



**NANDA  
SOFTECH**  
南大苏富特科技

**JIANGSU NANDASOFT TECHNOLOGY COMPANY LIMITED**

**江蘇南大蘇富特科技股份有限公司**

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

(Stock Code: 8045)

**ANNUAL REPORT 2015**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of Jiangsu NandaSoft Technology Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Jiangsu NandaSoft Technology Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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# CORPORATE INFORMATION

## DIRECTORS OF THE COMPANY

### Executive Directors

Mr. Zhu Yong Ning (Chairman)  
Mr. Qiao Ruo Gu (Chief Executive Officer)  
Mr. Liu Jian  
(alias, Liu Jian Bang)

### Non-executive Directors

Mr. Wong Wa Tak

### Independent Non-executive Directors

Dr. Daxi Li  
Ms. Xie Hong  
Mr. Xie Man Lin

### SUPERVISORS

Mr. Dong Liang  
Mr. Liang Run Bao  
Mr. Ngai Kei Ho  
Ms. Chen Jian Hong  
Ms. Gu Yin Ping

### COMPANY SECRETARY

Ms. Leung Wing Han (FCS, FCIS)

### AUDIT COMMITTEE

Dr. Daxi Li (Chairman)  
Ms. Xie Hong  
Mr. Xie Man Lin

### NOMINATION COMMITTEE

Mr. Zhu Yong Ning  
Dr. Daxi Li  
Ms. Xie Hong  
Mr. Xie Man Lin (Chairman)

### REMUNERATION COMMITTEE

Mr. Zhu Yong Ning  
Dr. Daxi Li  
Ms. Xie Hong (Chairman)  
Mr. Xie Man Lin

## COMPLIANCE OFFICER

Mr. Zhu Yong Ning

## AUTHORISED REPRESENTATIVES

Mr. Zhu Yong Ning  
Ms. Leung Wing Han

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISORS

Lau Adrian Lawyers

## PRINCIPAL BANKERS

China Industrial and Commercial Bank,  
Nanjing Branch, Shanxi Lu sub-branch,  
SPD Bank, Hong Kong Branch

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
46th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

SoftTech Innovation Park,  
No. 19 South Qingjiang Road  
Nanjing, China  
Postal code: 210036

## PRINCIPAL PLACE OF BUSINESS IN CHINA

SoftTech Innovation Park,  
No. 19 South Qingjiang Road,  
Nanjing, China  
Postal code: 210036

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Center,  
28 Queen's Road East,  
Wanchai,  
Hong Kong

## STOCK CODE

8045

## CHAIRMAN'S STATEMENT



**Mr. Zhu Yong Ning**  
*Chairman*

On behalf of the Board of Directors (the “Board”), I am pleased to present the annual report for the year ended 31 December 2015 of Jiangsu NandaSoft Technology Company Limited (“NandaSoft”, “Our Company” or the “Company”, together with its subsidiaries, the “Group”) to the shareholders for their review.

On 5 March 2015, Premier Li Keqiang suggested to carry out “Internet Plus” action plan in his Government Work Report in order to promote the innovative integration of a new generation of information technology (such as cloud computing, Internet of Things and Big Data), with modern manufacturing and productive services, indicating that the development of internet has become a strategy of China. Under this circumstance, combined with our own ongoing exploration on IT business transformation, our Company continued to intensify our business reform on Internet.

2015 is the 17th anniversary of the establishment of our Company, the Company made strategic approach centering on IT, with clear focus in accelerating the Internet business model transformation by means of innovation to integrate and boost the business of the Company. We focused on five industries including government, education, medical services, finance and transportation to conduct business layout, and mainly launched service solutions and related products on Big Data and mobile internet. Meanwhile, the company carried out an organisation structure reform to highlight the capability on boosting profit. We played an advantage on resources integration which focused on management and initially established a strategic, capital, market and talent oriented platform for change and development within the Group’s business units to enhance independent innovation capability and build the core competitiveness. The Company was awarded the “Famous brand in Nanjing service industry” by providing security services in the IT field for many years. It truly reflected customers’ recognition of our capability and quality of services. During the year, the Company cooperated with Changzhou Science and Education City and jointly established Jiangsu Zhiya Online Education Technology Co., Ltd.

The company promoted the development of tertiary vocational education and built an open educational platform for the growth of students and business development through online education and the service products for Universities cloud management to create a new Internet + vocational education and implement the online and offline combination. It will eventually become a model of famous online education brand in Changzhou and Jiangsu and an important milestone for the Internet+ vocational education field.

The Company issued additional domestic shares in 2015 and introduced Jiangsu Keneng Electricity Technology Co., Ltd. as a strategic investor with financing of RMB45.864 million.

### **BUSINESS RESULTS**

During the financial year of 2015, turnover of the Group was approximately RMB513,130,153.46 which decreased by approximately 2.13%, and the Company's net loss attributable to parent amounted to approximately RMB160,392,827.30. The Board does not recommend the distribution of a final dividend for the year ended 31 December 2015.

### **FUTURE PROSPECTS**

With the continuous and maturing development of mobile Internet, big data and cloud computing and other emerging technologies, they gave birth to the continuous development of new models, ideas and formats bringing new thoughts and energy for the industry to enrich and expand the connotation and extension of the IT services and continue to drive changes in the development of industry. For the future prospects, the Company will give full play to the advantages of the technology and talents of Nanjing University to lead the integration of Internet and traditional industries by means of innovation and drive the research and development of cloud computing, big data and mobile internet for the Company to provide services and products based on the needs of our customers. In the ever-changing market environment, we will bring satisfactory returns for our employees, customers and shareholders through sustainable innovation in the future.

**Zhu Yong Ning**  
*Chairman*

Nanjing, PRC  
24 March, 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The turnover of the Company for the year ended 31 December 2015 was approximately RMB513,130,153.46, which represents a decrease of approximately RMB11,191,678.34 when compared with 2014 and this was mainly due to the economic downturn in the industry of Information Technology (the "IT").

The net loss of the parent Company for the year ended 31 December 2015 was RMB160,392,827.30, representing a significant decline when compared with 2014. This was mainly due to the mediation result made with China Nuclear Industry Huaxing Construction Company Limited, according to which the profit decreased by approximately RMB60 million and the revaluation gains from investment properties amounted to approximately RMB5 million, representing a decrease of RMB22 million when compared with the same period of 2014.

## Financial resources and liquidity

As at 31 December 2015, current assets of the Company amounted to approximately RMB579,188,327.77, of which approximately RMB90,723,555.46 were cash and cash equivalents and approximately RMB284,552,592.76 were receivables and prepayments which increased by RMB16,309,061.33 when compared with the same period of 2014.

In addition, as at 31 December 2015, the amount of receivables past due for more than 90 days was RMB74,816,230.15, representing 28.55% of total net receivables, which decreased by 2.24% when compared with RMB76,533,954.06 at the end of 2014.

As at 31 December 2015, the non-current liabilities of RMB161,438,449.77 and current liabilities amounting to approximately RMB883,735,099.55, comprising mainly the trade and bills payables, receipts in advance and the construction cost payables included in other payables. The current liabilities decreased by approximately 0.20% when compared with 2014.

As at 31 December 2015, short-term borrowings and long-term borrowings amounted to RMB209,271,000.00 in total, representing a decrease of approximately 2.57% when compared with 2014. Liquidity was sufficient to support the regular operation of the Company.

As at 31 December 2015, net assets of the Company amounted to approximately RMB270,269,599.29 (2014: RMB409,597,294.31), representing a drop of approximately 34.02% when compared with 2014.

## Significant investment held and the performance for such investment during the year

As at 31 December 2015, the Company cooperated with Changzhou Science and Education City and jointly established Jiangsu Zhiya Online Education Technology Co., Ltd. The company promoted the development of tertiary vocational education and built an open educational platform for the growth of students and business development through online education and the service products for Universities cloud management to create a new Internet + vocational education and implement the online and offline combination. It will eventually become a model of famous online education brand in Changzhou and Jiangsu and an important milestone for the Internet+ vocational education field.

## Employees and remuneration policies

The remuneration for the employees of the Group for the year ended 31 December 2015 amounted to approximately RMB28,662,472.04 (2014: approximately RMB28,446,494.65), including the directors' and supervisors' emoluments of approximately RMB1,199,928.00 (2014: approximately RMB1,194,993.00) and RMB550,544.80 (2014: approximately RMB243,324.00), respectively.

The number of employees for the year had increased from 349 to 367.

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

## Charge on group assets

As at 31 December 2015, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City, the People's Republic of China (the "PRC") of approximately RMB22,000,000.00 (2014: approximately RMB22,000,000.00) were pledged as security for interest-bearing bank borrowings granted to the Company.

## Gearing Ratio)

As at 31 December 2015, the gearing ratio for the Group was 79.45%.

## Foreign currency risk and any relevant elimination

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

During the year ended 31 December 2015, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.



## Contingent liabilities

1. On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by China Nuclear Industry Huaxing Construction Company Limited (as the plaintiff) .

According to the civil claim, it was claimed that the Company failed to pay for construction project. The payment was approximately RMB175,400,000.00 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen assets of the Company of RMB150,000,000.00.

The delay in payment was that the audit on the related construction work cannot be completed by the agreed time and is still incomplete. Therefore, the actual amount of construction payable by the Company is still uncertain.

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

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

According to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of NandaSoft Software City 02 project, compensation financing, the loss on shutdown, late interest payment amounted to RMB219.635 million (Deduct RMB37 million which had paid by the Company). For the period of 1 January 2016 to the actual payment date, with the annual rate of 6%, NandaSoft shall pay RMB182.635 million and related interest to the plaintiff before 30 June 2016. The plaintiff has the right to apply to court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time.

As at 31 December 2015, the Company's bank deposit frozen amounted to RMB829,023.92; According to the court ruling, the rights of the buildings of Block 1 and 2, No. 19 South Qingjiang Road, Gulou District owned by the Company, and the rights of land use are restricted. According to the aforesaid ruling, the Company adjusted the estimated assets costs, estimated loss on shutdown and estimated interest payment to RMB25,733,479.78, RMB12,199,750.34 and RMB27,382,757.08 respectively, which representing RMB65,315,987.20 in total.

2. NandaSoft (Jiangsu) Pharmaceutical Service Outsourcing Co., Ltd. (Soft Pharmaceutical), a former subsidiary of the Company, entered into the Clinic Trial Contract with Nanchang Lijian Pharmaceutical Co., Ltd. (Lijian Company) with a contract value of RMB2.84 million (RMB1.2 million of which was already paid), which intended to provide medical examination services for Lijian Company. In 2012, Soft Pharmaceutical, Lijian Company and Nanjing Linghua Hospital Technology Co., Ltd. (Linghua Pharmaceuticals) signed a tripartite agreement to terminate the technical service contract mentioned above, and to transfer relevant rights and obligations of Soft Pharmaceutical to Linghua Pharmaceuticals.

As at 21 October 2013, Linghua Pharmaceuticals lodged a lawsuit to Intermediate People's Court of Nanchang as Soft Pharmaceutical refused to pay RMB1.2 million, which was originally received from Lijian Company. Soft Pharmaceutical applied for liquidation to, and accepted by Nanjing Trade and Industry Bureau on 19 July 2012. The Court ruled that Soft Pharmaceutical should paid RMB1.20 million and responsible for the compensation of RMB2.40 million. The Company, the shareholder of Soft Pharmaceutical and Jiangsu Sheng Feng Investment, a subsidiary of the Company were liable for the corresponding liabilities.

As at 4 December 2013, according to the Civil Ruling (2013) Hong Min Er Chu Zi No. 380-1 issued by Intermediate People's Court of Nanchang Jiangxi Province, RMB3.65 million of the Company's bank deposit was frozen.

