated progress billings	Inventory at the year-end
Bazhong to Nanchong to Guang'an (Sichuan and Chongqing border) Highway JD9 project 巴中至南充至廣安(川渝界)高速公路工程項目 JD9	2015	41,420,300.00	-	15,953,472.35	-	-	15,953,472.35
Electromechanical Engineering for Fujian Xiacheng Expressway Zhangzhou section and Chang Tai Mei Gong to Chen Xian Highway Traffic (Zhangzhou Xiacheng Expressway Co., Ltd.) 福建省廈成高速公路漳州段及長泰美宮至陳巷高速公路交通機電工程(漳州廈成高速公路有限責任公司)	2013	57,607,252.00	95.00%	40,513,411.57	21,518,214.40	46,856,341.00	15,175,284.97
Electrical and Mechanical Engineering for G3015 highway construction project from Karamay to Tacheng (Xinjiang Transportation Construction Authority) G3015 克拉瑪依至塔城高速公路建設項目機電工程(新疆維吾爾自治區交通建設管理局)	2013	45,227,162.01	-	35,211,577.92	16,031,118.91	39,372,557.53	11,870,139.30
Total		1,106,505,379.99		856,595,141.73	245,153,457.49	700,180,644.64	401,557,954.58

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(VIII) Other current assets

Item	2015	2014
Deductible input VAT	6,802,978.14	7,444,600.40
Entrusted loan – Jiangsu Zhengyang Investment Holding Group Co., Ltd. (江蘇正陽投資控股集團有限公司)	100,000,000.00	–
Entrusted loan – Nanjing Langqing Trading Co., Ltd. (南京朗清貿易有限公司)	50,000,000.00	–
Total	156,802,978.14	7,444,600.40

Note: (1) The entrusted loan of Jiangsu Zhengyang Investment Holding Group Co., Ltd. will be matured on 28 October 2016 and the annual interest rate is 10%.

(2) The entrusted loan of Nanjing Langqing Trading Co., Ltd. will be matured on 3 June 2016 and the annual interest rate is 10%.

(IX) Available-for-sale financial assets

1. Particulars of available-for-sale financial assets

Items	2015			2014		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investments in entities not under common control or without significant influence and do not have a quoted market price in an active market and whose fair value cannot be reliably measured	44,520,000.00	–	44,520,000.00	119,506,244.94	–	119,506,244.94
Including: measured at cost	44,520,000.00	–	44,520,000.00	119,506,244.94	–	119,506,244.94
Total	44,520,000.00	–	44,520,000.00	119,506,244.94	–	119,506,244.94

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(IX) Available-for-sale financial assets (Continued)

2. Available-for-sale financial assets measured at cost

Investee	Closing balance		Impaired provision		Equity Interest held (%)	Dividend for the current period
	2014	2015	2014	2015		
			Increase in the current period	Decrease in the current period		
Jiangsu Information Industry Institute Union Joint Stock Company	2,000,000.00	-	-	-	4.00	-
Nanjing City Information Investment Holdings Co., Ltd.	42,520,000.00	-	-	-	15.12	1,285,200.00
Zhong Jian Zhi Kang Supply Chain Service Company Limited	74,986,244.94	-	74,986,244.94	-	-	-
Total	119,506,244.94	18,120,000.00	74,986,244.94	44,520,000.00	-	1,285,200.00

Note: On 25 August 2015, the Company and Hong Shi International Health Industry Company Limited (紅石國際健康產業有限公司) entered into a share transfer agreement by which the Company's 19% equity interest in Zhong Jian Zhi Kang Supply Chain Service Company Limited (中健之康供應鏈服務有限公司) were transferred to Hong Shi International Health Industry Company Limited at a consideration of RMB75,680,000. Gain from the disposal was RMB2,760,100.98 (including the changes in owner's equity except for net profits and losses of Zhong Jian Zhi Kang Supply Chain Service Company Limited under the equity method originally recorded in capital reserve).

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(X) Long-term equity investments

Investee	2014	Increase/decrease in the current period						Closing balance of impairment provision at the end of the period
		Additional investment	Decrease in investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profits	
Jointly controlled entities:								
Nanjing Lajin Network Technology Co., Ltd. (南京萊拼網絡科技有限公司)	709,053.12	-	-	(296,758.36)	-	-	-	412,294.76
Jiangsu 1011 Network Technology Co., Ltd. (江蘇一零一一網絡科技有限公司)	-	4,500,000.00	-	(1,437,135.04)	-	-	-	3,062,864.96
Total	709,053.12	4,500,000.00	-	(1,733,893.40)	-	-	-	3,475,159.72

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XI) Investment property

1. Particulars of investment property

Item	Fair value of 2014	Increase in the current period		Decrease in the current period		Fair value of 2015
		Acquisition	Self-used property or stock transfer	profits and losses arising from the changes in fair value	Disposal	
1. Total costs	-	-	160,109,545.74	-	-	160,109,545.74
Property and building	-	-	154,307,054.12	-	-	154,307,054.12
Land use right	-	-	5,802,491.62	-	-	5,802,491.62
2. Total change in fair value	-	-	41,579,354.26	9,334,000.00	-	50,913,354.26
Property, building and land use right	-	-	41,579,354.26	9,334,000.00	-	50,913,354.26
3. Total carrying amount of investment property.	-	-	201,688,900.00	9,334,000.00	-	211,022,900.00
Property, building and land use right	-	-	201,688,900.00	9,334,000.00	-	211,022,900.00

2. Pledge of investment property at the end of the year shall be referred to Note V (LJ).

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XII) Fixed assets

1. Particulars of fixed assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
1. Original book value					
(1) 2014 Balance	280,801,125.37	161,680,090.70	5,321,538.23	58,214,036.59	506,016,790.89
(2) Increase in the current period	6,886,664.54	527,476.11	471,961.05	4,673,453.62	12,559,555.32
– Purchase	–	527,476.11	471,961.05	4,673,453.62	5,672,890.78
– Transfer from construction in progress	6,886,664.54	–	–	–	6,886,664.54
(3) Decrease in the current period	171,553,916.35	–	294,451.45	4,973,567.95	176,821,935.75
– Disposal and scrap	–	–	294,451.45	327,712.98	622,164.43
– Transfer to investment property	171,553,916.35	–	–	4,645,854.97	176,199,771.32
(4) 2015 Balance	<u>116,133,873.56</u>	<u>162,207,566.81</u>	<u>5,499,047.83</u>	<u>57,913,922.26</u>	<u>341,754,410.46</u>
2. Accumulated depreciation					
(1) 2014 Balance	26,186,236.69	33,230,847.16	4,101,862.34	29,944,776.44	93,463,722.63
(2) Increase in the current period	2,658,107.66	14,976,422.30	619,352.73	6,041,209.75	24,295,092.44
– Provision	2,658,107.66	14,976,422.30	619,352.73	6,041,209.75	24,295,092.44
(3) Decrease in the current period	17,757,099.85	–	269,111.58	4,292,948.34	22,319,159.77
– Disposal and scrap	–	–	269,111.58	157,330.99	426,442.57
– Transfer to investment property	17,757,099.85	–	–	4,135,617.35	21,892,717.20
(4) 2015 Balance	<u>11,087,244.50</u>	<u>48,207,269.46</u>	<u>4,452,103.49</u>	<u>31,693,037.85</u>	<u>95,439,655.30</u>
3. Impairment provision					
(1) 2014 Balance	–	–	–	–	–
(2) Increase in the current period	–	–	–	–	–
– Provision	–	–	–	–	–
(3) Decrease in the current period	–	–	–	–	–
– Disposal and scrap	–	–	–	–	–
(4) 2015 Balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
4. Book value					
(1) 2015 Book value	<u>105,046,629.06</u>	<u>114,000,297.35</u>	<u>1,046,944.34</u>	<u>26,220,884.41</u>	<u>246,314,755.16</u>
(2) 2014 Book value	<u>254,614,888.68</u>	<u>128,449,243.54</u>	<u>1,219,675.89</u>	<u>28,269,260.15</u>	<u>412,553,068.26</u>

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XII) Fixed assets (Continued)

2. There were no temporarily idle fixed assets at the end of the year.
3. There were no leased fixed assets under finance lease at the end of the year.
4. There were no fixed assets leased out under operating leases at the end of the year.
5. There were no fixed assets held for sale at the end of the year.
6. There were no fixed assets without certificates of ownership as at 31 December 2015.
7. Pledge of fixed assets at the end of the year shall be referred to Note V(L1).

(XIII) Construction in progress

1. Projects under construction

Items	2015			2014		
	Closing balance	Provision for impairment	Carrying amount	Closing balance	Provision for impairment	Carrying amount
Smart electronic lock promotional project	5,747,831.78	-	5,747,831.78	4,232,231.74	-	4,232,231.74
Intelligent cottage engineering IOT Engineering Centre Building 2	5,297,064.97	-	5,297,064.97	-	-	-
renovation project	10,779,580.63	-	10,779,580.63	-	-	-
Sporadic projects	3,498,264.64	-	3,498,264.64	2,506,164.93	-	2,506,164.93
Total	25,322,742.02	-	25,322,742.02	6,738,396.67	-	6,738,396.67

2. There were no impairment provision for construction in progress identified at the end of the year.

(XIV) Construction materials

Items	2015	2014
Special equipment	2,911,916.51	4,027,060.50
Total	2,911,916.51	4,027,060.50