As at 11 June 2015, according to the Civil Ruling (2013) Hong Min Er Chi Zi No. 380 issued by Intermediate People's Court of Nanchang Jiangxi Province, Soft Pharmaceutical needed to repay Linghua Pharmaceuticals RMB1.20 million with compensation, calculated based on RMB1.20 million from 18 November 2013 until the date amount was settled according to the interest rate for the same period determined by the People's Bank of China and 6.15%.

As at 25 June 2015, Linghua Pharmaceuticals filed a second appeal, requesting a double of the aforesaid compensation, which is RMB2.40 million and increased the Company jointly supplemental compensation liabilities to USD\$0.35 million.

As at 1 February 2016, High People's Court of Jiangxi Province made a second instant verdict. Soft Pharmaceutical repay Linghua Pharmaceuticals RMB1.20 million with compensation, calculated based on RMB1.20 million from 18 November 2013 until the date amount was settled according to the interest rate for the same period determined by the People's Bank of China and 24%. The Company and Sheng Feng Investment, a subsidiary of the Company, assumed the supplemental compensation liabilities for the unseizable part of Soft Pharmaceutical at a range within RMB1.87 million and RMB0.64 million respectively.

The directors of the Company, based on the advices from the Group's legal counsel, consider that a provision for loss arising from this litigation is necessary.

As at 31 December 2015, bank balances of the Company of RMB3,650,000.00 was frozen.

## Management Discussion and Analysis

3. As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by Guangzhou City Aimin Investment Co., Ltd ("Aimin") (廣州市愛民投資有限公司).

According to the Civil Complaint, the Company has borrowed RMB15.50 million from Aimin with an aggregate borrowing interest of RMB8,426,989.04 for the date 10 October 2015. Shanghai Honghao Investment Management Co., Ltd assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No. 5504 issued by Guangzhou City Tianhe District People's Court, bank balance of the Company of RMB23,926,989.04 was frozen. The equity interest of Jiangsu NandaSoft Investment Company Limited held by the Company and Soft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司) was frozen.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to predict the loss of litigation.

As at 31 December 2015, the litigation was pending. A bank balance of the Company of RMB609,607.49 was frozen. The relevant frozen amount deducted litigation one and litigation two.

## BUSINESS REVIEW

### R&D of Information Technology and Products

During the year under review, the Company continued the research and development of electronic document system to have a deep analysis on technical requirements and business needs of electronic document management system, based on relevant standard of electronic document system from the country and the 5 characteristics such as unified management of electronic documents, full management, standards, ease of use and security and confidentiality. Meanwhile, the Company set up a research and development environment and adopted the MVC model building of prevailing spring framework system through the information management by hibernate framework on persistence layer. We basically implemented the restructure work of ERMS system, which can support the capture of local files and controlling management at the same time, such as storage, maintenance, use, disposal, transfer etc. The Company started the experimental work of electronic files in the office of Nanjing Municipal Committee during the year.

For the Cloud computing project, we implemented the research and deployment of OpenStack and developed the communication program and the clients program for each platform on this basis.

We started to deploy our cloud desktop system on the cloud education platform in Changzhou Science and Education City in order to provide services for vocational education cloud in the future.

Our Company was obtained the software copyright certificates of "Nandasoft E-file search platform management software", "Nandasoft cloud computing e-government platform management software", "Nandasoft education cloud desktop system software" and "Nandasoft cloud computer software" during the year under review.

During the year under review, the Company introduced a product based on mobile terminal APP-heard about reading, which made use of the Internet to build up the culture of enterprises by innovative means of connecting the employees and customers. The product was tested in our company.

### IT Services

For the system integration, our Company undertook lots of large- and medium-sized projects during the year under review, such as Information Center Phase I project of Jiangsu Province Water Conservancy Bureau, software and hardware protecting environment infrastructure (Phase I) project of Jiangsu Province Public Security police big data center, light current engineering project of Yixing Jiu Zhou Hotel and Nanjing Newspaper Group System etc.

In the intelligent transportation aspect, during the period, Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd. entered into the projects, which cost millions, such as construction project of electronic toll collection (ETC) lanes for toll station of Sanming Expressway (Two times), engineering contract of electronic toll collection (ETC) system for Henan Provincial Toll of Debt-repaying Expressway Management Center, Jinan beltway Jinan tunnel security facilities upgrade project, expansion engineering digital highway project of 352 highway Xinhua section, three major system upgrade project of Nanjing Road Development Group during the year under review, system upgrade project of Jiangsu Provincial Government transport services hotline, toll system upgrade and construction project of Jiangsu Tongsha car and ferry management office etc.

### Future Prospects

In the future, the Group will focus on the IT industry and the integration of resources to lead the transformation and upgrading of existing business via Internet business model, and seize the opportunity offered by the State in promoting in full scale the construction of smart cities. In addition, the Company will, relying on the comprehensive advantages of Nanjing University, promote the technological innovation in terms of Big Data, Cloud Computing, mobile Internet and other applications and develop certain software based on internet platform and with its own intellectual property rights in China; the Company will lay its focus on the smart city industry of higher market value in which the Group has distinctive advantages, including government, education, intelligent transportation, finance and medical services, and based on the Yangtze River Delta, provide services for the whole country, in the hope that within three to five years' time, the Group will become a well-known and technology-leading data service provider for smart cities.

# REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are developing, producing and promoting the network security software, Internet application software, education software, business application software and providing system integration services, which include consulting services for the provision of Information Technology. The activities of the Company's subsidiaries and associated companies are set out in note VIII to the financial statements, respectively.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 175.

The directors do not recommend the payment of a final dividend for the year (2014: nil).

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 176.

This summary does not form part of the audited financial statements.

## MANAGEMENT CONTRACT

No contract concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## BUSINESS FAIR REVIEW AND FUTURE PROSPECTS

The Company made strategic approach centering on IT, with clear focus in accelerating the Internet business model transformation by means of innovation to integrate and boost the business of the Company. We focused on five industries including government, education, medical services, finance and transportation to conduct business layout, and mainly launched service solutions and related products on Big Data and mobile internet. Meanwhile, the company carried out an organization structure reform to highlight the capability on boosting profit. We played an advantage on resources integration which focused on management and initially established a strategic, capital, market and talent oriented platform for change and development within the Group's business units to enhance independent innovation capability and build the core competitiveness. The Company was awarded the "Famous brand in Nanjing service industry" by providing security services in the IT field for many years. It truly reflected customers' recognition of our capability and quality of services. During the year, the Company cooperated with Changzhou Science and Education City and jointly established Jiangsu Zhiya Online Education Technology Co., Ltd. The company promoted the development of tertiary vocational education and built an open educational platform for the growth of students and business development through online

education and the service products for Universities cloud management to create a new Internet + vocational education and implement the online and offline combination. It will eventually become a model of famous online education brand in Changzhou and Jiangsu and an important milestone for the Internet+ vocational education field.

### PRINCIPAL RISKS AND UNCERTAINTIES

As the Group's operations are mainly conducted in the PRC, there is no significant foreign currency risk that would affect the Company's results of operations. The Group's business is subject to the risk of uncontrollable effects, including weather conditions, natural disasters etc.

### MATERIAL EVENTS FOR THE END OF THE YEAR

Save as disclosed in this annual report, our Group did not undertake material investment burden, participate in material investment or future plan concerning the acquisition of capital assets which need to be disclosed.

### FINANCIAL KEY PERFORMANCE INDICATORS AND ANALYSIS

For the year ended 31 December 2015, the Group' total assets amounted to RMB 1,315,443,148.61. Total liabilities amounted to RMB 1,045,173,579.32. Gearing ratio was 79.45%. The total operating income amounted to RMB 513,130,153.46. The total profit amounted to RMB-144,643,880.25. The net profit amounted to-149,561,610.56. The return on total assets was-10.74%. The return on shareholders' equity was-44%.

### Compliance with laws and regulations

The Group has established compliance procedures to ensure (especially) the compliance of applicable laws, rules and regulations, which cause material effect. The Board appointed the audit committee to supervise the Group and have a regular review concerning the policies and practices for the compliance of law and regulations. The relevant employees and operation units will be informed for any changes about the applicable laws, rules and regulations from time to time.

### Environmental policy

Our Group dedicated to encourage the employees to protect the environment and run the business by means of striking a balance between environment and economic need.

Our Group complied with all the relevant environmental rules and cooperated with other partners (including customers and suppliers) to run the business in the way of being responsible to the environment in order to achieve the energy efficiency and practice waste reduction, reuse and recycling.

Our Group has adopted the following measures, which included:

- Carry out the least degree of fitting-out work, re-use of existing flooring, furniture
- Work closely with local government to assist them in promoting green policy
- Turn off the lights automatically to save energy and to provide override switch for all non-emergency lighting during non-office hours

## THE RELATIONSHIP WITH KEY STAKEHOLDERS

### Employee

The employee of the Group worked in SoftTech Innovation Park in No. 19 South Qingjiang Road, Gulou District, Nanjing, China, which was owned by our Group. The employees of the Group had to implement the duties of management, administration, human resources, operations, finance and the relationship with investors. The Group determined the employees' salary by reference to their personal experience and performance and the market salary. The Group will continue to improve and enhance the management and professional skills. The Group has not experienced any significant problem with its employees or disruption to its operations due to labour dispute, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

### Suppliers

The suppliers of the Group provided network security software, internet application software, education software and business application software, and provide systems integration services which include the provision of information technology consulting. The major suppliers are Lenovo (Shanghai) Electronics Technology Co., Ltd. (聯想(上海)電子科技有限公司), Jiangsu Phoenix Culture Trading Group Co., Ltd. (江蘇鳳凰文化貿易集團有限公司), Nanjing Jiangxian Technology Co., Ltd. (南京江賢科技有限公司), Hebei Daming Electronic Technology Co., Ltd (河北大明電子科技有限公司) and Henan Oriental Century Information Technology Co., Ltd. (河南東方世紀信息科技有限公司).

### Customers

The major customer of the Group are Bank of Agriculture (農業銀行), Hebei Province Highway (河北省高速公路), Shanxi Province Communications Construction Group Company (陝西省交通建設集團公司) and Hanxun Highway Construction Administration Office (咸旬高速公路建設管理處).

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.

## EQUITY LINE OF CREDIT AGREEMENT

The Company did not enter into any Equity Line of Credit Agreement during the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note VI.11 to the financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note VI.31 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity, on page 53 and 54.

## DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution amounted to approximately RMB-100,649,435.05.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 17.59% of the total sales for the year and sales to the largest customer included therein amounted to 4.66%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	37.31%
The five largest suppliers	47.83%

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.



# Report of the Directors

## DIRECTORS AND SUPERVISORS

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

### Executive Directors:

Mr. Zhu Yong Ning (*Chairman*) *(appointed on 5 June 2015)*  
Mr. Qiao Ruo Gu (*Chief Executive Officer*)  
Mr. Liu Jian (alias, Liu Jian Bang)

### Non-Executive Directors:

Mr. Wong Wa Tak *(appointed on 5 June 2015)*  
Mr. Gao Peng *(resigned on 20 January 2016)*  
Mr. Wong Wei Khin *(resigned on 4 November 2015)*  
Mr. Wang Da Ming *(resigned on 21 April 2015)*

### Independent Non-executive Directors:

Dr. Daxi Li  
Ms. Xie Hong  
Mr. Xie Man Lin

### Supervisors:

Ms. Chen Jian Hong  
Ms. Gu Yin Ping  
Mr. Li Cheng *(resigned on 28 December 2015)*  
Mr. Dong Liang  
Mr. Ngai Kei Ho  
Mr. Liang Run Bao

Mr. Wong Da Ming, Mr. Wong Wei Khin and Mr. Gao Peng wish to devote more time on pursuing their other business commitments and has tendered their resignation as directors on 21 April 2015, 4 November 2015 and 20 January 2016, respectively.