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XV) Intangible assets

1. Particulars of intangible assets

Item	Land use rights	Software	Know-how	Total
1. Original book value				
(1) 2014 Balance	17,390,032.80	3,950,122.99	16,570,020.48	37,910,176.27
(2) Increase in the current period	–	1,508,091.68	–	1,508,091.68
– Purchase	–	1,508,091.68	–	1,508,091.68
(3) Decrease in the current period	6,753,449.31	–	–	6,753,449.31
– Transfer to investment properly	6,753,449.31	–	–	6,753,449.31
(4) 2015 Balance	<u>10,636,583.49</u>	<u>5,458,214.67</u>	<u>16,570,020.48</u>	<u>32,664,818.64</u>
2. Accumulated amortization				
(1) 2014 Balance	2,448,702.08	1,331,700.66	14,623,768.97	18,404,171.71
(2) Increase in the current period	235,729.70	654,898.58	1,946,251.51	2,836,879.79
– Provision	235,729.70	654,898.58	1,946,251.51	2,836,879.79
(3) Decrease in the current period	950,957.68	–	–	950,957.68
– Transfer to investment properly	950,957.68	–	–	950,957.68
(4) 2015 Balance	<u>1,733,474.10</u>	<u>1,986,599.24</u>	<u>16,570,020.48</u>	<u>20,290,093.82</u>
3. Impairment provision				
(1) 2014 Balance	–	–	–	–
(2) Increase in the current period	–	–	–	–
– Provision	–	–	–	–
(3) Decrease in the current period	–	–	–	–
– Disposal	–	–	–	–
(4) 2015 Balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
4. Book value				
(1) 2015 Book value	<u>8,903,109.39</u>	<u>3,471,615.43</u>	<u>–</u>	<u>12,374,724.82</u>
(2) 2014 Book value	<u>14,941,330.72</u>	<u>2,618,422.33</u>	<u>1,946,251.51</u>	<u>19,506,004.56</u>

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XV) Intangible assets (Continued)

2. Pledge of intangible assets at the end of the year can be referred to Note V(L1).

3. The land use right is mid-term lease (leased land in PRC).

(XVI) Long-term deferred expenses

Items	2014	Increase in the year	Amortized in the year	Other decrease	2015
Renovation costs	419,634.09	-	167,853.60	-	251,780.49
e-card fee	7,062,244.31	2,692,041.83	2,028,728.74	-	7,725,557.40
Consultation fee	5,400,000.00	-	1,200,000.00	-	4,200,000.00
Insurance	-	322,034.27	133,704.29	-	188,329.98
Total	12,881,878.40	3,014,076.10	3,530,286.63	-	12,365,667.87

(XVII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets before offsetting

Item	2015		2014	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment on assets	52,923,905.30	8,142,611.92	29,846,685.72	4,456,956.10
Accrued construction costs	89,395,148.12	13,409,272.22	38,243,401.12	5,736,510.17
Offsetting unrealized internal profit	15,623,804.32	2,343,570.65	-	-
Total	157,942,857.74	23,895,454.79	68,090,086.84	10,193,466.27

2. Deferred tax liabilities before offsetting

Item	2015		2014	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset gains from business combinations involving entities not under common control	3,983,703.89	314,726.98	6,049,980.40	636,670.96
Investment property (difference between fair value and the book cost)	50,913,354.26	7,637,003.14	-	-
Investment property (Depreciation and amortization)	7,733,300.97	1,159,995.15	-	-
Total	62,630,359.12	9,111,725.27	6,049,980.40	636,670.96

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XVIII) Other non-current assets

Item	2015	2014
Asset management plan	120,000,000.00	—
Total	120,000,000.00	—

Notes: The Company and Ruifu, the wholly-owned subsidiary of the Company, have entered into the asset management contracts with HuaAn Future Asset Management (Shanghai) Co., Ltd. (華安未來資產管理(上海)有限公司) for “HuaAn Bao Fu No. 1 Special Asset Management Plan” and “HuaAn Bao Fu No. 2 Special Asset Management Plan” respectively. According to the contracts, each of the company and Ruifu, the wholly-owned subsidiary of the Company, entrusted RMB60,000,000 which is in total of RMB120,000,000 (principal amount) by cash with HuaAn Future Asset Management (Shanghai) Co., Ltd. to make investment. According to the investment instructions by the Company and Ruifu, the wholly-owned subsidiary of the Company, the funds would be invested into investment products for income right of specific assets for a term of 2 years, the expected return on investment was 10%. According to the specific income right transfer and repurchase contract signed between HuaAn Future Asset Management (Shanghai) Co., Ltd. and Jiangsu Real Estate Development Co., Ltd. (江蘇省房地產發展實業有限公司), HuaAn Future Asset Management (Shanghai) Co., Ltd. would use the entrusted assets with a total of RMB120,000,000 in the “HuaAn Bao Fu No. 1 Special Asset Management Plan” and “HuaAn Bao Fu No. 2 Special Asset Management Plan” to acquire the income right of specific assets held by Jiangsu Real Estate Development Co., Ltd. Specific assets is referred to the corresponding income right of the accounts receivables of RMB70,588,235.29 under the contract of community works for Xinhuan Zizhulin of Liuhe District held by Jiangsu Real Estate Development Co., Ltd. and Fung Shing Technology Group Co., Ltd. (豐盛科技集團有限公司) has provided guarantee for this matter.

(XIX) Short-term borrowings

1. Classification of short-term borrowings

Items	2015	2014
Guaranteed loan	485,000,000.00	524,000,000.00
Supply chain fiduciary loan	23,765,000.00	—
Total	508,765,000.00	524,000,000.00

2. There were no due short-term borrowings outstanding at the end of the year.

3. All borrowings at the end of year are due within one year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XX) Notes payable

Type	2015	2014
Bank accepted bills of exchange	81,521,681.76	36,520,312.90
Total	81,521,681.76	36,520,312.90

(XXI) Accounts payable

1. Balances of accounts payable

Item	2015	2014
Material engineering and expenses payable	526,961,876.08	406,030,216.39
Total	526,961,876.08	406,030,216.39

2. Significant accounts payable aged over 1 year at the end of the year

Name of unit	Closing balance	Reason of outstanding and non-transfer
Lianyungang Port Group Co., Ltd. (連雲港港口集團有限公司)	7,675,772.50	Payment has not due
Guizhou Hongyi Technology Co., Ltd. (貴州宏屹科貿發展有限公司)	4,049,835.00	Payment has not due
Fujian Newland Software Engineering Co., Ltd. (福建新大陸軟件工程有限公司)	3,871,224.83	Payment has not due
Ziguang Jie Tong Technology Co. Ltd. (紫光捷通科技股份有限公司)	3,300,000.00	Payment has not due
Hunan Lita Intelligent Transportation System Engineering Co., Ltd. (湖南勵拓智能交通系統工程有限公司)	2,855,000.00	Payment has not due
Total	21,751,832.33	

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXII) Advances from customers

1. Balances of advances from customers

Item	2015	2014
Advances from customers	84,041,499.16	60,493,872.25

2. There were no significant advances from customers aged over 1 year included in the closing balance at the end of the year.

(XXIII) Staff remuneration payables

1. Staff remuneration payables disclosed as follow:

Items	2014	Increase in the current period	Decrease in the current period	2015
Short-term salaries payable	312,398.19	46,946,586.58	44,206,403.33	3,052,581.44
Post-employee benefits-defined contribution plan	59,492.29	5,988,097.42	5,988,097.42	59,492.29
Termination benefits	25,485.00	59,487.00	59,487.00	25,485.00
Total	397,375.48	52,994,171.00	50,253,987.75	3,137,558.73

2. Short-term salaries payable disclosed as follow:

Items	2014	Increase in the current period	Decrease in the current period	2015
(1) Wages or salaries, bonuses, allowances and subsidies	149,626.32	40,269,867.58	37,541,452.33	2,878,041.57
(2) Welfare	–	922,113.80	922,113.80	–
(3) Social insurance	28,527.81	2,797,979.55	2,797,895.55	28,611.81
Including: Medical insurance	24,797.24	2,515,856.09	2,515,772.09	24,881.24
Work injury insurance	1,426.67	141,337.43	141,337.43	1,426.67
Maternity insurance	2,303.90	140,786.03	140,786.03	2,303.90
(4) Housing funds	8,220.60	2,823,829.75	2,823,829.75	8,220.60
(5) Staff education costs	126,023.46	132,795.90	121,111.90	137,707.46
Total	312,398.19	46,946,586.58	44,206,403.33	3,052,581.44

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXIII) Staff remuneration payables (Continued)

3. Defined contribution plan disclosed as follow:

Item	2014	Increase in the current period	Decrease in the current period	2015
Basic pension contribution	54,095.45	5,568,125.89	5,568,125.89	54,095.45
Unemployment insurance	5,396.84	419,971.53	419,971.53	5,396.84
Total	59,492.29	5,988,097.42	5,988,097.42	59,492.29

(XXIV) Taxes payable

Tax items	2015	2014
VAT	3,913,722.99	2,691,518.40
Business tax	15,917,003.53	18,341,357.45
Enterprise income tax	15,832,890.98	11,821,076.71
Individual income tax	131,031.22	104,312.97
Property tax	326,507.09	–
Land use tax	98,413.74	–
City maintenance and construction tax	1,644,572.80	1,601,516.97
Education surcharge	980,127.55	1,010,266.45
Others	33,118.32	618,124.88
Total	38,877,388.22	36,188,173.83

(XXV) Interest payable

Item	2015	2014
Interest payable for short-term borrowing	794,894.10	–
Interest payable for long-term borrowing	265,192.57	–
Total	1,060,086.67	–

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXVI) Other payables

1. Other payables disclosed by nature

Item	2015	2014
Retention monies	40,469,800.82	38,288,050.19
Collection and payment	2,617,897.45	5,078,072.47
Other	6,006,317.12	4,399,197.60
Total	49,094,015.39	47,765,320.26

2. Significant other payables aged over 1 year at the end of the year

Name of unit	Closing balance	Nature of fund	Reason of not payment
Hunan Xiangzhu Transportation Technology Co., Ltd. (湖南省湘築交通科技有限公司)	5,616,206.38	Retention monies	Payment has not due
Yinjiang Co., Ltd. (銀江股份有限公司)	2,295,374.00	Retention monies	Payment has not due
Total	7,911,580.38		

(XXVII) Non-current liabilities due within 1 year

Particulars of non-current liabilities due within one year

Item	2015	2014
Long-term borrowing due within 1 year	27,860,000.00	70,000,000.00
Total	27,860,000.00	70,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXVIII) Long-term borrowing

Classification of long-term borrowing

Items	2015	2014
Guaranteed loan	50,000,000.00	70,000,000.00
Pledged loan	88,210,000.00	—
Total	138,210,000.00	70,000,000.00

(XXIX) Deferred income

Item	2014	Increase in the current period	Decrease in the current period	2015
Government subsidies	9,622,739.47	1,200,000.00	1,694,041.30	9,128,698.17
Total	9,622,739.47	1,200,000.00	1,694,041.30	9,128,698.17

Projects involving government subsidies:

Liabilities items	2014	Increase in the current period	Credited to Non-operating income in the current period	Other movements	2015	related to an asset/related to income
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	916,914.52	—	183,382.90	—	733,531.62	related to asset
Financial assistance for national scientific and technological support projects	7,905,824.95	—	1,510,658.40	—	6,395,166.55	related to asset
City-level vehicle emissions regulation and enforcement platform	—	1,000,000.00	—	—	1,000,000.00	related to asset and income
Provincial grants for international cooperation	800,000.00	200,000.00	—	—	1,000,000.00	related to asset and income
Total	9,622,739.47	1,200,000.00	1,694,041.30	—	9,128,698.17	

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXX) Share capital

Name of shareholders	2014		Increase in the current year	Decrease in the current year	2015	
	Amount	Percentage (%)			Amount	Percentage (%)
Nanjing Sample Technology Group Company Limited	60,770,000.00	27.12	92,723,400.00	-	153,493,400.00	48.45
Active Gold Holding Limited	49,545,000.00	22.11	-	-	49,545,000.00	15.64
Jiang Su Red Stone Technology Corporation	685,000.00	0.31	-	-	685,000.00	0.22
Nanjing Sample Investment Development Company Limited (Formerly known as Nanjing Sample Technology Commerce City Company Limited)	4,950,000.00	2.21	-	-	4,950,000.00	1.56
Sha Min	1,350,000.00	0.60	-	-	1,350,000.00	0.42
Jiangsu Ruihua Investment Holding Group Co., Ltd.	15,000,000.00	6.69	-	-	15,000,000.00	4.73
Overseas public shareholders (H Shares)	91,800,000.00	40.96	-	-	91,800,000.00	28.98
Total	224,100,000.00	100.00	92,723,400.00	-	316,823,400.00	100.00

According to the resolutions of the Company's 2014 First Extraordinary General Meeting and the Domestic Shares Subscription agreement, the Company issued 92,723,400 domestic shares at par value of RMB1 each. The issue price was RMB4.50 and total fund of RMB417,255,300 has been raised. The target of this issue was Nanjing Sample Technology Group Company Limited* (南京三寶科技集團有限公司). The target subscriber subscribed the issued shares by cash. As of 20 January 2015, the Company completed this issue of shares and the increase of capital, the Company's registered capital and the paid up capital (share capital) has changed to RMB316,823,400. The net proceeds of this fund raising was RMB413,979,069.07, of which paid-up capital (equity) of RMB92,723,400, share premium of RMB321,255,669.07 which was recorded in the capital reserve. The capital verification was carried out by BDO China Shu Lun Pan Certified Public Accountants LLP and a capital verification report Xin Hui Shi Bao Zi (2015) No. 110070 was issued on 15 January 2015.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXI) Capital reserve

1. Particulars of capital reserve

Items	2015	2014
Share capital premium	417,042,894.68	97,561,268.03
Other capital reserves	–	2,066,345.92
Total	417,042,894.68	99,627,613.95

2. Particulars of movements for the year

Items	2014	Increase in the year	Decrease in the year	2015
Share capital premium	97,561,268.03	321,255,669.07	1,774,042.42	417,042,894.68
Other capital reserves	2,066,345.92	–	2,066,345.92	–
Total	99,627,613.95	321,255,669.07	3,840,388.34	417,042,894.68

- (1) Increase in the year can be referred to Note. V(XXX).
- (2) Decrease in the year of RMB2,066,345.92 can be referred to Note V(IX). The amount of RMB1,774,042.42 was the investment difference arising from the acquisition of the minority share interest of Jiangsu Cross-border e-Commerce Services Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXII) Other comprehensive income

Items	2014	Amounts incurred in the current period			Attributable to the Company after tax	Attributable to minority shareholder after tax	2015
		Amounts incurred before income tax in the current period	Less: Previously recognized in other comprehensive income and transferred to profit or loss in the current period	Less: income tax expenses			
Other comprehensive income to be re-categorized into profit and loss subsequently	(3,879,022.15)	40,778,206.91	-	6,236,903.14	-	-	30,662,281.62
Including: Converted difference in foreign currency statements	(3,879,022.15)	(801,147.35)	-	-	-	-	(4,680,169.50)
Other	-	41,579,354.26	-	6,236,903.14	-	-	35,342,451.12
Total other comprehensive income	(3,879,022.15)	40,778,206.91	-	6,236,903.14	-	-	30,662,281.62

Note: The balance of other of RMB35,342,451.12 is the fair value of the investment property at the conversion date higher than the book cost of RMB41,579,354.26 deducting the deferred tax liabilities of RMB6,236,903.14.

(XXXIII) Surplus reserve

1. Particulars of Surplus reserve

Items	2015	2014
Statutory surplus reserve	72,085,199.91	51,644,250.39
Total	72,085,199.91	51,644,250.39

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXIII) Surplus reserve (Continued)

2. Particulars of movements for the current year

Item	2014	Increase in the year	Decrease in the year	2015
Statutory surplus reserve	51,644,250.39	20,440,949.52	–	72,085,199.91
Total	51,644,250.39	20,440,949.52	–	72,085,199.91

The increase in the amount for the year was statutory surplus reserve provided based on 10% of net profits of the Company.

(XXXIV) Undistributed profits

Items	2015	2014
Undistributed profit at the beginning of the year	752,268,735.54	642,216,593.48
Add: Current net profit attributable to shareholders of the Company	164,468,923.01	137,953,042.32
Less: Provision of statutory surplus reserves	20,440,949.52	5,490,900.26
Less: Ordinary shares dividends payable	63,364,680.00	22,410,000.00
Closing balance of undistributed profit	832,932,029.03	752,268,735.54

(XXXV) Operating income and operating cost

1. Operating income and operating cost

Items	2015	2014
Principal operating income	1,209,665,836.23	901,027,948.26
Other operating income	16,642,587.40	6,198,043.40
Total operating income	1,226,308,423.63	907,225,991.66
Principal operating cost	884,676,032.61	607,862,625.44
Other operating cost	3,385,662.62	2,994,994.51
Total operating cost	888,061,695.23	610,857,619.95

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXV) Operating income and operating cost (Continued)

2. Principal operations (by product)

Name of Products	2015		2014	
	Operating income	Operating cost	Operating income	Operating cost
System integration	801,936,325.32	591,974,433.37	659,440,413.49	468,399,613.56
Intelligent terminal sales	197,139,115.52	149,946,506.97	153,238,871.31	106,518,857.97
Service business	109,497,069.71	47,566,186.38	88,348,663.46	32,944,153.91
Cross-border trade and service	101,093,325.68	95,188,905.89	—	—
Total	1,209,665,836.23	884,676,032.61	901,027,948.26	607,862,625.44

3. Operating income from the top five customers of the Group for the year

Name of the customers	2015	
	Total operating income	Percentage of the total operating income of the Group (%)
Xuzhou City Transportation Bureau (徐州市交通運輸局)	171,559,051.20	13.99
Chengdu Longguang Erhuan Expressway Co., Ltd. (成都龍光二環高速公路有限公司)	146,525,043.20	11.95
Huishen (Yantian) Expressway Huizhou Ltd. (惠深(鹽田)高速公路惠州有限公司)	71,559,381.11	5.84
Suzhou Industrial Park Mapping and Geographic Information Co., Ltd. (蘇州工業園區測繪地理信息有限公司)	67,627,737.92	5.51
Guizhou Expressway Group Co., Ltd. (貴州高速公路集團有限公司)	53,577,388.00	4.37
Total	510,848,601.43	41.66

4. Operating income represents the Group's principal operating income, including revenue received and receivable from system integration, intelligent terminal sales, service, cross-border trade and service businesses.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXV) Operating income and operating cost (Continued)

5. Information regarding the Company's reportable operating segments as provided to the Company's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales, service, cross-border trade and service businesses.

(XXXVI) Taxes and surcharges

Items	2015	2014
Business tax	15,766,961.21	9,134,023.94
City construction tax	1,791,162.67	1,204,243.83
Education surcharge tax	1,350,473.50	1,092,314.05
Total	18,908,597.38	11,430,581.82

(XXXVII) Selling and distribution expenses

Items	2015	2014
Salary and surcharge	13,664,365.61	8,736,110.68
Entertainment expenses	2,906,911.37	5,169,511.81
Travelling expenses	4,289,533.89	3,626,410.66
Composite fees for construction	3,829,401.14	2,920,206.84
Bidding fees	780,571.00	206,846.00
Water and electricity charges	305,655.24	500,541.05
Motor vehicle expenses	675,594.11	918,145.97
Office expenses	922,944.05	665,097.13
Telephone charges	325,405.64	304,655.82
Advertisement and promotion expenses	259,836.06	78,711.94
Postage	184,591.17	163,202.12
Depreciation charges	395,751.69	423,716.38
Others	2,980,215.40	1,955,503.34
Total	31,520,776.37	25,668,659.74

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XXXVIII) General and administrative expenses

Items	2015	2014
Salary and surcharge	30,608,253.82	31,263,245.51
Research and development materials fees	30,311,582.63	25,669,494.86
Depreciation charges	8,622,918.03	9,153,475.60
Technical service fees	8,340,003.10	6,378,206.70
Intangible assets amortisation	2,836,879.81	2,899,283.06
Entertainment expenses	3,421,631.64	3,029,726.00
Agency fees	3,558,111.48	1,828,530.41
Taxation charges	3,274,077.65	1,646,460.06
Travelling expenses	1,166,264.52	902,937.28
Consulting fees	1,612,930.37	641,254.72
Rental expenses	520,878.49	780,043.22
Water and electricity charges	1,913,907.81	1,598,633.46
Motor vehicle expenses	1,096,812.93	1,091,378.26
Promotion expenses	1,002,949.18	366,647.32
Board's fee	246,800.00	183,200.00
Others	3,951,665.74	8,056,207.34
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Total	102,485,667.20	95,488,723.80
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(XXXIX) Financial expenses

Items	2015	2014
Interest expenses	37,958,929.16	31,964,668.86
Less: interest income	12,284,515.48	6,331,440.47
Exchange gain and loss	(3,890,110.84)	(200,923.15)
Others	2,196,699.37	908,328.22
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Total	23,981,002.21	26,340,633.46
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Note: Interest expenses are interest on bank borrowings wholly repayable within five years.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XL) Asset impairment losses