The Company has received annual confirmations of independence from the independent non-executive directors and the board considers them to be independent as at the date of this report.

## DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors, and senior management of the Company are set out on pages 34 to 38 of the annual report.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

## DIRECTORS' AND SUPERVISORS' REMUNERATION

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

The details of directors' and supervisors' remuneration are set out on Note XI(2).5 of the financial statement.

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

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

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

At 31 December 2015, the interests and short positions of the directors and supervisors, chief executives in the shares underlying shares and debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

### Long positions

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

# Report of the Directors

## Notes:

- (1) As at 31 December 2015, the Company issued 819,000,000 domestic shares, 421,000,000 H shares, 1,240,000,000 shares in total.
- (2) 178,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd ("Jiangsu Keneng Electricity") and Mr. Zhu Yong Ning held 90% shares of the Jiangsu Keneng Electricity. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares. Among which, 163,800,000 domestic shares were approved by the Company to be issued on 10 April 2015. As at 31 December 2015, they are still waiting for the completion of the relevant verification process and securities registration.

Save as disclosed above, as at 31 December 2015, none of the directors, supervisors or chief executives had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the following interests and short positions of 5% or more of the share capital and relevant shares of the Company (excluding directors, supervisors and chief executives of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic and H shares	Percentage of domestic and H shares (Note 1)
Nanjing University Asset Administration Company Limited (Note 2)	Beneficial Owner	127,848,097	15.61%	–	–	127,848,097	10.31%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd	Beneficial Owner	121,000,000	14.77%	–	–	121,000,000	9.76%

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares	Percentage of H shares (Note 1)	Number of domestic and H shares	Percentage of domestic and H shares (Note 1)
Jiangsu Provincial Management Centre for Education Equipment and Self-supporting School ("Jiangsu Education Equipment") (Note 2 & Note 3)	Interest of a controlled corporation	84,159,944	10.28%	–	–	84,159,944	6.79%
Shanghai Shiyuan Network Technology Company Limited	Beneficial Owner	55,000,000	6.72%	–	–	55,000,000	4.44%
Jiangsu Govtor Capital Group Co., Ltd.,	Beneficial Owner	43,931,959	5.36%	–	–	43,931,959	3.54%
Jiang Su Education Development Company Limited ("Jiang Su Management Centre") (Notes 2 & 3)	Beneficial Owner	84,159,944	10.28%	–	–	84,159,944	6.79%
Jiangsu Keneng Electricity (Notes 4)	Beneficial Owner	178,800,000	21.83%	–	–	178,800,000	14.42%
Ms. Zhang Yan Ping	Beneficial Owner	142,389,830	17.39%	–	–	142,389,830	11.48%
Zheng Chang Min (Note 5)	Interest of spouse	142,389,830	17.39%	–	–	142,389,830	11.48%
Mr. Wu Yun	Beneficial Owner	121,271,186	14.81%	–	–	121,271,186	9.78%
Zhang Xian Zhi (Note 6)	Interest of spouse	121,271,186	14.81%	–	–	121,271,186	9.78%

**Notes:**

- (1) As at 31 December 2015, the Company issued 819,000,000 domestic shares, 421,000,000 H shares, 1,240,000,000 shares in total.
- (2) At 31 August 2010, 187,000,000 H shares "New H shares" were issued and in Placing. The Placing shares include (i) 170,000,000 new H shares, which were allotted and issued by the Company; (ii) 17,000,000 new H shares, which were owned by the shareholders in proportion to the same number of domestic shares allocated to the National Council for Social Security Fund.
- (3) Jiangsu Management Centre is a professional unit entity established which changed its name from Jiangsu Educational Instrument Corporation on 1 July 2001. The interest of Jiangsu Management Centre comprises 84,159,944 domestic shares (100% deemed interests held by Jiangsu Management Centre representing approximately 6.79% of the Company's total issued share capital) held through Jiangsu Co-Creation, which is approximately 51% owned by Jiangsu Management Centre.

## Report of the Directors

- (4) Among which, 163,800,000 domestic shares were approved by the Company to be issued on 10 April 2015. As at 31 December 2015, they are still waiting for the completion of the relevant verification process and securities registration.
- (5) Mr. Zheng Chang Min is the spouse of Ms. Zhang Yan Ping. Pursuant to SFO, Mr. Zheng is deemed to be interested in the shares held by Ms. Zhang.
- (6) Ms. Zhang Xian Zhi is the spouse of Ms. Wu Yun. Pursuant to SFO, Ms. Zhang is deemed to be interested in the shares held by Ms. Wu.

Save as disclosed above, as at 31 December 2015, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section “Directors’, chief executive’s and supervisors’ interests and short positions in shares, underlying shares and debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### SIGNIFICANT CONTRACTS

No significant contracts had been entered between the Company or its subsidiaries with controlling shareholders (as defined in GEM Listing Rules) or its subsidiaries nor significant contracts in relation to the provision of services by controlling shareholders or its subsidiaries to the Company or its subsidiaries at anytime during the year.

### CONNECTED TRANSACTIONS AND CONTINUOUS CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the Year is contained in note XI to the consolidated financial statements. None of the transactions as described in the said note fell under the definition of connected transactions.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this report.

### DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

### AUDITORS

On 5 March 2015, the Shareholders of the Company passed the ordinary resolution which approved the cessation of appointed Ascenda Cachet CPA Limited as auditors of the Company and appointed ShineWing Certified Public Accountants as the auditors for the Company's Financial Report for the year 2014. The Company's Financial Report for the year 2015 was approved by ShineWing Certificated Public Accountants.

The Company will file a resolution for re-appointing ShineWing Certificated Public Accountants to be the auditors for the Company in the forthcoming Annual General Meeting.

On behalf of the Board  
**Jiangsu NandaSoft Technology Company Limited**  
**Zhu Yong Ning**  
*Chairman*

Nanjing, the PRC  
24 March 2016

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

The Company is committed to upholding good corporate governance. This year considerable efforts were made to identify and formalise the best practices according to international standards. The Company has complied with the provisions set out in Appendix 15 of the Code of Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”). The Board has adopted the Corporate Governance Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believe our commitment to the highest standards of governance will translate into long-term value and ultimately maximise returns to shareholders and stakeholders.

## SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding directors’ and supervisors’ securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors and supervisors of the Company have confirmed that they have complied with the required standards for securities transactions and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the year ended 31 December 2015.

## BOARD OF DIRECTORS

The Board’s primary role is to protect and enhance long-term shareholders value. It focuses on the Group’s overall strategic policy, monitors performance and provides proper supervision to ensure appropriate business conduct and effective management of the highest quality. The positions of Chairman are held separately to reinforce their respective independence, accountability and responsibility. This separation of positions ensures clearly defined roles between monitoring the Groups’ business strategies and managing the day-to-day operations.

To the best knowledge of the Company, there is no relationship between members of the Board, including financial, business, family or other significant/relevant relationship.

The Board now comprises seven Directors. Three of them being Executive Directors, One is Non-Executive Directors and three independent Non-Executive Directors. The Non-Executive Directors and Independent Non-Executive Directors come from diverse business and professional backgrounds, providing valuable expertise and experience for promoting the best interests of the Group and its shareholders. Independent Non-Executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner.

The Company confirmed that annual confirmation of independence were received from each of the Company’s independent non-executive directors pursuant to the requirement of Rule 5.09 of the GEM Listing Rules and all the independent nonexecutive directors are considered to be independent.

For the year ended 31 December 2015, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 2 general meetings. For the year ended 31 December 2015, the composition of the Board and the attendance record of each Director at the meetings are set out below:

Name of Directors	Title	No. of attendance/No. of meeting				
		Board Meetings	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
Mr. Zhu Yong Ning	Chairman (appointed on 5 June 2015)	2/2	-	-	-	2/2
Mr. Liu Jian (alias, Liu Jian Bang)	Executive Directors	4/4	1/1	1/1	-	3/3
Mr. Qiao Ruo Gu	Executive Directors	4/4	-	-	-	3/3
Mr. Wang Wa Tak	Non-Executive Directors (appointed on 5 June 2015)	2/2	-	-	-	0/2
Mr. Wong Wei Khin	Non-Executive Directors (resigned on 4 Nov 2015)	1/3	-	-	-	0/3
Mr. Gao Peng	Non-Executive Directors (resigned on 20 Jan 2016)	4/4	-	-	-	3/3
Mr. Wang Da Ming	Non-Executive directors (resigned on 21 April 2015)	1/1	-	-	-	1/1
Dr. Daxi Li	Independent Non-Executive Director	3/4	1/1	1/1	3/4	1/3
Ms. Xie Hong	Independent Non-Executive Director	4/4	1/1	1/1	4/4	3/3
Mr. Xie Man Lin	Independent Non-Executive Director	4/4	1/1	1/1	4/4	3/3

The Board oversees particular aspects of the Company's affairs and assists in the execution of its responsibilities.

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness.

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets.

## Non-executive Directors

Mr. Wang Wa Tak was appointed from 5 June 2015, for a term from 5 June 2015 to 4 June 2018.

The Independent Non-Executive Directors of the Company, Mr. Xie Man Lin and Ms. Xie Hong were re-elected and appointed with effect from 30 December 2014 for a term from 30 December 2014 to 29 December 2017.

Dr. Daxi Li, Independent Non-Executive Director of the Company, was re-elected and appointed with effect from 6 November 2014 for a term from 6 November 2014 to 5 November 2017.



## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

## CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer of the Company (“CEO”) should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. At 21 July 2015, Mr. Liu Jian resigned his position as Chairman of the Board, The Executive Director, Mr. Zhu Yong Ning, is appointed as the Chairman of the Group on the same day. The Chairman leads the Board and is responsible for the proceedings and work of the Board. The Chairman ensures that:

- the Board acts in the best interest of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

Executive Director, Mr. Qiao Ruo Gu is the CEO and he is responsible for:

- the business plans, strategies and policies;
- ensuring the Group’s operations are functioned effectively and efficiently;
- motivating for contribution to the growth and profitability of the Group.

Mr. Zhu Yong Ning and Mr. Qiao Ruo Gu have considerable industry experience and they are motivated to contribute to the growth and profitability of the Group.

## RESPONSIBILITIES AND AUTHORIZATION TO THE MANAGEMENT

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. The Board shall implement resolutions of the Shareholders’ general meeting; decide on the business plans, investment plans and the setting of internal management organizations of the Company; formulate the proposed annual financial budget, final account and profit allocation plans of the Company; and appoint the senior management. In addition, the Board established three board committees, the audit committee, nomination committee and remuneration committee, and authorized their respective responsibilities.

The Board granted senior management the power and responsibility to conduct the daily management, administration and operation of the Company. The general manager shall be responsible to the Board.

All Directors of the Company are sincerely performing their duties, they abide by all laws and regulations in the best interest of the Company, and are always committed to act to the benefit of the Company and its shareholders.

## NOMINATION COMMITTEE

The Nomination Committee was established in November 2005, it enhances transparency and highlights fairness in the selection and appointment of Board members. During the year under review, the Nomination Committee consists of one Executive Director, namely Mr. Liu Jian and three Independent Non-Executive Directors, namely, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The Chairman of Nomination Committee is Mr. Xie Man Lin. Mr. Liu Jian has resigned as the member of the Nomination Committee on 29 March 2016. At the same day, Mr. Zhu Yong Ning, the Executive Director, was appointed as the member of Nomination Committee.

The role and function of the Nomination Committee include (but not limited to) recommending the candidates, selection criteria and procedures for the appointment of Directors and General Manager of the Company, and recommending and reviewing the candidates for chief financial officer and other senior management nominated by the General Manager, and the candidates for the Secretary to the Board of Directors nominated by the Chairman of the Board.

During the year under review, the Nomination Committee has reviewed issues including confirmation of the structure, number of members and their composition were in accordance with the requirements of the GEM Listing Rules and Articles of Association of the Company, and that the Independent Non-Executive Directors were all independent of the Company.

## REMUNERATION COMMITTEE

The Remuneration Committee was established in November 2005 and comprises of one Executive Director, namely, Mr. Liu Jian and three Independent Non-Executive Directors, namely, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The Chairman of Remuneration Committee is Ms. Xie Hong. Mr. Liu Jian has resigned as the member of the Remuneration Committee on 29 March 2016. At the same day, Mr. Zhu Yong Ning, the Executive Director, was appointed as the member of Remuneration Committee. The role and function of the Remuneration Committee include but not limited to:

- (1) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and the senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration;
- (2) have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payables for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of the Non-Executive Directors;
- (3) consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and employment conditions elsewhere in the Group while determining any specific remuneration package;
- (4) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

## Corporate Governance Report

- (5) review and approve compensation payable to the Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (6) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (7) ensure that no Director or any of his associates is involved in deciding his own remuneration; members of the Committee should abstain from voting at Committee meeting on resolutions relating to their remuneration review;
- (8) organise the performance assessment to the Directors and senior management and to review the duty fulfilment and annual performance of such directors and senior management against the operational target fulfilment of the Company; and
- (9) advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under GEM Listing Rule 17.90.

The Remuneration Committee consults with the CEO about its proposals relating to the remuneration of Executive Directors.

During the year under review, the Remuneration Committee has reviewed issues including the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors. The Remuneration Committee considers that the existing terms of service contracts of Executive Directors, appointment letters of Non-Executive Directors and Independent Non-Executive Directors are fair and reasonable.

### AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2000, it currently comprises three Independent Non-Executive Directors, namely Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The primary duties of the Audit Committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The Audit Committee has reviewed the annual report of the Company for the year ended 31 December 2015 with consent over its contents. The Audit Committee will also oversee the auditing procedures and perform other duties as designated by the Board. The terms of reference of the Audit Committee has been adopted by the Board and posted on the website of the Company.

All members of the Audit Committee are Independent Non-Executive Directors. During the year 2015, the Audit Committee has conducted 4 meetings, 1 of which was meeting with external auditors.

During the year under review, the Audit Committee has reviewed the financial statements for the year ended 31 December 2014, the 2014 Annual Report, 2015 Interim Report, quarterly reports and relevant announcement related to performance and gave comments and advices, and considers that the preparation of these results is in compliance with applicable accounting standards and the relevant regulatory requirements and laws, and adequate disclosures were made.

## COMPANY SECRETARY

Ms. Lee Man Yin was resigned the position as the company secretary of the Company with effect from 7 January 2015. Thereafter, Ms. Leung Wing Han Sharon (“Ms. Leung”) was appointed as the company secretary of the Company. Ms. Leung has confirmed that she has complied with the requirements set out in Rule 5.15 of the GEM Listing Rules by participating a professional training which is not less than 15 hours during the year under review.

Ms. Leung is a Director of SW Corporate Services Group Limited. The primary contact persons of the Company with Ms. Leung are the secretary to the Board, Ms. Wu Zhengrong.

## PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

All Directors are also aware of the importance of continuous professional development and undertake that they will actively attend any suitable training courses to increase and update their knowledge and skills.

The individual training record of each Director for the year ended 31 December 2015 is summarized below:

<b>Name of Directors</b>	<b>Attending seminar(s)/programme(s)/ conference(s)/internal briefing(s) relevant to the business or Directors' duties</b>
Mr. Zhu Yong Ning	✓
Mr. Liu Jian Bang	✓
Mr. Qiao Ruo Gu	✓
Mr. Gao Peng (resigned on 24 January 2016)	✓
Mr. Wong Wei Khin (resigned on 4 November 2015)	✓
Mr. Wang Wa Tak	✓
Mr. Wang Da Ming (resigned on 21 April 2015)	✓
Dr. Daxi Li	✓
Ms. Xie Hong	✓
Mr. Xie Man Lin	✓

## INVESTORS' RELATIONS

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conference and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at [www.nandasoft.com](http://www.nandasoft.com) for the most updated information and the status of the business development of the Group.

## BOARD DIVERSITY POLICY

The Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

## Articles of Association

Pursuant to the authorization granted at the Annual General Meeting of the Company held on 5 March 2015, the Board amended the following Articles:

Article 147:

Original:

The financial statements of the Company shall be prepared in accordance with the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas, in addition to the PRC accounting standards and regulations. If there is any material difference between the financial statements prepared respectively in accordance with two accounting standards, such difference shall be explained in the notes to the financial statements. Where the Company distributes its after-tax profits in the relevant accounting year, the lower of the after-tax profits as shown in the two financial statements as mentioned in the previous sentence shall be adopted.

Amended: The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations.

### Article 148:

Original: The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's shares are listed overseas.

Amended: The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations.

Pursuant to the authorization granted at the Annual General Meeting of the Company held on 10 April 2015, the Board amended the following Articles:

### Article 20:

Original: The Company's registered capital is RMB124,000,000.

Amended as: The Company's registered capital is RMB140,380,000.

Pursuant to the authorization granted at the Annual General Meeting of the Company held on 6 May 2015, the Board amended the following Articles:

### Article 3:

#### Original:

The Company's domicile: NandaSoft Tower, 8 Jinyin Street, Shanghai Road, Nanjing, China

Telephone number: +86 (025) 6852 8888

Fax number: +86 (025) 6851 9990

Postal code: 210036

#### Amended as:

The Company's domicile: Block 1, No. 19 South Qingjiang Road, Gulou District, Nanjing, China

Telephone number: +86 (025) 6852 8888

Fax number: +86 (025) 6851 9990

Postal code: 210036

## SHAREHOLDERS' RIGHTS

### Procedure for Shareholders to Convene an Extraordinary General Meeting:

Two or more than two shareholders who hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board on holding an extraordinary general meeting by signing written requests defining the meeting agenda. The Board shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders.

In case that the Board fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board, and the procedures shall be the same as those for convening a general meeting by the Board where possible.

### Procedure for Shareholders to Make Inquiries with the Board:

Shareholders who intend to make inquiries or obtain information shall give prior written notice to the Company, and the Company shall provide such information as soon as possible. Inquiries with the Board or the Company may be posted to the principal place of business of the Company in Hong Kong, the address of which is 18/F, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong.

### Procedures of Proposing Resolutions at General Meeting:

At the general meeting of the Company, shareholders (either independently or jointly) holding 3% or more of the total number of the Company's voting shares shall be entitled to propose new motions in writing to the Company. The Company shall include in the agenda for the meeting the matters in the motions that fall within the scope of the duties of the shareholders' general meeting. But the motion shall reach the Company 10 days prior to the meeting notice mentioned above is made. The general meeting shall not resolve on matters not specified in the notice.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board communicates with the shareholders through the general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars and notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company. To offer accurate information to investors and shareholders on a timely and fair disclosure basis, a series of public events were hosted by Directors and senior management right after results announcements. These served as interactive platforms for the management to address questions from investors and the media.

## INTERNAL CONTROL

The Board is responsible for overseeing the system of internal control of the Group and for reviewing its effectiveness.

To promote the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasises on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. A sound and effective internal control system is designed for (i) safeguarding the interests of shareholders; (ii) safeguarding assets of the Group against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with the relevant laws and regulations. Such system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The group set up the Investment and Risk Control Department, which has the internal audit function. During the year under review, the Board through the Audit Committee has assessed the effectiveness of the internal control system of the Group including financial, operational and compliance controls, risk management functions and our Company's resources for the functions of accounting, internal audit and financial presentation, the qualifications and experience of the employees, as well as whether the training programs for the employees and the relevant budget are enough or not.

## CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the corporate governance functions with written terms of reference to assist the Board to perform the corporate governance functions of the Group. The main responsibility of the Board to perform the corporate governance functions includes:

- To formulate and review the Company's corporate governance policy and practices;
- To review and oversee the training and continuous professional development of the Directors and senior management;
- To review and oversee the policy and practices of the Company in the compliance of law and regulatory requirements;
- To formulate, review and oversee the Codes of Conduct for employees and Directors and Compliance Manual (if any); and
- To review the Company's compliance of the Corporate Governance Code and make disclosure in the Corporate Governance Report.

During the year under review, the Board has fulfilled the duties mentioned above.



# Corporate Governance Report

## Remuneration of the senior management by band

Pursuant to Code Provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management of the Company by band for the year ended 31 December 2015 is set out below:

Remuneration band	Number of individuals
Nil to RMB300,000	5
RMB300,001 to RMB500,000	1

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in note XI to the financial statements.

## Auditors' remuneration

Shine Wing Certified Public Accountants ("Shine Wing China") were further appointed as the auditors of the Company pursuant to the shareholders' resolution passed in the Annual General Meeting held on 5 June 2015. The auditors of the Company will consider, in advance of them being contracted for and performed, whether such other assurance functions could lead to any potential material conflict of interest.

For the year ended 31 December 2015, the salaries which are payable to the auditors of our Company are set out in the following table:

	Amount (RMB)
Audit services	680,000.00
The total cost	680,000.00

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have the responsibilities for the preparation of the financial statements of the Group and shall ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended 31 December 2015, the Directors have selected suitable accounting policies and applied them consistently and made judgements and estimates that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out on page 39-40 in the Independent Report of the Auditors.

# REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

Jiangsu NandaSoft Technology Company Limited has complied with the Company Law of the PRC during the year ended 31 December 2015, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, exercised conscientiously its authority, safeguarded the interests of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

During the year, we provided reasonable suggestions and advice on the operations and development plans to the Board and strictly and effectively monitored whether the policies and decisions made had conformed with the State laws and regulations and the Articles of Association of the Company or safeguarded the interests of the shareholders.

After investigations, we consider that the financial statements of the Company, audited by Shine Wing China, truly and sufficiently reflect the operating results and asset positions of the Company. We also reviewed the Report of the Directors and the dividend distribution proposal. We consider that the above report and proposal meets the requirements of the relevant regulations and Articles of Association of the Company.

We have attended the meeting of the Board of Directors. We consider that the members of the Board of Directors, the general manager and other officers have strictly complied with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. Up to now, none of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

**On behalf of the Supervisory Committee**  
**Dong Liang**

*Vice Chairman of the Supervisory Committee*

Nanjing, the PRC  
24 March 2016

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Zhu Yong Ning**, aged 48, Chairman of the Company, the member of remuneration committee and nomination committee, graduated from Fudan University of Shanghai with a master degree in international finance, and is a senior economist. He has over 25 years of working experience in the financial sector. Since 1990, he had served successively as principal staff member of the international business department of China Construction Bank in Jiangsu province, president of a sub-branch of China Investment Bank under its Jiangsu branch, president of Hanzhong Road sub-branch of China Everbright Bank, Nanjing and investment advisor of Huaxia Securities Venture Capital Co., Ltd. (華夏證券創業投資有限公司). He has also served as the chairman of Guotai Junan Asset Management Co., Ltd. (國泰君安資產管理股份有限公司) from 2006 up to present. He has been the Chairman of the Board since 21 July 2015.