Items	2015	2014
Loss from bad debts	22,592,020.44	(6,302,276.48)
Loss from declines in values of inventories	696,323.40	243,405.66
Total	23,288,343.84	(6,058,870.82)

(XLI) Income from change in fair value

Source of income from change in fair value	2015	2014
Investment property measured by fair value	9,334,000.00	–
Total	9,334,000.00	–

(XLII) Investment income

Items	2015	2014
Income from long-term equity investments under equity method	(1,733,893.40)	(90,946.88)
Investment income of available-for-sale financial assets under cost method	1,285,200.00	
Investment income from the disposal of available-for-sale financial assets	2,760,100.98	
Investment income of entrusted loan	17,115,332.75	
Investment income of asset management plan	7,643,835.62	
Investment income of wealth management products	2,958,000.00	
Total	30,028,575.95	(90,946.88)

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLIII) Non-operating income

1. Breakdown of non-operating income

Items	2015	2014
Total gain on disposal of non-current assets	26,631.00	272,927.61
Including: gain on disposal of fixed assets	26,631.00	272,927.61
Government grants	6,713,597.42	19,167,166.39
VAT refund	4,347,101.05	4,844,049.70
Others	81,431.85	138,243.26
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Total	11,168,761.32	24,422,386.96
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Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLIII) Non-operating income (Continued)

2. Particulars of government grants recognized into profit and loss in the current period

Items	2015	2014	Related to assets/ related to income
Year 2014 National IOT development grants	1,500,000.00	–	related to income
Improved declaration of Nanjing branded products in 2013	20,000.00	–	related to income
Nanjing 2014 E-commerce special fund project	500,000.00	–	related to income
9.16 refund from Finance Office of People's Government Office of Qixia District of Nanjing City	5,000.00	–	related to income
Guiding the provincial policy of Year 2015 special funds (Fourth batch)	1,000,000.00	–	related to income
National 863 Plan for information technology security perception of things and simulation verification technology platforms theme project	464,000.00	–	related to income
Recognition of advanced collectives and advanced individuals and outstanding projects of the Year 2015 Nanjing "Ideals and Contributions" Campaign	5,000.00	–	related to income
Subsidy of Maqun Office	100,000.00	–	related to income
Special patent funds management approach of Qixia District	1,500.00	–	related to income
Nanjing employer subsidies for employment of disabled persons proportionally and reward for ultra-ratio implementation measures	3,260.00	–	related to income
Software product registration special subsidies	12,500.00	–	related to income
Financial subsidies of Maqun Road of Qixia District for scientific and technological achievements	5,000.00	–	related to income
Financial subsidies of Maqun Road of Qixia District for regional scientific and technological achievements	5,500.00	–	related to income
Second batch of subsidies of joint distribution project of Nanjing City	150,000.00	–	related to income
Subsidies of Finance Office of Maqun Office of People's Government Office of Qixia District of Nanjing City	19,000.00	–	related to income
Special subsidy for joint distribution project of Nanjing City from Maqun Road Office	200,000.00	–	related to income
Subsidy paid by Economic and Information Committee of Yangzhou National Treasury Centralized Payment Center	24,000.00	–	related to income
Small enterprises preferential VAT	2,796.12	–	related to income
Subsidy of Jiangning Finance Bureau	2,000.00	–	related to income

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLIII) Non-operating income (Continued)

2. Particulars of government grants recognized into profit and loss in the current period (Continued)

Items	2015	2014	Related to assets/ related to income
Allocation of 2015 provincial business development special funds to support the steady growth in foreign trade	500,000.00	-	related to income
Jiangning Finance Bureau grants	500,000.00	-	related to income
National IOT development grants	-	3,300,000.00	related to income
E-commerce special fund plan	-	500,000.00	related to income
National high technology research and development program	-	482,000.00	related to income
Patent grants	-	39,410.00	related to income
RFID Engineering Center subsidy	183,382.90	10,993,085.48	related to asset
Talent recruitment expenses	-	120,000.00	related to income
Professional grants	-	2,600.00	related to income
Nanjing joint distribution project subsidies	-	150,000.00	related to income
Special guided grant of Industry and Information transformation and upgrade of Jiangsu Province	-	400,000.00	related to income
Nanjing Science and Technology Development Project	-	50,000.00	related to income
Research fund for national scientific and technological support projects	1,510,658.40	2,760,070.91	related to asset
Financial assistance for provincial technological innovation and achievements	-	350,000.00	related to asset
Technology projects for Guangling district of Yangzhou	-	20,000.00	related to income
Total	6,713,597.42	19,167,166.39	

(XLIV) Non-operating expenses

Items	2015	2014
Total loss on disposal of non-current assets	115,947.87	46,943.41
Including: Loss on disposal of fixed assets	115,947.87	46,943.41
Penalty and overdue fines	1,927.16	10,602.80
Others	83,401.86	101,204.35
Total	201,276.89	158,750.56

(XLV) Auditor's remuneration

Auditor's remuneration for the current year was RMB750,000.00 (2014: RMB750,000.00).

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLVI) Directors, supervisors and employees' emoluments

1. Directors, supervisors' and employees' emoluments

Items	2015	2014
Directors and supervisors' fees		
Executive directors	75,000.00	60,000.00
Non-executive director and independent non-executive directors	100,000.00	100,000.00
Supervisors	30,000.00	30,000.00
Sub-total	205,000.00	190,000.00
Executive directors' other emoluments		
Basic salaries and allowance	817,004.00	819,866.00
Contributions to retirement benefits/pensions schemes	245,628.00	224,529.60
Sub-total	1,062,632.00	1,044,395.60
Supervisors		
Basic salaries and allowance	135,000.00	146,280.00
Contributions to retirement benefits/pensions schemes	56,371.80	58,203.44
Sub-total	191,371.80	204,483.44
Senior Management		
Basic salaries and allowance	542,387.00	514,925.75
Contributions to retirement benefits/pension schemes	196,717.20	186,602.84
Sub-total	739,104.20	701,528.59
Total	2,198,108.00	2,140,407.63

None of the directors or supervisors waived any emoluments during the year.

No emoluments were paid by the Group to the directors or supervisors of the Company as an inducement to join or as incentive upon joining the Group or as compensation for loss of office during the year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLVI) Directors', supervisors' and employees' emoluments (Continued)

2. Particulars of Directors, supervisors' and employees' emoluments were as follows:

Name	2015			Total
	Fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
Executive Directors				
Mr. Sha Min	25,000.00	347,004.00	81,876.00	453,880.00
Mr. Chang Yong	25,000.00	235,000.00	81,876.00	341,876.00
Mr. Zhu Xiang	25,000.00	235,000.00	81,876.00	341,876.00
Sub-total	75,000.00	817,004.00	245,628.00	1,137,632.00
Non-executive Director				
Mr. Ma Jun	30,000.00	-	-	30,000.00
Sub-total	30,000.00	-	-	30,000.00
Independent Non-Executive Directors				
Mr. Xu Su Ming	20,000.00	-	-	20,000.00
Mr. Shum Shing Kei	50,000.00	-	-	50,000.00
Mr. Geng Nai Fan	-	-	-	-
Sub-total	70,000.00	-	-	70,000.00
Supervisors				
Mr. Dai Jian Jun	10,000.00	-	-	10,000.00
Mr. Li Gang	10,000.00	135,000.00	56,371.80	201,371.80
Independent supervisor				
Mr. Qiu Xiang Yang	10,000.00	-	-	10,000.00
Sub-total	30,000.00	135,000.00	56,371.80	221,371.80
Senior management				
Ms. Miao Yun	-	196,100.00	77,145.60	273,245.60
Mr. Liang Biao	-	199,687.00	74,211.00	273,898.00
Mr. Xie Jinliang	-	146,600.00	45,360.60	191,960.60
Sub-total	-	542,387.00	196,717.20	739,104.20
Total	205,000.00	1,494,391.00	498,717.00	2,198,108.00

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLVI) Directors', supervisors' and employees' emoluments (Continued)

2. Particulars of Directors, supervisors' and employees' emoluments were as follows: (Continued)

Name	Fees	2014		Total
		Basic salaries and allowance	Other emoluments Contributions to retirement benefits/pensions schemes	
Executive Directors				
Mr. Sha Min	25,000.00	346,604.00	74,843.20	446,447.20
Mr. Chang Yong	25,000.00	236,631.00	74,843.20	336,474.20
Mr. Zhu Xiang	10,000.00	236,631.00	74,843.20	321,474.20
Sub-total	60,000.00	819,866.00	224,529.60	1,104,395.60
Non-executive Director				
Mr. Ma Jun	30,000.00	–	–	30,000.00
Sub-total	30,000.00	–	–	30,000.00
Independent Non-Executive Directors				
Mr. Xu Su Ming	20,000.00	–	–	20,000.00
Mr. Shum Shing Kei	50,000.00	–	–	50,000.00
Mr. Geng Nai Fan	–	–	–	–
Sub-total	70,000.00	–	–	70,000.00
Supervisors				
Mr. Dai Jian Jun	10,000.00	–	–	10,000.00
Mr. Li Gang	10,000.00	146,280.00	58,203.44	214,483.44
Independent supervisor				
Mr. Qiu Xiang Yang	10,000.00	–	–	10,000.00
Sub-total	30,000.00	146,280.00	58,203.44	234,483.44
Senior management				
Ms. Miao Yun	–	198,276.00	72,145.44	270,421.44
Mr. Liang Biao	–	197,585.75	72,708.20	270,293.95
Mr. Xie Jinliang	–	119,064.00	41,749.20	160,813.20
Sub-total	30,000.00	514,925.75	186,602.84	701,528.59
Total	190,000.00	1,481,071.75	469,335.88	2,140,407.63

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLVI) Directors', supervisors' and employees' emoluments (Continued)

3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, three (2014: three) were directors. The emoluments of them were disclosed in the notes above. The emoluments of the remaining two (2014: two) individuals were as follows:

Items	2015	2014
Basic salaries and allowance	484,465.25	436,216.75
Contributions to retirement benefits schemes	135,396.00	110,806.40
Total	619,861.25	547,023.15

During the year, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or as incentive upon joining the Group or as compensation for loss of office.