**Mr. Qiao Ruo Gu (喬若谷)**, aged 40, the Chief Executive Officer of the Company, graduated from Xidian University, majoring in Computer Science. He went on to study a master's degree in Business at the Hong Kong University of Science and Technology (HKUST) Business School. With over 15 years of working experience in the IT industry, Mr. Qiao has acquired more than 10 years of management experience in the overseas IT sales and operation. Mr. Qiao first began his career in IBM China as an IT specialist, engaged in R&D and technology support. He then joined Kingdee International Software Group at the Kingdee R&D Centre serving senior management positions of Kingdee in the Asia Pacific. In 2013, he joined Baidu International Distribution System and was responsible for the development of digital marketing business in Singapore, Hong Kong, Macao and Taiwan. With such sophisticated and practical background of working in the traditional IT industry, Mr. Qiao has led numerous information technology projects for many multinational corporations. Mr. Qiao has acquired extensive experience in internet technology, particularly, the new Internet Business Model for the medical and IT industries. Mr. Qiao was first appointed as chief executive officer of the Company on 8 August 2014 and was appointed as Executive Director on 6 November 2014. He is also currently a director of Nanjing Nandasoft System Integration Co., Ltd.

**Mr. Liu Jian (alias Liu Jian Bang), (劉建·又名劉建邦)**, aged 61, graduated from the Department of Mathematics of the Nanjing University and studied international trade for one year in the Columbia University in the United States in 1989. In 1991, Mr. Liu established JBL International Inc. which is engaged in international trading of textile products in the PRC and the United States and its products are sold in Walmart, Target and JC Penny. In 1996, he was one of the founding shareholders of Lotus Pacific Inc, later renamed as Opta Corp ("Opta"), where Mr. Liu had served as director until December 2006. Opta was successfully listed on NASDAQ and is engaged in research and development of manufacturing network equipment, Mr. Liu was its vice-chairman and deputy general manager. In 1998, Mr. Liu became the general manager of T&G Inc., the business of which is focused on international trading, real estate and financial investment.

Mr. Liu participated in the establishment and investment of China Mountain Fund in February 2006. He is currently the honorary chairman of the New York Chinese Businessmen's Association and vice-chairman of U.S. Chinese Chamber of Commerce.

## Directors, Supervisors and Senior Management

### Non-Executive Directors

**Mr. Wong Wa Tak, aged 52**, graduated from Hong Kong Baptist University with a master degree of science in corporate governance and directorship. Mr. Wong is a fellow of The Hong Kong Institute of Directors. He had served successively as manager of the tanker and liquefied chemical vessel chartering department of M.T.M.M. Ltd. and general manager of the China business department of Vision Century Corporation Limited since 1987. From 2005 to 2014, he had served as director of Sino Prosper (Group) Holdings Limited (formerly known as Sino Prosper State Gold Resources Holdings Limited, SEHK Stock Code: 0766), and participated in various energy development projects such as LNG in Indonesia, ethanol production in Thailand, gold mine in Heilongjiang of China, Gobistar gold mine in Mongolia, and Balatoc gold mine in the Philippines. He had served as executive director of Stone Master Corporation Berhad, a listed company in Malaysia since 2011. Furthermore, Mr. Wong has served as executive director of Master Hill Development Ltd. from 2003 up to present.

### Independent Non-Executive Directors

**Dr. Daxi Li, (李大西)**, aged 65, the member of remuneration committee and nomination committee, is the chairman of Chinese Association of Science and Business. He obtained a doctoral degree from the City University of New York and continued his research in the McGill University of Canada, the City University of New York and the New York Institute of Technology as research associate and assistant professor from 1985 to 1991. He then worked in a number of major investment banks in the United States such as Salomon Brothers Inc. and Lehman Brothers Inc. for over 10 years, and was involved in many important IPO and venture capital investment projects. He is currently a director of the United Orient Bank and Huiheng Medical in the United States and the special consultant of China Opportunity Acquisition Corp. in the United States. He is also the overseas director of Chinese Western Returned Scholars Association, consultant of China Association of Science and Technology and China Council for the Promotion of Applied Technology Exchanges with Foreign Countries (CCPAT) (中國國際技術交流協會), director of Cross-Straits Conference of Guangdong Province and economic consultant in many major provinces in the PRC by invitation. Dr. Li is also a director of Huiheng Medical Inc., a listed company on the US Dow Jones stock market since November 2007.

**Ms. Xie Hong, (解紅)**, aged 48, the member of remuneration committee and nomination committee, graduated from Lanzhou Jincheng United College with a major in Accounting. She has worked for the finance department of Lanzhou General Machinery Plant of Gansu Province, Gansu No.3 Certified Public Accountants, Lanzhou Huafeng Certified Public Accountants and Nanjing Huaan CPA Limited. Ms. Xie is a qualified Chinese Certified Public Accountant as well as a Certified Public Valuer, and is currently the deputy general manager of Juangsu Tianmu Certified Public Accountant Co.. Ms. Xie possesses extensive experience in finance and auditing, and has been actively involved in audit projects for various listed companies. Ms. Xie was appointed as a Director since December 2009.

**Mr. Xie Man Lin, (謝滿林)**, aged 52, the member of remuneration committee and nomination committee, is currently the principal of Jiangsu Xie Man Lin Law Firm. Mr. Xie possesses extensive experience in the legal industry and holds major positions in various legal associations within the Jiangsu Province, the People's Republic of China. He is the vice president of the Nanjing Lawyers Association, a standing director of the Jiangsu Lawyers Association, the chairman of the Disciplinary Committee of the Jiangsu Lawyers Association as well as a member of the Jiangsu Senior Legal Professional Qualifications Review Committee. Mr. Xie is also an accredited arbitrator of the Nanjing Arbitration Commission and the Wuhan Arbitration Commission respectively. Apart from his dedication to and active engagement in the legal profession, he has also taken up the role of an independent director of the Nanjing Bank. Mr. Xie obtained his bachelor's degree in Laws from the Southwest University of Political Science and Law and master's degree in Law from the Nanjing University in 1986 and 2003 respectively. In recognition of his outstanding performance and contribution, Mr. Xie has been granted a number of honorary awards such as "Top Ten Lawyers in Nanjing", "Young and Middle-aged Expert with Outstanding Contribution" and "Outstanding Lawyer in Jiangsu Province".

## Directors, Supervisors and Senior Management

### MEMBERS OF SUPERVISORY COMMITTEE

**Mr. Dong Liang** (董梁), aged 47, a PhD graduate, is currently the deputy general manager of Jiangsu High Technology Investment Group Limited (江蘇省高科技投資集團有限公司). Mr. Dong once served as the deputy manager of Investment Management Department of Railway Industry Company (a subsidiary of Jiangsu Railway Limited) (江蘇省鐵路有限公司下屬鐵路實業公司) and Tiecheng Investment Management Limited (江蘇省鐵路有限公司下屬鐵成投資管理有限公司). Afterwards, he acted as the manager of Investment Department of Jiangsu Information Construction Investment Limited (江蘇省信息化建設投資有限公司). Before serving as the deputy general manager of Jiangsu High Technology Investment Group Limited, he held different key positions in the company, such as the manager of Investment Department and the general manager of Fund Management Department. Mr. Dong has professional knowledge and extensive experience in corporate investment and fund management. Mr. Dong was appointed as a supervisor of the Company on 27 June 2014.

**Ms. Chen Jian Hong** (陳建紅), aged 47, joined the Company in August 2013 and is currently the manager of the department of investment risk control and was the deputy finance manager. She graduated from Jiangsu Radio and Television University, major in accounting. She is currently a qualified intermediate accountant. She had worked in South Jiangsu Souter System Integration Co., Ltd. responsible for financial work, Capital Development Limited Hong Kong Asia Nanjing Representative Office as financial officer, and Nanjing Port Tianyu Terminal Limited as finance manager as designated by Pacific Basin Group. Ms. Chen has been a supervisor of employee's representative since March 2014.

**Ms. Gu Yin Ping** (顧銀萍), aged 34, has joined the Company since January 2009. She is currently Deputy Dean of the research and development department of the Company and a member of Nanjing Gulou Federation. Ms. Gu has long-term dealings and engagement in relationship and liaison work between government and enterprises and research project management and reporting work. She graduated from the Economics and Management Department of the French National University of Toulon and Var with a master's degree. She had worked at the Jiangsu Provincial Communist Youth League. Ms. Gu has been a supervisor of employee's representative since March 2014.

**Mr. Ngai Ji Hao** (魏基豪), aged 39, is a board member and also the operation director of Wuhan ShengYi Technology Development Company Limited. Mr. Ngai has more than 15 years of management experience, mostly in the operation and information technology area, having acquired a wealth of experience in Hong Kong, Mainland China and other countries. Mr. Ngai holds an EMBA degree from Tianjin University and also holds a master's degree in Information Technology from Swinburne University of Technology in Australia. He has been appointed as the supervisor of the Company since 6 November 2014.

**Mr. Liang Run Bao** (梁潤寶), aged 41, graduated from Beijing Light Industries Institute, majoring in food studies. He has 16 years of experience in operation and management. From 1998 to 2003, Mr. Liang served as the OBU manager and director of the president office at Inner Mongolia Yili Industrial Group Company Limited (a company listed on the Shanghai Stock Exchange with stock code 600887). From 2003 to 2008, Mr. Liang worked at China Mengniu Dairy Company Limited (a company listed on the main board of the Stock Exchange with stock code 2319) as deputy general manager for the operations in northern and northeast China and was in charge of the marketing and operation of the factories within those regions. Since January 2008, Mr. Liang has been the general manager of 青島新希望琴牌乳業有限公司 and the project manager of New Hope Dairy Holdings Ltd (新希望乳業控股), both of which are under the New Hope Group (a company listed on the Shenzhen Stock Exchange with stock code 000876). He has been appointed as the supervisor of the Company since 30 December 2014.

### SENIOR MANAGEMENT

**Mr. Qiao RuoGu** (喬若谷), aged 40, graduated from Xidian University, majoring in Computer Science. He went on to study a master's degree in Business at the Hong Kong University of Science and Technology (HKUST) Business School. With over 15 years of working experience in the IT industry, Mr. Qiao has acquired more than 10 years of management experience in the overseas IT sales and operation. Mr. Qiao first began his career in IBM China as an IT specialist, engaged in R&D and technology support. He then joined Kingdee International Software Group at the Kingdee R&D Centre serving senior management positions of Kingdee in the Asia Pacific. In 2013, he joined Baidu International Distribution System and was responsible for the development of digital marketing business in Singapore, Hong Kong, Macao and Taiwan. With such sophisticated and practical background of working in the traditional IT industry, Mr. Qiao has led numerous information technology projects for many multinational corporations. Mr. Qiao has acquired extensive experience in internet technology, particularly, the new Internet Business Model for the medical and IT industries. Mr. Qiao was first appointed as chief executive officer of the Company on 8 August 2014 and was appointed as Executive Director on 6 November 2014. He is also currently a director of Nanjing Nandasoft System Integration Co.,Ltd.

**Mr. Pu Liang** (浦良), aged 52, is a graduate of the Department of Computer Science of Nanjing University with a master's degree. Before joining the Company, he worked in Jiangsu Province Electronic Information Industry Group (江蘇省電子信息產業集團), Jiangsu Province Computer Technologies Services Company Limited (江蘇省計算機技術服務公司) and Jiangsu Province YiDi Computer Software Co., Ltd. (江蘇省依迪計算機軟件公司) as the Director of General Affairs Office, Deputy General Manager, etc. He joined NandaSoft System Integration Co., Ltd. in 1999. Mr. Pu is a Vice President of the Company.

**Mr. Xu Zhi Huai** (許志懷), aged 58, graduated from the Faculty of mathematics of Nanjing University with a major in mathematics in 1982, attended the foreign affairs classes of the State Education Commission at Beijing Language Institute and Beijing Normal University in 1990, and graduated from the MBA graduate course of the School of Management and Engineering of Nanjing University in 2001. Mr. Xu has been the secretary of CYL Committee of the Department of Mathematics of Nanjing University, deputy chief of the Student Affairs Department of Nanjing University, the secretary of CYL Committee of Nanjing University, associate professor of Nanjing University, alternate member and member of the Thirteenth Central Committee of the Communist Youth League. He was named a Pacesetter in the new Long March of Jiangsu Province and is an elite in the national internet and cultural circle. Since 1995, he has been vice-president and executive vice-president of the board of directors of Nanjing Tiandi Group, executive vice-president of Nanjing Fuzhong Group, general manager of 江蘇省浪淘沙網吧連鎖有限公司, president of 南京上達通信電子有限公司. He possesses a strong background in the aspects of IT, internet, communication, new materials, real estate, mechanical and electrical integration and bioengineering. Mr. Xu joined the Company in September 2008 and had been appointed as the acting CEO between 31 March 2014 and 7 August 2014. He is currently a Vice President of the Company.

## Directors, Supervisors and Senior Management

**Mr. Gao Jie (高杰)**, aged 50, graduated from China Pharmaceutical University in Department of Pharmacy with a bachelor's degree. Mr. Gao was president of student association. Mr. Gao worked as drug analysis engineer in Jiangsu Province Institute of Pharmaceutical Industry analysis room from 1988 to 2000, worked as a licensed pharmacist, Qualified Person, Deputy General Manager in Liye Pharmaceutical Co. Ltd. from 2001 to 2011, and was Qualified Person of Liye Medical Co. Ltd.. From 2012 till now, Mr. Gao has been vice president and the general manager of medical and health division of Jiangsu NandaSoft Technology Company Limited.

**Ms. Wu Zhengrong (吴嵘嵘)**, aged 39, graduated from Nanjing University in 1999 with a bachelor's degree in English Literature and obtained a MBA degree from the Business School at Nanjing University in 2006. She joined Jiangsu Nandasoft Technology Company Limited in July 1999 and served as deputy manager of HR department, deputy manager and manager of investment department. Since 2006, she has been the secretary to the board of Jiangsu Nandasoft Technology Company Limited. Since August 2013, she has been Vice President of Jiangsu Nandasoft Technology Company Limited.

**Mr. Qin Jun Jun (秦钧钧)**, aged 44, graduated from Nanjing University of Science and Technology in 1995 with a bachelor's degree in Mechanical Design and Manufacturing and obtained a MBA degree from the Business School at Nanjing University in 2006. He is currently the general manager of Jiangsu NandaSoft Computer Fixtures Company Limited. Mr. Qin once served as the general manager of Nanjing ZeTong Technology Company Limited and Nanjing Nandasoft Computer Engineer Company Limited. Since 2014, he has been Vice President of Jiangsu Nandasoft Technology Co.Ltd.

# INDEPENDENT AUDITORS' REPORT

## To the shareholders of Jiangsu NandaSoft Technology Company Limited:

We have audited the enclosed financial statements of Jiangsu NandaSoft Technology Company Limited ("NandaSoft"), which comprise the consolidated and parent balance sheet as at 31 December 2015, the consolidated and parent income statement, the consolidated and parent cash flow statement and the consolidated and parent statement of changes in equity for the year 2015 and notes to the financial statements.

## 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of NandaSoft is responsible for the preparation and fair representation of the financial statements, and such responsibilities include: (1) preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to give a fair view; (2) designing, implementing and maintaining necessary internal control to enable the financial statements to be free from material misstatement, whether due to fraud or error.

## 2. CERTIFIED ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing for Certified Public Accountants. Those standards require that we comply with the code of professional ethics, plan and conduct the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The 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, the auditor considers internal control relevant to the entity's 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 entity's 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.

## 3. EVENTS LEADING TO QUALIFIED OPINIONS

1. The management of Nandasoft determined that part of the floors of Blocks 1 and 2 of Soft Software Park was for rent purpose respectively in August 2012 and November 2013, which were regarded as investment properties and fair value was used for subsequent measurement. As stated in note 12.3(3) to the financial statements, such part of NandaSoft has been recognized in investment properties as to RMB183.95 million. Since there is uncertainty as to whether the Building Sale and Purchase Contract entered into between NandaSoft and the related party will continue to be fulfilled, we fail to obtain sufficient and appropriate audit evidence to judge the impact on the financial statements caused by the influence of the result of such event on the investment properties recognized by NandaSoft and subsequent measurement.
2. As stated in note 12.3(4) to the financial statements, such part of Jiangsu NandaSoft Technology Company Limited has been recognized in investment properties as to RMB143.03 million and fixed assets as to RMB8.53 million. Since we are not allowed to contact the related tenant and Nanda Soft have not provided any confirmed solutions related to the tenant, we fail to judge the impact of such event on the financial statements.



# Independent Auditors' Report

## 4. QUALIFIED OPINIONS

In our opinion, except for the possible impact of the events stated in “3. Events Leading to Qualified Opinions”, the financial statements of NandaSoft give a fair view of the consolidated and parent financial position of NandaSoft as of 31 December 2015 and of its consolidated and parent operating results and cash flows for the year 2015 and have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects.

## 5. EMPHASIS OF MATTER

We hereby reminds the readers of the audit report that as stated in note 3.2 to the financial statements, as of 31 December 2015, the current liability of NandaSoft is high than the current assets of RMB304,546,771.78. The measures of NandaSoft to improve the current working capital position include but not limited to raising working capital by means of issuing shares, deposing equity, bank loan, financial support from the shareholders, etc. Content in this paragraph does not impact the presented audit opinions.

**Shine Wing**  
*certified public accountants*  
(Special General Partnership)

Beijing, China  
24 March 2015

Chinese Certified Public Accountant:  
**Shao Lixin**

Chinese Certified Public Accountant:  
**Wu Xiaorui**

# CONSOLIDATED BALANCE SHEET

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2015	31 December 2014
<b>Current assets:</b>			
Cash and bank balances	VI.1	<b>90,723,555.46</b>	124,914,894.22
Clearing settlement funds			
Placements with banks			
Financial assets at fair value through profit or loss			
Bills receivable			
Accounts receivables	VI.2	<b>262,069,200.07</b>	236,187,473.93
Prepayments	VI.3	<b>22,483,392.69</b>	32,056,057.50
Premiums receivable			
Receivables from reinsurers			
Deposits receivable from reinsurancce treaty			
Interest receivable	VI.4		453,750.00
Dividends receivable			
Other receivables	VI.5	<b>126,149,946.32</b>	121,222,265.45
Financial assets purchased for resale			
Inventories	VI.6	<b>77,699,105.87</b>	98,014,761.15
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	VI.7	<b>63,127.36</b>	90,568.33
<b>Total current assets</b>		<b>579,188,327.77</b>	612,939,770.58
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	VI.8	<b>8,219,110.00</b>	9,827,764.24
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	VI.9	<b>79,429,411.44</b>	85,332,654.47
Investment properties	VI.10	<b>529,730,893.42</b>	511,800,000.00
Fixed assets	VI.11	<b>86,775,629.83</b>	87,791,189.59
Construction in progress	VI.12		120,912,535.51
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	VI.13	<b>6,269,505.48</b>	7,536,754.46
Development expenses			
Goodwill	VI.14	<b>23,408,368.92</b>	23,408,368.92
Long-term deferred expenses	VI.15	<b>371,517.34</b>	572,348.68
Deferred income tax assets	VI.16	<b>1,573,955.15</b>	6,867,013.29
Other non-current assets	VI.17	<b>476,429.26</b>	3,500,000.00
<b>Total non-current assets</b>		<b>736,254,820.84</b>	857,548,629.16
<b>Total assets</b>		<b>1,315,443,148.61</b>	1,470,488,399.74

## Consolidated Balance Sheet

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	31 December 2015	31 December 2014
<b>Current liabilities:</b>			
Short-term loans	VI.18	<b>164,471,000.00</b>	162,000,000.00
Borrowings from PBOC			
Absorbing deposit and interbank deposit			
Capital borrowed			
Financial liabilities at fair value through profit or loss			
Bills payable	VI.19	<b>12,500,000.00</b>	55,580,000.00
Accounts payables	VI.20	<b>251,271,180.22</b>	225,590,647.19
Advances from customers	VI.21	<b>64,975,915.85</b>	63,550,968.30
Commission charge and commission payable			
Salaries payable	VI.22	<b>2,206,840.02</b>	1,610,591.55
Taxes payable	VI.23	<b>22,867,187.72</b>	23,658,605.94
Interest payable	VI.24	<b>9,055,684.11</b>	
Dividends payable	VI.25	<b>6,003,967.80</b>	6,020,917.80
Other payables	VI.26	<b>328,301,347.08</b>	331,017,183.30
Payables to reinsurers			
Reserves for insurance contracts			
Client money received for acting as securities trading agent			
Client money received for acting as securities under writing			
Liabilities classified as held for sale			
Non-current liabilities due within one year	VI.27	<b>11,200,000.00</b>	8,000,000.00
Other current liabilities	VI.28	<b>10,881,976.75</b>	8,469,670.64
<b>Total current liabilities</b>		<b>883,735,099.55</b>	885,498,584.72
<b>Non-current liabilities:</b>			
Long-term loans	VI.29	<b>33,600,000.00</b>	44,800,000.00
Bonds payable			
Including: Premium			
Perpetual			
Long-term payables	VI.30	<b>72,914,886.02</b>	79,169,065.47
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	VI.16	<b>54,923,563.75</b>	51,423,455.24
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>161,438,449.77</b>	175,392,520.71
<b>Total liabilities</b>		<b>1,045,173,549.32</b>	1,060,891,105.43

## Consolidated Balance Sheet

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	<b>31 December 2015</b>	31 December 2014
<b>Shareholders' equity:</b>			
Share capital	VI.31	<b>124,000,000.00</b>	124,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve	VI.32	<b>93,873,332.03</b>	92,234,414.34
Less: treasury stock			
Other comprehensive income	VI.33	<b>82,280,708.18</b>	74,215,190.17
Special reserve			
Surplus reserve	VI.34	<b>19,962,462.38</b>	19,962,462.38
General risk reserve			
Undistributed profits	VI.35	<b>-100,649,435.05</b>	59,743,392.25
<b>Total owners' equity attributable to the parent company</b>		<b>219,467,067.54</b>	370,155,459.14
Minority interests	VI.36	<b>50,802,531.75</b>	39,441,835.17
<b>Total shareholders' equity</b>		<b>270,269,599.29</b>	409,597,294.31
<b>Total liabilities and shareholders' equity</b>		<b>1,315,443,148.61</b>	1,470,488,399.74

Legal Representative: Zhu Yong Ning    Chief Financial Officer: Zhu Yong Ning    Head of Financial Department: Kan Ling

## BALANCE SHEET OF THE PARENT COMPANY

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	31 December 2015	31 December 2014
<b>Current assets:</b>			
Cash and bank balances	XVI.1	<b>8,199,885.35</b>	19,685,310.84
Financial assets at fair value through profit or loss			
Bills receivable			
Accounts receivables	XVI.2	<b>83,018,901.98</b>	62,424,463.12
Prepayments	XVI.3	<b>11,701,874.30</b>	18,970,739.38
Interest receivable			453,750.00
Dividends receivable		<b>3,601,465.26</b>	3,601,465.26
Other receivables	XVI.4	<b>138,946,714.08</b>	181,013,207.58
Inventories	XVI.5	<b>17,472,766.68</b>	27,566,296.32
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>262,941,607.65</b>	313,715,232.50
<b>Non-current assets:</b>			
Available-for-sale financial assets	XVI.6	<b>7,050,000.00</b>	8,658,654.24
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	XVI.7	<b>149,172,479.14</b>	156,922,978.46
Investment properties	XVI.8	<b>525,398,893.42</b>	506,300,000.00
Fixed assets	XVI.9	<b>84,090,876.00</b>	84,260,864.88
Construction in progress			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	XVI.10	<b>5,710,868.86</b>	6,698,799.53
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	XVI.11	-	6,202,341.00
Other non-current assets	XVI.12	<b>476,429.26</b>	
<b>Total non-current assets</b>		<b>771,899,546.68</b>	769,043,638.11
<b>Total assets</b>		<b>1,034,841,154.33</b>	1,082,758,870.61