The emoluments of highest paid individuals were within the following bands:

Item	2015 number	2014 number
Nil to HK\$500,000 (nil to RMB410,000)	2	2

(XLVII) Income tax expenses

1. Table of income tax expenses

Items	2015	2014
Income tax for the current period	32,678,377.01	26,892,568.67
Adjustment to deferred income tax	(11,463,837.35)	817,616.41
Total	21,214,539.66	27,710,185.08

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLVII) Income tax expenses (Continued)

2. Reconciliation between total profit and income tax expenses is as follows:

Items	2015	2014
Total profit	188,392,401.78	167,671,333.23
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	26,603,755.60	23,574,567.96
Effect of different tax rates applicable to subsidiaries	1,372,551.96	1,189,877.41
Income tax adjustments on prior periods	4,186,875.01	3,309,015.56
Additional deduction for qualified research and development expenses	(2,062,500.00)	(1,987,500.00)
Effect on investment income under equity method	216,736.68	11,368.36
Expenses, costs and losses not deductible for tax purposes	1,235,397.07	795,239.38
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	(10,338,276.66)	817,616.41
Income tax expenses	21,214,539.66	27,710,185.08

(XLVIII) Dividend

Items	2015	2014
Final dividend proposed of RMB0.2 per share	–	63,364,680.00
Final dividend proposed of RMB0.3 per share	95,047,020.00	–

The final dividend proposed after the end of reporting period has not been recognized as a liability at the end of reporting period and is subject to approval by the shareholders at the annual general meeting.

Items	2015	2014
Final dividend in respect of the previous year, approved and paid during the year	63,364,680.00	22,410,000.00
Total	63,364,680.00	22,410,000.00

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(XLIX) Notes to cash flow statement

1. Cash received relating to other operating activities

Items	2015	2014
Interest income on bank deposits received	12,284,515.48	6,331,440.47
Amounts of transactions with units received	4,627,752.82	6,154,017.01
Non-operating income received	5,093,499.89	5,422,905.72
Retention monies received	150,880,601.91	43,103,908.78
Government grants received	1,200,000.00	800,000.00
Total	174,086,370.10	61,812,271.98

2. Cash paid relating to other operating activities

Items	2015	2014
Administrative expenses paid	28,272,843.88	18,489,471.41
Selling expenses paid	17,706,859.66	14,333,614.55
Non-operating expenses paid	85,329.02	111,807.15
Amounts of transactions with units paid	11,852,057.01	2,092,969.00
Handling charges paid to banks	2,196,699.37	908,328.22
Retention monies paid	2,142,149.20	77,686,005.60
Total	62,255,938.14	113,622,195.93

3. Cash received from other investment activities

Items	2015	2014
Recovery of entrusted loan	260,000,000.00	—
Recovery of wealth management products	100,000,000.00	—
Total	360,000,000.00	—

4. Payment to other investment activities

Items	2015	2014
Payment for entrusted loan	410,000,000.00	—
Payment for asset management plan	120,000,000.00	—
Purchase of wealth management products	100,000,000.00	—
Total	630,000,000.00	—

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(L) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Items	2015	2014
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	167,177,862.12	139,961,148.15
Add: Provision for assets impairment	23,288,343.84	(6,058,870.82)
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	24,295,092.44	24,980,019.91
Amortisation of intangible assets	2,836,879.79	2,912,895.77
Amortisation of long-term deferred expenses	3,341,956.65	1,603,910.51
Loss on disposal of fixed assets, intangible assets and other long-term assets	89,342.22	(225,984.20)
Loss on scrapped fixed assets	-	-
Loss on change in fair value	(9,334,000.00)	-
Financial expenses	37,958,929.16	31,964,668.86
Investment loss	(30,028,575.95)	90,946.88
Decrease in deferred tax assets	(13,701,988.52)	1,154,563.68
Increase in deferred tax liabilities	8,475,054.31	(336,947.27)
Decrease in inventories	36,887,863.70	(108,294,331.06)
Decrease of operating receivables	(141,807,470.82)	(286,062,740.92)
Increase of operating payables	43,611,055.57	381,366,465.99
Others	-	-
Net cash flows from operating activities	153,090,344.51	183,055,745.48
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents		
Cash at the end of the period	1,188,285,145.50	782,748,257.94
Less: cash at the beginning of period	782,748,257.94	528,313,465.63
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the period	-	-
Net increase in cash and cash equivalents	405,536,887.56	254,434,792.31

2. There were no relevant information of the disposal or acquisition of subsidiaries or other operating enterprises for the current year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE MAIN ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS: (Continued)

(L) Supplementary information of cash flow statements (Continued)

3. The composition of cash and cash equivalents

Items	2015	2014
I. Cash	1,188,285,145.50	782,748,257.94
Including: Cash on hand	164,248.41	275,658.26
Bank deposit available for payment at any time	1,188,120,897.09	782,472,599.68
Other monetary funds available for payment at any time	-	-
II. Cash equivalents	-	-
Including: Bond investment due in three months	-	-
III. Cash and cash equivalents at the end of the period	1,188,285,145.50	782,748,257.94

(LI) Assets with restricted ownership or right of use

Items	Carrying amount at the end of the year	Reasons of restriction
Cash	24,435,812.19	Retention monies
Investment property	211,022,900.00	Pledge
Fixed assets	94,399,729.09	Pledge
Intangible assets	8,903,109.39	Pledge
Total	<u>338,761,550.67</u>	

(LII) Foreign currency monetary items

Items	Foreign currency at the end of the year	Exchange rate	Converted into RMB at the end of the year
Cash on hand	-	-	35,590,735.80
Including: Hong Kong dollars	42,463,205.88	0.8378	35,575,673.89
U.S dollars	2,319.50	6.4936	15,061.91
Accounts receivables	-	-	74,047,298.21
Including: U.S dollars	11,401,345.88	6.4936	74,035,779.61
Euro dollars	1,080.39	7.0952	7,665.58
Hong Kong dollars	4,598.97	0.8378	3,853.02

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VI. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Jiangsu Intellitrans Company Limited	Nanjing, PRC	PRC	Intelligent transportation	100	-	business combination of enterprises not under common control
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	Nanjing, PRC	PRC	Electronic products	-	100	business combination of enterprises not under common control
Nanjing Sample Logistic Company Limited	Nanjing, PRC	PRC	Computer software	100	-	Established by investment
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Nanjing, PRC	PRC	Internet of things technology	85	15	Established by investment
Sample Technology (H.K.) Co., Limited	Hong Kong	Hong Kong	Consultation and investment	100	-	Established by investment
Federal International Enterprise Limited	Hong Kong	Hong Kong	Electronic products	-	100	business combination of enterprises not under common control
Nanjing City Intelligent Transportation Co., Ltd.	Nanjing, PRC	PRC	Information technology	-	65	business combination of enterprises not under common control
Yangzhou Sample Information Technology Co., Ltd.	Yangzhou, PRC	PRC	IOT technology, development & application of products	100	-	Established by investment
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Xuzhou, PRC	PRC	Intelligent transportation	100	-	Established by investment
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Nanjing, PRC	PRC	e-Commerce	82.61	-	Established by investment
Nanjing Trade Connect and e-Commerce Co., Limited	Nanjing, PRC	PRC	e-Commerce	-	100	Established by investment
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd	Nanjing, PRC	PRC	Sports industry	60	-	Established by investment

2. Significant non-wholly-owned subsidiaries

Name of subsidiaries	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests in the current period	Dividends declared to minority shareholders in the current period	Balance of Minority interests at the end of period
Nanjing City Intelligent Transportation Co., Ltd.	35%	3,410,479.82	-	45,464,372.84
Jiangsu Cross-border e-Commerce Services Co., Ltd.	17.39%	(701,540.71)	-	8,366,292.65

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VI. INTERESTS IN OTHER ENTITIES (Continued)

(II) Interests in joint arrangement or associates

1. Joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Accounting treatment for investment in joint ventures or associates
				Direct	Indirect	
Nanjing Laipin Network Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	-	40	Equity method
Jiangsu 1011 Network Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	-	48	Equity method

2. Financial information of joint ventures or associates

Item	2015	2014
Joint venture: Nanjing Laipin Network Technology Co., Ltd.		
Total book value of investment	800,000.00	800,000.00
Follows were calculated by the proportion of shareholding	(296,758.36)	(90,946.88)
— Net profit	(296,758.36)	(90,946.88)
— Other comprehensive income	-	-
— Total comprehensive income	(296,758.36)	(90,946.88)
Items	2015	2014
Joint venture: Jiangsu 1011 Network Technology Co., Ltd.		
Total book value of investment	4,500,000.00	-
Followings were calculated by the proportion of shareholding	(1,437,135.04)	-
— Net profit	(1,437,135.04)	-
— Other comprehensive income	-	-
— Total comprehensive income	(1,437,135.04)	-

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VII. FAIR VALUE DISCLOSURE

Inputs for the fair value measurements are categorized into three levels:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 inputs are inputs other than inputs included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement.

(I) Fair value of assets and liabilities measured at fair value at the end of the period

Items	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Continuing fair value measurement				
(1) Investment property				
1. Leased property (including the value of apportioned land use right)	–	211,022,900.00	–	211,022,900.00
Total assets measured at fair value continuously	–	211,022,900.00	–	211,022,900.00

(II) Information of level 2 fair value measurement

Items	Fair value at the end of the period	Evaluation method	Important observable input
Leased property (including the value of apportioned land use right)	211,022,900.00	Income approach	Note 1

Note 1: There is no comparable transaction that can be obtained from real estate market for the investment property, valuation shall not be made by the market comparison approach. However, rental income of the property can be ascertained, valuation can be made by the income approach. Relevant measurement can be referred to the valuation result of valuation report Su Hua Ping Bao Zi [2016] No. 014 issued by Jiangsu Assets Appraisal Co., Ltd. (江蘇華信資產評估有限公司).

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) General information of the parent company of the Company

Name	Relationship	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest in the Company (%)	Voting right in the Company (%)	Ultimate controller	Organization code
Nanjing Sample Technology Group Company Limited ("Sample Group")	Parent company	limited liability company	PRC	Sha Min	Investment and development of high-tech industry, investment advisory services, asset management etc.	333,000	48.45	48.45	Sha Min	1348888-5

(II) Information of subsidiaries of the Group

Full name of subsidiaries	Type of subsidiaries	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest held (%)	Voting right (%)	Organization code
Jiangsu Intellitrans Company Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Chang Yong	Intelligent transport	220,000	100	100	72058184-3
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	Wholly-owned subsidiary	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)	PRC	Chang Yong	Electronic products	31,344.70	100	100	74870842-0
Nanjing Sample Logistic Company Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Xin Ke Jun	Computer software	6,000	100	100	73314243-6
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Wholly-owned subsidiary	Limited company	PRC	Chang Yong	Internet of things technology	100,000	100	100	56285853-5
Sample Technology (H.K.) Co., Limited	Wholly-owned subsidiary	Overseas enterprise	Hong Kong		Consultation and investment	USD10	100	100	
Federal International Enterprise Limited	Wholly-owned subsidiary	Overseas enterprise	Hong Kong		Electronic products	HKD10	100	100	
Nanjing City Intelligent Transportation Co., Ltd.	Controlled subsidiary	Limited company	PRC	Zhu Xiang	Information technology	100,000	65	65	56289005-X
Yangzhou Sample Information Technology Co., Ltd.	Wholly-owned subsidiary	Limited company	PRC	Zhu Xiang	IOT technology, development & application of products	5,000	100	100	58997316-2
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Wholly-owned subsidiary	Limited company	PRC	Liu Min	Intelligent transportation	70,000	100	100	08502083-5
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Controlled subsidiary	Limited company	PRC	Sha Min	e-Commerce	46,000	82.61	82.61	08596180-3
Nanjing Trade Connect and e-Commerce Co., Limited	Wholly-owned subsidiary	Limited company	PRC	Guo Li Li	e-Commerce	10,000	100	100	91320192 3393429156
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd	Controlled subsidiary	Limited company	PRC	Lu Zheng Quan	Sports industry	13,000	60	60	91320100 MA1MDPK64X

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Information about joint ventures or associates of the Group

Details of significant joint ventures or associates of the Group can be referred to Note (VI) Interests in other entities.

(IV) Related party transactions

1. **For the subsidiaries which are controlled by the Group and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and these subsidiaries have been eliminated.**

2. **Related party providing guarantees**

(1) Particulars of the Company providing guarantees for subsidiaries

A. Particulars of guarantees provided for loans

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Maturity date of guarantee	Guarantee due or not
The Company	Jiangsu Intellitrans	20,000,000.00	2015-3-12	2016-3-11	No
The Company	Jiangsu Intellitrans	30,000,000.00	2015-4-8	2016-4-8	No
The Company	Jiangsu Intellitrans	50,000,000.00	2015-4-30	2016-4-29	No
The Company	Jiangsu Intellitrans	40,000,000.00	2015-8-12	2016-8-11	No
The Company	Jiangsu Intellitrans	30,000,000.00	2015-10-16	2016-10-15	No
The Company	Jiangsu Intellitrans	20,000,000.00	2015-11-25	2016-11-24	No
The Company	Jiangsu Intellitrans	30,000,000.00	2015-11-27	2016-11-26	No
The Company	Jiangsu Intellitrans	50,000,000.00	2015-11-25	2016-11-25	No
The Company	Jiangsu Intellitrans	30,000,000.00	2015-12-2	2016-12-1	No
The Company	Intelligent Transportation	100,000,000.00	2014-7-25	2019-7-25	No

As at 31 December 2015, the Company has respectively provided guarantee to banks to secure a loan for a total of RMB275,000,000 in favour of its subsidiary, Jiangsu Intellitrans Company Limited and an entrusted loan for a total of RMB70,000,000 in favour of its subsidiary, Nanjing City Intelligent Transportation Co. Ltd.

B. Particulars of guarantees provided for letter of guarantee and bills

As at 31 December 2015, the Company provided guarantee to Jiangsu Intellitrans Company Limited, a subsidiary of the Company for their issuance of letter of guarantee for a total of RMB81,304,302.87 to the bank.

The Company provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange in the Beijing East Road Branch of Industrial Bank Co., Ltd. in Nanjing. As at 31 December 2015, the amount of the bank accepted bills of exchange issued by Jiangsu Intellitrans Company Limited through the Beijing East Road Branch of Industrial Bank Co., Ltd. in Nanjing was RMB16,927,450.00 of which RMB6,770,980.00 was retention monies for bills of exchange and the remaining RMB10,156,470.00 was secured by the guarantee provided by the Company.

The Company and Sha Min provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange in the Nanjing Branch of Everbright Bank. As at 31 December 2015, the amount of the bank accepted bills of exchange issued by Jiangsu Intellitrans Company Limited through Nanjing Branch of Everbright Bank was RMB5,959,754.00.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related party transactions (Continued)

2. Related party providing guarantees (Continued)

(2) Particulars of related party providing guarantees for the Company and its subsidiaries

A. Particulars of guarantees provided for loans

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Maturity date of guarantee	Guarantee due or not
Sample Group	The Company	30,000,000.00	2015-12-9	2016-7-9	No
Sample Group	The Company	40,000,000.00	2015-1-15	2016-1-14	No
Sample Group	The Company	20,000,000.00	2015-12-8	2016-12-8	No
Sample Group	The Company	30,000,000.00	2015-12-17	2016-12-17	No
Sample Group	The Company	10,000,000.00	2015-12-8	2016-12-8	No
Sample Group	The Company	20,000,000.00	2015-12-3	2016-11-30	No
Sample Group	The Company	20,000,000.00	2015-12-21	2016-12-21	No
Sample Group	The Company	20,000,000.00	2015-9-24	2016-9-23	No
Sample Group	The Company	20,000,000.00	2015-10-22	2016-10-21	No

Among the total guarantees provided by the related party, Sample Group, for the Company, as of 31 December 2015, the balance for the borrowings that the Company obtained was RMB210,000,000.

B. Particulars of guarantees provided for letter of guarantee and bills

As at 31 December 2015, Sample Group provided guarantee to the Company for its issuance of letter of guarantee for a total of RMB2,294,847.50 to the bank.

Sample Group provided guarantee for the Company to secure the bank accepted bills of exchange in the Xinjiekou Branch of Industrial and Commercial Bank of China Limited. As at 31 December 2015, the amount of the bank accepted bills of exchange issued by the Company through the Xinjiekou Branch of Industrial and Commercial Bank of China Limited was RMB10,453,042.55 of which RMB3,135,912.79 was retention monies for bills of exchange and the remaining RMB7,317,129.76 was secured by the guarantee provided by Sample Group.

Sample Group provided guarantee for the Company to secure the bank accepted bills of exchange in Nanjing Branch of Everbright Bank. As at 31 December 2015, the amount of the bank accepted bills of exchange issued by the Company through the Nanjing Branch of Everbright Bank was RMB48,181,434.21 of which RMB526,400.00 was retention monies for bills of exchange and the remaining RMB47,655,034.21 was secured by the guarantee provided by Sample Group.

IX. CONTINGENT LIABILITIES

1. Guarantee provided to the debts of related parties (subsidiary):

For the particulars of the guarantees provided to the related parties, Jiangsu Intellitrans Company Limited, Nanjing City Intelligent Transportation Co. Ltd., by the Company as at 31 December 2015, can be referred to Note VIII.(IV).2.

2. As at 31 December 2015, the Group has endorsed undue bank accepted bills with a total of RMB6,919,500.00.

3. Save as the above contingent matter, as at 31 December 2015, there is no other significant contingent matter which needs to be disclosed but has not been disclosed.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

X. SIGNIFICANT COMMITMENTS

1. Properties Usufruct Trust

On 25 July 2014, Nanjing City Intelligent Transportation Co., Ltd, a subsidiary of the Company, entered into the Properties Usufruct Trust Contract of Nanjing City Intelligent Transportation Co., Ltd with Yingda International Trust Co.,Ltd, in which it was agreed that: Nanjing City Intelligent Transportation Co., Ltd, as the trustor, entrusted all of its properties (rights) usufruct it legally possessed to Yingda International Trust Co.,Ltd, as the trustee, to manage, operate and dispose pursuant to the provisions of the contract; The properties usufruct represents the right to obtain benefits in future from all revenues arising from operation and disposal of Nanjing Urban Intelligent Transportation Public Service Platform built by Nanjing City Intelligent Transportation Co., Ltd. during the term of trust. The term of trust commenced from the date of establishment of the trust (25 July 2014) to the date of termination of the trust contract (25 July 2019); The value of the properties (rights) usufruct were the aggregate amount of RMB138,278,000.00 which are expected to be obtained from the date of establishment of the trust (25 July 2014) to 25 July 2019. Meanwhile, the Company (Nanjing Sample Technology Company Limited) agreed to provide joint liability guarantee for the trustor in respect of its relevant obligations under the trust scheme, and the trustor agreed to pledge the Usufruct in Nanjing Urban Intelligent Transportation Public Service Platform it held to the trustee.

2. Pledged assets

As at 31 December 2015, pledged assets of the Group can be referred to Note V (LI).

3. Investment

- (1) On 2 June 2015, Nanjing Sample Intelligent Technology Co., Ltd. was established with a registered capital of RMB500,000. The Company shall contribute RMB100,000, representing 20%. As at 31 December 2015, the Company has not made the contribution.
- (2) On 30 December 2015, Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd. was established with a registered capital of RMB13,000,000. The Company shall contribute RMB7,800,000, representing 60%. As at 31 December 2015, the Company has not made the contribution.
- (3) The registered capital of Jiangsu Intellitrans Company Limited, a wholly owned subsidiary of the Company, has been changed from RMB100,000,000 to RMB220,000,000. As of 31 December 2015, the paid-up capital of that company was RMB100,000,000 and the remaining RMB120,000,000 shall be paid before 31 December 2024.

4. Guarantee provided

As at 31 December 2015, the Group provided guarantee of a total of RMB83,844,150.37.

5. Save as the commitment disclosed above, as at 31 December 2015, there is no significant commitment which needs to be disclosed but has not been disclosed.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XI. EVENTS AFTER BALANCE SHEET DATE

1. Investment in new company

On 28 January 2016, Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司) was incorporated with registered capital of RMB10,000,000 which the Company has contributed RMB3,000,000 (representing 30%). The Company shall contribute RMB1,500,000 before 29 February 2016 and RMB1,500,000 before 28 February 2017.