## Balance Sheet of the Parent Company

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	<b>31 December 2015</b>	31 December 2014
<b>Current liabilities:</b>			
Short-term loan	XVI.12	<b>145,971,000.00</b>	116,000,000.00
Financial liabilities at fair value through profit or loss			
Bills payable			
Accounts payables	XVI.13	<b>90,544,067.26</b>	68,378,733.79
Advances from customers	XVI.14	<b>27,162,841.95</b>	24,574,077.56
Salaries payable		<b>1,673,912.61</b>	1,099,042.01
Taxes payable		<b>3,308,033.06</b>	1,180,618.20
Interest payable		<b>9,055,684.11</b>	
Dividends payable		<b>6,003,967.80</b>	6,020,917.80
Other payables	XVI.15	<b>380,475,364.81</b>	324,945,636.94
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>11,200,000.00</b>	8,000,000.00
Other current liabilities		<b>10,881,976.75</b>	8,469,670.64
<b>Total current liabilities</b>		<b>686,276,848.35</b>	558,668,696.94
<b>Non-current liabilities:</b>			
Long-term loans		<b>33,600,000.00</b>	44,800,000.00
Including: Premium Perpetual			
Long-term payable	XVI.16	<b>72,914,886.02</b>	79,169,065.47
Long-term payroll payable			
Specific payables			-
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	XVI.11	<b>54,055,586.13</b>	50,807,815.77
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>160,570,472.15</b>	174,776,881.24
<b>Total liabilities</b>		<b>846,847,320.50</b>	733,445,578.18

## Balance Sheet of the Parent Company

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB(Yuan)

Item	Note	<b>31 December 2015</b>	31 December 2014
<b>Shareholders' equity:</b>			
Share capital		<b>124,000,000.00</b>	124,000,000.00
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		<b>92,234,414.34</b>	92,234,414.34
Less: treasury stock			
Other comprehensive income		<b>81,862,413.31</b>	75,528,052.30
Special reserve			
Surplus reserve		<b>20,469,818.86</b>	20,469,818.86
Undistributed profits		<b>-130,572,812.68</b>	37,081,006.93
<b>Total shareholders' equity</b>		<b>187,993,833.83</b>	349,313,292.43
<b>Total liabilities and shareholders' equity</b>		<b>1,034,841,154.33</b>	1,082,758,870.61

Legal Representative: Zhu Yong Ning    Chief Financial Officer: Zhu Yong Ning    Head of Financial Department: Kan Ling

# CONSOLIDATED INCOME STATEMENT

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>I. Total operating income</b>		<b>513,130,153.46</b>	524,321,831.80
Including: Operating income	VI.40	<b>513,130,153.46</b>	524,321,831.80
Interest income			
Premiums earned			
Fee and commission income			
<b>II. Total operating costs</b>		<b>601,242,778.63</b>	637,168,880.60
Including: Operating cost	VI.40	<b>445,081,221.93</b>	457,641,890.23
Interest expense			
Fee and commission expense			
Insurance withdrawal payment			
Net payment from payment			
Net provisions for insurance contract			
Insurance policy dividend paid			
Reinsurance cost			
Taxes and surcharges	VI.41	<b>3,634,616.41</b>	2,399,841.49
Selling expenses	VI.42	<b>16,039,565.27</b>	21,356,893.15
Administrative expenses	VI.43	<b>56,013,388.82</b>	80,733,364.50
Financial expenses	VI.44	<b>35,005,047.86</b>	26,197,351.48
Loss on assets impairment	VI.45	<b>45,468,938.34</b>	48,839,539.75
Add: Gain from change in fair value (losses are represented by "-")	VI.46	<b>-17,698,468.61</b>	27,110,000.00
Investment income (losses are represented by "-")	VI.47	<b>7,491,285.03</b>	4,531,004.75
Including: Income from investment in associates and joint ventures			
Exchange gain (losses are represented by "-")			
<b>III. Operating profit (losses are represented by "-")</b>		<b>-98,319,808.75</b>	-81,206,044.05
Add: Non-operating income	VI.48	<b>4,864,748.73</b>	19,213,620.92
Including: Profit from the disposal of non-current assets		<b>174,278.14</b>	92,771.41
Less: Non-operating expenses	VI.59	<b>51,188,820.23</b>	4,086,354.36
Including: Loss from the disposal of non-current assets		<b>17,800.99</b>	22,408.03
<b>IV. Total profit (losses are represented by "-")</b>		<b>-144,643,880.25</b>	-66,078,777.49
Less: Income tax expenses	VI.50	<b>4,917,730.31</b>	11,356,552.85
<b>V. Net Profit (losses are represented by "-")</b>		<b>-149,561,610.56</b>	-77,435,330.34
Net profit attributable to the equity holders of the parent company		<b>-160,392,827.30</b>	-78,857,943.64
Minority interests		<b>10,831,216.74</b>	1,422,613.30



## Consolidated Income Statement

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>VI. Other comprehensive income, net of tax</b>		<b>8,705,673.13</b>	19,855,919.60
Other comprehensive income attributable to owners of the parent company, net of tax		<b>8,705,673.13</b>	19,855,919.60
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		<b>8,705,673.13</b>	19,855,919.60
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements	VI.55	<b>2,371,312.12</b>	-583,158.09
6. Others	VI.55	<b>6,334,361.01</b>	20,439,077.69
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-140,855,937.43</b>	-57,579,410.74
Total comprehensive income attributable to the shareholders of the parent company		<b>-151,687,154.17</b>	-59,002,024.04
Total comprehensive income attributable to the minority shareholders		<b>10,831,216.74</b>	1,422,613.30
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.129</b>	-0.076
(2) Diluted earnings per share		<b>-0.129</b>	-0.076

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling

# INCOME STATEMENT OF THE PARENT COMPANY

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>I. Operating income</b>	XVI.17	<b>76,342,732.24</b>	96,341,122.62
Including: Operating cost	XVI.17	<b>73,200,283.93</b>	83,828,106.67
Taxes and surcharges	XVI.18	<b>73,389.58</b>	301,879.25
Selling expenses	XVI.19	<b>4,889,195.03</b>	6,725,900.52
Administrative expenses	XVI.20	<b>33,060,672.83</b>	51,772,439.92
Financial expenses	XVI.21	<b>34,419,021.98</b>	20,123,891.85
Loss on assets impairment	XVI.22	<b>35,208,379.62</b>	18,064,634.74
Add: Gain from change in fair value (losses are represented by "-")	XVI.23	<b>-16,530,468.61</b>	26,960,000.00
Investment income (losses are represented by "-")	XVI.24	<b>1,009,083.16</b>	-1,017,862.98
Including: Income from investment in associates and joint ventures Exchange gain (losses are represented by "-")			
<b>II. Operating profit (losses are represented by "-")</b>		<b>-120,029,596.20</b>	-58,533,593.31
Add: Non-operating income	XVI.25	<b>4,676,782.23</b>	18,543,390.62
Including: Profit from the disposal of non-current assets		<b>148,088.34</b>	92,771.41
Less: Non-operating expenses	XVI.26	<b>44,962,347.95</b>	138,038.90
Including: Loss from the disposal of non-current assets		<b>16,739.22</b>	34,303.11
<b>III. Total profit (losses are represented by "-")</b>		<b>-160,315,161.92</b>	-40,128,241.59
Less: Income tax expenses	XVI.27	<b>7,338,657.69</b>	6,824,078.33
<b>IV. Net Profit (losses are represented by "-")</b>		<b>-167,653,819.61</b>	-46,952,319.92
<b>V. Other comprehensive income, net of tax</b>		<b>6,334,361.01</b>	20,439,077.69
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(2) Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method		<b>6,334,361.01</b>	20,439,077.69
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others		<b>6,334,361.01</b>	20,439,077.69
<b>VI. Total comprehensive income</b>		<b>-161,319,458.60</b>	-26,513,242.23
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative: Zhu Yong Ning    Chief Financial Officer: Zhu Yong Ning    Head of Financial Department: Kan Ling

# CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>556,579,748.87</b>	603,033,105.92
Net increase in customer and interbank deposits			
Net increase in borrowings from PBOC			
Net increase in borrowings from other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interest, fees and commissions			
Net increase in borrowings			
Net increase in income from repurchase business			
Refund of taxes and surcharges			1,738,289.85
Cash received relating to other operating activities		<b>42,588,910.18</b>	7,365,023.62
<b>Sub-total of cash inflows from operating activities</b>		<b>599,168,659.05</b>	612,136,419.39
Cash paid for goods and services		<b>473,814,237.79</b>	487,889,187.63
Net increase in customer loans and advances			
Net increase in deposit in PBOC and interbank deposits			
Cash paid for compensation payments under original insurance contract			
Cash paid for interests, fees and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		<b>39,869,874.29</b>	38,804,528.63
Payments of tax charges		<b>7,604,936.86</b>	13,190,666.99
Cash paid relating to other operating activities		<b>83,519,861.44</b>	76,642,644.88
<b>Sub-total of cash outflows from operating activities</b>		<b>604,808,910.38</b>	616,527,028.13
<b>Net cash flows from operating activities</b>		<b>-5,640,251.33</b>	-4,390,608.74

## Consolidated Cash Flow Statement

Prepared by: Jiangsu NandaSoft Technology Company Limited

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			28,845.49
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>3,379,005.50</b>	300,762.86
Net cash received from disposal of subsidiaries and other operating entities		<b>8,580,759.15</b>	12,913,001.00
Cash received relating to other investing activities		<b>15,000,000.00</b>	4,382,684.99
<b>Sub-total of cash inflows from investing activities</b>		<b>26,959,764.65</b>	17,625,294.34
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>3,895,768.64</b>	18,714,559.72
Cash paid to acquire investments			
Net increase of pledged loans			
Net cash paid to acquire subsidiaries and other operating entities		<b>9,256,623.19</b>	
Cash paid relating to other investing activities			15,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>13,152,391.83</b>	33,714,559.72
<b>Net cash flows from investing activities</b>		<b>13,807,372.82</b>	-16,089,265.38
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			27,200,000.00
Including: Cash received from minority shareholders investment by subsidiary			
Cash received from borrowings		<b>171,971,000.00</b>	162,000,000.00
Cash received from issuing of bonds			
Cash received from other financing activities		<b>45,864,000.00</b>	
<b>Sub-total of cash inflows from financing activities</b>		<b>217,835,000.00</b>	189,200,000.00
Cash repayments of borrowings		<b>184,000,000.00</b>	163,450,000.00
Cash payments for distribution of dividends or profits and interest expenses		<b>27,126,692.82</b>	25,455,678.12
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Cash paid to other financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>211,126,692.82</b>	188,905,678.12
<b>Net cash flows from financing activities</b>		<b>6,708,307.18</b>	294,321.88
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>13,974.77</b>	-179,591.85
<b>V. Net increase in cash and cash equivalents</b>		<b>14,889,403.44</b>	-20,365,144.09
Add: Cash and cash equivalents at beginning of period		<b>60,689,999.91</b>	81,055,144.00
<b>VI. Cash and cash equivalent at end of period</b>		<b>75,579,403.35</b>	60,689,999.91

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling

# CASH FLOW STATEMENT OF THE PARENT COMPANY

Unit: RMB (Yuan)