2. Save as the above-mentioned post balance sheet events, as of the financial reporting date, there is no other significant post balance sheet event which needs to be disclosed but has not been disclosed.

XII. SEGMENTS INFORMATION

Information regarding the Company's reportable operating segments as provided to the Company's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the year is only derived from system integration, intelligent terminal sales, service, cross-border trade and service businesses. In addition, the Company's operations are situated in the PRC in which its revenue was derived principally therefrom. Accordingly, no separate segments are presented.

The Group's revenue from principal business is analysed as follows which was derived from the different sectors of the system integration, intelligent terminal sales, service, cross-border trade and service businesses.

Name of Products	2015		2014	
	Operating income	Operating cost	Operating income	Operating cost
System integration	801,936,325.32	591,974,433.37	659,440,413.49	468,399,613.56
Intelligent terminal sales	197,139,115.52	149,946,506.97	153,238,871.31	106,518,857.97
Service business	109,497,069.71	47,566,186.38	88,348,663.46	32,944,153.91
Cross-border trade and service	101,093,325.68	95,188,905.89	–	–
Total	1,209,665,836.23	884,676,032.61	901,027,948.26	607,862,625.44

XIII. SHARE OPTION SCHEME

The Company has no share option plan for the current year.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XIV. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's major financial instruments include trade and accounts receivables, other payables, cash and cash equivalents and short-term bank loans, long-term trusted borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1. Credit risk

The Group's credit risk primarily relates to the Group's trade and other receivables and prepayments. In order to minimise the risk, the management of the Group closely monitors overdue debts. Normally, the Group does not obtain collateral from customers. The recoverable amount of each individual debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors of the Group consider that credit risk associated with the Group's trade receivables is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 8.64% (2014: 11.90%) and 29.38% (2014: 30.6%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XIV. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

2. Liquidity risk

The Group is exposed to minimal liquidity risk as the Group closely monitors its cash flow position. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

Company	2015 Carrying amount	Total contractual discounted cash flow	More than		
			Less than 3 months	3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	81,521,681.76	81,521,681.76	38,375,478.35	12,318,408.41	30,827,795.00
Accounts payable	526,961,876.08	526,961,876.08	390,575,179.54	108,273,202.19	28,113,494.35
Other payables	49,094,015.39	49,094,015.39	37,223,884.51	9,482,575.38	2,387,555.50
Staff remuneration payables	3,137,558.73	3,137,558.73	3,137,558.73	-	-
Short-term borrowings	508,765,000.00	526,197,617.71	72,120,152.78	68,028,769.10	386,048,695.83
Non-current liabilities due within 1 year	27,860,000.00	28,900,781.08	-	14,269,685.67	14,631,095.41
Total	1,197,340,131.96	1,215,813,530.75	541,432,253.91	212,372,640.75	462,008,636.09

Company	2014 Carrying amount	Total contractual discounted cash flow	More than		
			Less than 3 months	3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	36,520,312.90	36,520,312.90	26,123,956.90	10,396,356.00	-
Accounts payable	406,030,216.39	406,030,216.39	304,417,114.94	81,307,016.26	20,306,085.19
Other payables	47,765,320.26	47,765,320.26	35,545,474.19	9,853,061.05	2,366,785.02
Staff remuneration payables	397,375.48	397,375.48	397,375.48	-	-
Short-term borrowings	524,000,000.00	537,628,694.44	214,598,333.33	71,826,250.00	251,204,111.11
Non-current liabilities due within 1 year	70,000,000.00	71,809,054.17	30,194,416.67	10,301,000.00	31,313,637.50
Total	1,048,713,225.03	1,100,150,973.64	611,276,671.51	183,683,683.31	305,190,618.82

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XIV. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Market risk

(1) Interest rate risk

Interest-bearing financial assets are mainly bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly short-term bank loans with fixed interest rates, long-term bank borrowing which expose the Group to fair value interest rate risk.

(2) Foreign currency risk

Foreign exchange risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from the movements in foreign exchange rates. The Group will try to match the income in foreign currency with the expenditure in foreign currency in order to reduce foreign exchange risk. The Group's financial assets and liabilities in foreign currency shared a very small proportion of total assets. The foreign exchange risk faced by the Group is mainly from financial assets and financial liabilities denominated in US dollars, foreign currency translation of financial assets and financial liabilities in foreign currency into RMB are as follows:

Items	2015				2014			
	US Dollar	Euro Dollar	HK Dollar	Total	US Dollar	Euro Dollar	HK Dollar	Total
Financial assets in foreign currency:								
Cash on hand	15,061.91	-	35,575,673.89	35,590,735.80	-	-	33,807,807.77	33,807,807.77
Accounts Receivable	74,035,779.61	7,665.58	3,853.02	74,047,298.21	-	-	-	-
Net amount	74,050,841.52	7,665.58	35,579,526.91	109,638,034.01	-	-	33,807,807.77	33,807,807.77

(3) Price risk

The Group is not exposed to any equity securities price risk or commodity price risk.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(I) Accounts receivable (Continued)

1. Disclosure of accounts receivable by categories (Continued)

In the groups, provision for bad debts for accounts receivable due from governments are made using discounting method:

Category	2015		2014	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	27,090,639.81	4,996,581.02	30,688,029.18	2,588,404.38

In the groups, provision for bad debts for accounts receivable due from non-governments are made using aging analysis:

Aging	2015				2014			
	Closing balance		Provision for bad debts	Provision percentage	Closing balance		Provision for bad debts	Provision percentage
	Amount	Percentage (%)			Amount	Percentage (%)		
Within 1 year	74,274,889.45	67.15	2,228,246.68	3.00	21,686,514.15	43.69	650,595.42	3.00
1 to 2 years	9,656,294.78	8.73	772,503.58	8.00	21,864,894.05	44.05	1,749,191.52	8.00
2 to 3 years	21,002,788.15	18.99	6,300,836.45	30.00	3,251,944.60	6.55	975,583.38	30.00
Over 3 years	5,668,886.40	5.13	5,668,886.40	100.00	2,830,963.00	5.71	2,830,963.00	100.00
Total	110,602,858.78	100.00	14,970,473.11	13.54	49,634,315.80	100.00	6,206,333.32	12.50

2. There were no actual write-off of accounts receivable in the current year.

3. The situation of provision, reversal or recovered of bad debts for the current year

Item	2014	Increase for the current period	Decrease for the current period	2015
Provision of bad debts	8,794,737.70	11,172,316.43	—	19,967,054.13

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(I) Accounts receivable (Continued)

4. Particulars of the top five of accounts receivable at the end of the year

Name of Unit	Accounts Receivable	2015 Percentage of the total accounts receivable (%)	Provision of bad debts
Shijiazhuang Pan-Technology Development Co., Ltd. (石家莊泛安科技開發有限公司)	33,290,118.23	24.18	998,703.55
Hunan Xiangzhu Transportation Technology Co., Ltd. (湖南省湘築交通科技有限公司)	7,079,930.00	5.14	212,397.90
Zhenjiang Educational Equipment and Work-study Program Management Center (鎮江教育裝備與勤工儉學管理中心)	6,610,739.48	4.80	198,322.18
Nanjing Hi-tech Construction Development Co., Ltd. (南京高科建設發展有限公司)	4,586,661.89	3.33	1,375,998.57
Linyi Comprehensive International Trade and Investment Development Co., Ltd. (臨沂綜合 國際貿易投資開發有限公司)	3,790,750.00	2.75	113,722.50
Total	55,358,199.60	40.20	2,899,144.70

5. There were no accounts receivables derecognised due to transfer of financial assets in the current year.

6. There were no accounts receivables not completely derecognised but transferred in the current year.

7. There were no accounts receivable-backed securitisations in the current year.

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

(II) Other receivables

1. Disclosure of other receivables by categories

Categories	2015				2014			
	Closing balance		Provision for bad debts		Closing balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Provision percentage (%)	Amount	Percentage (%)	Amount	Provision percentage (%)
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-
Including: Accounts receivable within the scope of combination	63,942,751.78	81.75	-	-	64,199,113.78	85.89	-	-
Retention monies	9,423,441.30	12.05	-	-	8,422,622.88	11.27	-	-
Others	4,851,344.74	6.20	330,535.31	6.81	2,121,590.14	2.84	161,632.48	7.62
Sub-total for the group	78,217,537.82	100.00	330,535.31	0.42	74,743,326.80	100.00	161,632.48	0.22
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-
Total	78,217,537.82	100.00	330,535.31	0.42	74,743,326.80	100.00	161,632.48	0.22
								Carrying value
								64,199,113.78
								8,422,622.88
								1,959,937.66
								74,581,674.32

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(II) Other receivables (Continued)

1. Disclosure of other receivables by categories (Continued)

In the groups, provision for bad debts for other receivables are made using aging analysis:

Aging	2015				2014				
	Closing balance	Provision for	Provision	Closing balance	Provision for	Provision	Closing balance	Provision for	Provision
	Percentage	bad debts	percentage		Percentage	bad debts		percentage	
Amount	(%)	(%)	Amount	(%)	(%)				
Within 1 year	4,571,612.28	94.23	228,580.61	5.00	1,961,019.65	92.43	98,050.98	5.00	
1 to 2 years	189,722.51	3.91	18,972.25	10.00	83,615.54	3.94	8,361.55	10.00	
2 to 3 years	14,055.00	0.29	7,027.50	50.00	43,430.00	2.05	21,715.00	50.00	
Over 3 years	75,954.95	1.57	75,954.95	100.00	33,524.95	1.58	33,524.95	100.00	
Total	4,851,344.74	100.00	330,535.31		2,121,590.14	100.00	161,652.48		

2. The situation of provision, reversal or recovered of bad debts for the current year

Item	2014	Increase for the current period	Decrease for the current period	2015
Provision of bad debts	161,652.48	168,882.83	—	330,535.31

3. There were no actual write-off of other receivables in the current year.

4. Classification of other receivables by nature

Nature of fund	2015	2014
Retention monies	9,423,441.30	8,422,622.88
Petty Cash	921,063.75	1,334,953.52
Other	3,930,280.99	786,636.62
Internal current account	63,942,751.78	64,199,113.78
Total	78,217,537.82	74,743,326.80

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(II) Other receivables (Continued)

5. Particulars of the top five amounts of other receivables at the end of the year

Name of unit	Nature or content	Closing balance	Aging	Percentage of the total other receivables (%)	Closing amount of provision of bad debts
Sample Technology (H.K.) Co., Ltd. 三寶科技(香港)有限公司	Current account	63,942,751.78	Over 1 year	81.75	-
Nanjing Pineal Investment Management (Limited Partnership) (南京松果體投資管理企業(有限合夥))	Share Transfer monies	2,000,000.00	Within 1 year	2.56	100,000.00
Changchun Economic and Technological Development Zone Financial Settlement Center (長春經濟技術開發區財務結算中心)	Retention monies	901,485.20	Over 3 years	1.15	-
Jilin Province Bureau of Commerce (吉林省商務廳)	Retention monies	674,457.50	1 to 2 years	0.86	-
Linyi Municipal People's Government Administrative Service Hall Management Office (臨沂市人民政府行政服務大廳管理辦公室)	Retention monies	524,000.00	Within 1 year	0.67	-
Total		<u>68,042,694.48</u>		<u>86.99</u>	<u>100,000.00</u>

6. Amount due from related parties of the Company included in balance of other receivables at the end of the year

Name of unit	Relationship with the Company	Closing balance	Percentage of the total other receivables (%)
Sample Technology (H.K.) Co., Limited (三寶科技(香港)有限公司)	wholly-owned subsidiary	63,942,751.78	81.75
Total		<u>63,942,751.78</u>	<u>81.75</u>

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(II) Other receivables (Continued)

7. There were no other receivables derecognised due to transfer of financial assets in the current year.
8. There were no other receivables not completely derecognised but transferred in the current year.
9. There were no other receivable-backed securitisations in the current year.

(III) Long-term equity investments

Item	2015			2014		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investment in subsidiaries	337,977,688.00	-	337,977,688.00	318,077,688.00	-	318,077,688.00
Total	337,977,688.00	-	337,977,688.00	318,077,688.00	-	318,077,688.00

Particulars of investment in subsidiaries

Investee	Accounting method	Investment cost	2014	Increase in the year	Decrease in the year	2015	Impairment provision in the current year	Closing balance of impairment provision
Subsidiaries:								
Jiangsu Intellitrans Company Limited	Cost method	130,000,000.00	130,000,000.00	-	-	130,000,000.00	-	-
Nanjing Sample Logistic Company Limited	Cost method	6,000,000.00	6,000,000.00	-	-	6,000,000.00	-	-
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Cost method	85,000,000.00	85,000,000.00	-	-	85,000,000.00	-	-
Sample Technology (H.K.) Co., Limited	Cost method	77,688.00	77,688.00	-	-	77,688.00	-	-
Yangzhou Sample Information Technology Co., Ltd.	Cost method	15,000,000.00	15,000,000.00	35,000,000.00	45,000,000.00	5,000,000.00	-	-
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Cost method	70,000,000.00	70,000,000.00	-	-	70,000,000.00	-	-
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Cost method	12,000,000.00	12,000,000.00	29,900,000.00	-	41,900,000.00	-	-
Total			318,077,688.00	64,900,000.00	45,000,000.00	337,977,688.00	-	-

Note: (1) According to the shareholders' resolution of 12 November 2015 of Jiangsu Cross-border e-Commerce Services Co., Ltd., the registered capital of Jiangsu Cross-border e-Commerce Services Co., Ltd. increased from RMB20,000,000 to RMB46,000,000. All contribution was made by cash by the Company.

(2) According to the shareholders' resolution of Yangzhou Sample Information Technology Co., Ltd., the registered capital was reduced from RMB50,000,000 to RMB5,000,000.

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(IV) Operating income and operating cost

1. Operating income and operating cost

Items	2015	2014
Principal operating income	258,814,607.20	248,550,386.58
Other operating income	16,000,956.86	6,453,043.40
Total operating income	274,815,564.06	255,003,429.98
Principal operating cost	172,793,498.33	154,832,878.01
Other operating cost	3,213,044.06	2,916,719.95
Total operating cost	176,006,542.39	157,749,597.96

2. Principal operations (by product)

Name of Products	2015		2014	
	Operating income	Operating cost	Operating income	Operating cost
System integration	86,666,277.94	56,141,403.76	85,116,163.08	52,317,500.80
Intelligent terminal sales	143,025,412.98	116,652,094.57	133,904,223.50	102,515,377.21
Service business	29,122,916.28	-	29,530,000.00	-
Total	258,814,607.20	172,793,498.33	248,550,386.58	154,832,878.01

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(IV) Operating income and operating cost (Continued)

3. Operating income from the top five customers of the Company for the year

Name of the customers	2015	
	Total operating income	Percentage of the total operating income of the Company (%)
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	31,481,047.86	11.46
Nanjing Pulin Wei Network Technology Co., Ltd. (南京普林威網絡技術有限公司)	31,211,447.95	11.36
Shijiazhuang Pan-Technology Development Co., Ltd. (石家莊泛安科技開發有限公司)	28,453,092.54	10.35
Nanjing Feng Sheng Industry Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)	27,320,821.39	9.94
Zhenjiang Educational Equipment and Work-study Program Management Center (鎮江教育裝備與勤工儉學管理中心)	14,176,727.03	5.16
Total	132,643,136.77	48.27

(V) Investment income

Items	2015	2014
Investment income from long-term equity investments of wholly owned subsidiaries under cost method	170,000,000.00	20,000,000.00
Investment income from available-for-sale financial assets under cost method	1,285,200.00	
Investment income from disposal of available-for-sale financial assets	2,760,100.98	
Investment income of entrusted loan	2,775,782.76	
Investment income of asset management plan	3,961,643.84	
Investment income of wealth management products	1,386,082.19	
Total	182,168,809.77	20,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

(VI) Supplementary information of cash flow statements of the Company

Items	2015	2014
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	204,409,495.21	54,909,002.56
Add: Provision for assets impairment	11,341,199.26	6,451,891.20
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	4,912,762.57	6,145,476.16
Amortisation of intangible assets	245,447.85	385,400.76
Amortisation of long-term deferred expenses	-	-
Loss on disposal of fixed assets, intangible assets and other long-term assets	1,338.25	24,038.39
Loss on scrapped fixed assets	-	-
Loss on change in fair value	(9,334,000.00)	-
Financial expenses	16,469,114.61	11,725,323.92
Investment loss	(182,168,809.77)	(20,000,000.00)
Decrease in deferred tax assets	(1,669,511.25)	(741,592.84)
Increase in deferred tax liabilities	8,796,998.29	-
Decrease in inventories	(24,304,771.22)	(6,838,920.81)
Decrease of operating receivables	(107,428,772.25)	(45,354,333.35)
Increase of operating payables	55,077,235.51	60,705,062.90
Others	-	-
Net cash flows from operating activities	(23,652,272.94)	67,411,348.89
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents		
Cash at the end of the period	488,161,285.38	117,861,653.67
Less: cash at the beginning of year	117,861,653.67	55,204,087.55
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the year	-	-
Net increase in cash and cash equivalents	370,299,631.71	62,657,566.12

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XVI. SUPPLEMENTAL INFORMATION

(I) Summary of non-recurring profit or loss of the Group

Items	2015	2014
Profits or losses on disposal of non-current assets	(89,316.87)	(46,810.70)
Government grants recognised in profits or losses (excluding those government grants that are closely relevant to the enterprise's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	6,713,597.42	19,167,166.39
Investment income from available-for-sale financial assets	1,285,200.00	–
Profits and losses of external entrusted loan	17,115,332.75	–
Gain or loss from changes in fair value of investment property arising from subsequent measurement using the fair value model	9,334,000.00	–
Investment income from the purchase of wealth management products	2,958,000.00	–
Investment income from the purchase of asset management plan	7,643,835.62	–
Other non-operating income and expenses other than the aforementioned items	(3,897.17)	299,231.01
Other profit or loss items meeting the definition of non-recurring profit or loss (investment income from disposal of available-for-sale financial assets)	2,760,100.98	–
Impact on income tax	(7,054,112.42)	(2,891,310.50)
Impact on minority interests (after-tax)	(622,263.12)	(1,043,042.74)
Total	40,040,477.19	15,485,233.46

Notes to the Financial Statements

For the year ended 31 December 2015

(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION (Continued)

(II) Return on net assets and earnings per share

2015	Weighted average return on net assets	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	10.40%	0.532	0.532
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	7.87%	0.403	0.403

2014	Weighted average return on net assets	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.94%	0.616	0.616
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	11.49%	0.546	0.546

The calculation of the weighted average number of ordinary shares:

Item	2015	2014
Ordinary shares issued at the beginning of the year	224,100,000.00	224,100,000.00
Add: Weighted average number of ordinary shares issued during the current period	84,996,450.00	—
Less: Weighted average number of ordinary shares repurchased during the current period	—	—
Weighted average number of ordinary shares issued at the end of the period	<u>309,096,450.00</u>	<u>224,100,000.00</u>

Note: 92,723,400 shares were issued in January 2015, the weighted average number of ordinary shares issued for the current period was 84,996,450 shares.

Five-Year Financial Summary

RESULTS

	2015 RMB'000	Year ended 31 December			
		2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total operating income	1,226,308	907,226	787,768	737,690	542,389
Total profit	188,392	167,671	151,624	206,840	171,440
Net profit	167,178	139,961	130,128	169,219	146,054
Net profit attributable to shareholders of the Company	164,469	137,953	126,406	167,928	146,054
Minority interests	2,709	2,008	3,722	1,291	–
Basic earnings per share (Renminbi Yuan)	0.532	0.616	0.564	0.749	0.65

ASSETS AND LIABILITIES

	2015 RMB'000	At 31 December			
		2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Current assets	2,498,943	1,848,649	1,398,454	1,191,208	1,149,434
Non-current assets	702,203	586,115	503,410	414,993	298,916
Current liabilities	1,321,319	1,181,395	744,654	542,777	654,298
Net current assets	1,177,624	667,253	653,800	648,431	495,136
Equity attributable to shareholders of the Company	1,669,546	1,123,762	1,008,321	926,868	784,722
Total shareholders' equity	1,723,376	1,173,109	1,057,060	963,886	792,449