Item	Note	2015	2014
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		60,020,774.74	103,891,192.08
Refund of taxes and surcharges			1,738,289.85
Cash received relating to other operating activities		12,917,421.20	7,365,023.62
Sub-total of cash inflows from operating activities		72,938,195.94	112,994,505.55
Cash paid for goods and services		56,458,200.35	89,250,963.42
Cash paid to and on behalf of employees		12,820,119.77	14,547,943.68
Payments of tax charges		1,444,074.53	8,207,421.45
Cash paid relating to other operating activities		33,907,824.89	69,027,647.29
<b>Sub-total of cash outflows from operating activities</b>		<b>104,630,219.54</b>	<b>181,033,975.84</b>
<b>Net cash flows from operating activities</b>		<b>-31,692,023.60</b>	<b>-68,039,470.29</b>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,364,005.50	
Net cash received from disposal of subsidiaries and other operating entities		8,580,759.15	11,102,000.00
Cash received relating to other investing activities		15,000,000.00	4,382,684.99
<b>Sub-total of cash inflows from investing activities</b>		<b>26,944,764.65</b>	<b>15,484,684.99</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,054,190.74	13,764,980.47
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities		17,808,316.07	
Cash paid relating to other investing activities			15,000,000.00
<b>Sub-total of cash outflows from investing activities</b>		<b>18,862,506.81</b>	<b>28,764,980.47</b>
<b>Net cash flows from investing activities</b>		<b>8,082,257.84</b>	<b>-13,280,295.48</b>
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			27,200,000.00
Cash received from borrowings		146,471,000.00	116,000,000.00
Cash received from issuing of bonds			
Cash received from other financing activities		45,864,000.00	
<b>Sub-total of cash inflows from financing activities</b>		<b>192,335,000.00</b>	<b>143,200,000.00</b>
Cash repayments of borrowings		140,000,000.00	58,000,000.00
Cash payments for distribution of dividends or profits and interest expenses		25,832,117.28	20,620,216.54
Cash paid to other financing activities		-	
<b>Sub-total of cash outflows from financing activities</b>		<b>165,832,117.28</b>	<b>78,620,216.54</b>
<b>Net cash flows from financing activities</b>		<b>26,502,882.72</b>	<b>64,579,783.46</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>2,893,116.96</b>	<b>-16,739,982.31</b>
Add: Cash and cash equivalents at beginning of period		205,316.98	16,945,299.29
<b>VI. Cash and cash equivalent at end of period</b>		<b>3,098,433.94</b>	<b>205,316.98</b>

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2015

Unit: RMB (Yuan)

Items	Current year											Total shareholder's equity	
	Equity attributable to shareholders of the Parent Company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Reserve for general risk	Unallocated profit		Minority interests
	Preferred shares	Perpetual bond	Others										
<b>I. Ending balance of previous year</b>	124,000,000.00	-	-	-	92,234,414.34	-	74,215,190.17	-	19,962,462.38	-	59,743,392.25	39,441,835.17	409,597,294.31
Add: changes in accounting policies													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
<b>II. Beginning balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	74,215,190.17	-	19,962,462.38	-	59,743,392.25	39,441,835.17	409,597,294.31
<b>III. Change through current year</b>													
<b>(“-” for losses)</b>	-	-	-	-	1,638,917.69	-	8,065,518.01	-	-	-	-160,392,827.30	11,360,696.58	-139,327,695.02
(1) Total comprehensive income							8,705,673.13				-160,392,827.30	10,831,216.74	-140,855,937.43
(2) Contribution and withdrawal of capital by shareholders													
1. Ordinary shares contributed by shareholders													
2. Capital contributed by other equity instruments holders													
3. Amounts of share-based payments recognized in shareholder's equity													
4. Others													
(3) Profit distribution													
1. Appropriation of surplus Reserve													
2. Appropriation of general risk reserve													
3. Distribution to shareholders													
4. Others													
(4) Internal carry-over of shareholders' equity													
1. Capitalized capital reserve													
2. Capitalized surplus reserve													
3. Surplus reserve for covering up losses													
4. Others													
(5) Special reserve													
1. Current year appropriation													
2. Current year usage													
(6) Others					1,638,917.69		-640,155.12					529,479.84	1,528,242.41
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	93,873,332.03	-	82,280,708.18	-	19,962,462.38	-	-100,649,435.05	50,802,531.75	270,269,599.29

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling

# Consolidated Statement of Changes in Equity

2015

Unit: RMB (Yuan)

Items	Previous year											Total shareholder's equity	
	Equity attributable to shareholders of the Parent Company										Minority interests		
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Reserve for general risk			Unallocated profit
	Preferred shares	Perpetual bond	Others										
<b>I. Ending balance of previous year</b>	110,400,000.00	-	-	-	78,634,414.34	-	54,359,270.57	-	19,962,462.38	-	138,601,335.89	38,922,719.24	440,880,202.42
Add: changes in accounting policies													-
Correction of prior period errors													-
Business combination under common control													-
Others													-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	54,359,270.57	-	19,962,462.38	-	138,601,335.89	38,922,719.24	440,880,202.42
<b>III. Change through current year</b>													
<b>(“-” for losses)</b>	13,600,000.00	-	-	-	13,600,000.00	-	19,855,919.60	-	-	-	-78,857,943.64	519,115.93	-31,282,908.11
(1) Total comprehensive income							19,855,919.60				-78,857,943.64	1,422,613.30	-57,579,410.74
(2) Contribution and withdrawal of capital by shareholders	13,600,000.00	-	-	-	13,600,000.00	-	-	-	-	-	-	-	27,200,000.00
1. Ordinary shares contributed by shareholders	13,600,000.00				13,600,000.00								27,200,000.00
2. Capital contributed by other equity instruments holders													-
3. Amounts of share-based payments recognized in shareholder's equity													-
4. Others													-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve													-
2. Appropriation of general risk reserves													-
3. Distribution to shareholders													-
4. Others													-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve													-
2. Capitalized surplus reserve													-
3. Surplus reserve for covering up losses													-
4. Others													-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation													-
2. Current year usage													-
(6) Others												-903,497.37	-903,497.37
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	74,215,190.17	-	19,962,462.38	-	59,743,392.25	39,441,835.17	409,597,294.31

# STATEMENT OF CHANGES OF EQUITY OF THE PARENT COMPANY

2015

Unit: RMB (Yuan)

Items	Current year										Total shareholder's equity
	Other equity instruments				Capital reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Unallocated profit	
Share capital	Preferred shares	Perpetual bond	Others								
<b>I. Ending balance of previous year</b>	124,000,000.00	-	-	-	92,234,414.34	-	75,528,052.30	-	20,469,818.86	37,081,006.93	349,313,292.43
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	75,528,052.30	-	20,469,818.86	37,081,006.93	349,313,292.43
<b>III. Change through current year ("-" for losses)</b>	-	-	-	-	-	-	6,334,361.01	-	-	-167,653,819.61	-161,319,458.60
(1) Total comprehensive income							6,334,361.01			-167,653,819.61	-161,319,458.60
(2) Contribution and withdrawal of capital by shareholders	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary shares contributed by shareholders											-
2. Capital contributed by other equity instruments holders											-
3. Amounts of share-based payments recognized in shareholder's equity											-
4. Others											-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve									-	-	-
2. Distribution to shareholders									-	-	-
3. Others									-	-	-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve											-
2. Capitalized surplus reserve											-
3. Surplus reserve for covering up losses											-
4. Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation											-
2. Current year usage											-
(6) Others											-
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	81,862,413.31	-	20,469,818.86	-130,572,812.68	187,993,833.83

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling



# Statement of Changes of Equity of the Parent Company

## 2015

Unit: RMB (Yuan)

Items	Previous year										
	Other equity instruments				Capital reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus reserve	Unallocated profit	Total shareholder's equity
	Share capital	Preferred shares	Perpetual bond	Others							
<b>I. Ending balance of previous year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	20,469,818.86	84,033,326.85	348,626,534.66
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	110,400,000.00	-	-	-	78,634,414.34	-	55,088,974.61	-	20,469,818.86	84,033,326.85	348,626,534.66
<b>III. Change through current year ("-" for losses)</b>	13,600,000.00	-	-	-	13,600,000.00	-	20,439,077.69	-	-	-46,952,319.92	686,757.77
(1) Total comprehensive income							20,439,077.69			-46,952,319.92	-26,513,242.23
(2) Contribution and withdrawal of capital by shareholders	13,600,000.00	-	-	-	13,600,000.00	-	-	-	-	-	27,200,000.00
1. Ordinary shares contributed by shareholders	13,600,000.00				13,600,000.00						27,200,000.00
2. Capital contributed by other equity instruments holders											-
3. Amounts of share-based payments recognized in shareholder's equity											-
4. Others											-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of surplus reserve										-	-
2. Distribution to shareholders										-	-
3. Others										-	-
(4) Internal carry-over of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalized capital reserve											-
2. Capitalized surplus reserve											-
3. Surplus reserve for covering up losses											-
4. Others											-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current year appropriation											-
2. Current year usage											-
(6) Others											-
<b>IV. Ending balance of current year</b>	124,000,000.00	-	-	-	92,234,414.34	-	75,528,052.30	-	20,469,818.86	37,081,006.93	349,313,292.43

Legal Representative: Zhu Yong Ning Chief Financial Officer: Zhu Yong Ning Head of Financial Department: Kan Ling

## 1. BASIC CORPORATE INFORMATION

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

On 24 April 2001, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, and issued 234 million foreign shares with a par value of RMB0.1 per share; upon the issuance, the registered capital and share capital of the Company increased to RMB93.4 million. On 31 August 2010, 187,000,000 H shares (the “New H Shares”) has been issued and allotted which comprise of 170,000,000 New H Shares and (ii) 17,000,000 H Shares converted from the same number of Domestic Shares transferred from each of the State Shareholders on a pro rata basis to the National Social Security Fund Council of PRC. Upon the issuance, the registered capital and share capital of the Company increased to RMB 110.4 million. On 22 August 2014, according to the resolution of the shareholders’ general meeting and the Board of the Company, the Company issued an aggregate of 136,000,000 ordinary domestic shares of nominal value of RMB0.1 each to specific investors at a price of RMB0.2 by way of private placement. Upon the issuance, the registered capital and share capital of the Company increased to RMB124 million. This capital increase has been audited by Jiangsu Zhongzhen Tongren Certified Public Accountant which has issued a Capital Verification Report named Tong Ren Yan Zi [2014] No.052 for verification.

On 10 April 2015, according to the resolution of the shareholders’ general meeting, the Company issued 163.8 million ordinary domestic shares with a par value of RMB0.1 per share and the issue price of RMB0.28 per share to Jiangsu Keneng Electricity Technology Co., Ltd.; upon the issuance, the registered capital of the Company increased to RMB140.38 million. As at 31 December 2015, the Company received the investment funds amounted to RMB45.864 million from Jiangsu Keneng Electricity Technology Co., Ltd, of which RMB16.129 million paid by Jiangsu Phoenix Palace Electric Industry Co. Ltd on behalf of Jiangsu Keneng Electricity Technology Co. Ltd.. Due to the pending capital verification, the Company is yet to complete the procedures for the formalities for change.

By the end of 31 December 2015, the total equity of the Company was 1,240 million shares, including 819 million unlisted shares, representing 66.05% of the equity, and 421 million outstanding public H shares, representing 33.95% of the equity. On 19 August 2015, the registered address of the Company changed to Block 1, No. 19 South Qingjiang Road, Gulou District, Nanjing, People’s Republic of China (“PRC”); the Company’s principal place of business in Hong Kong: 18th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong; legal representative: Zhu Yong Ning.

## 1. BASIC CORPORATE INFORMATION (Continued)

The Company's business scope mainly includes: research, development, production, manufacture, sales and maintenance of computer software and hardware, network communications equipment, multi-media, electronic products, instruments and apparatuses and information industry related products; technical services, transfer, training and consultancy in relation to computer system integration, sales of office automatic equipment; proprietary operation and agency for imports and exports of commodities and technologies, development of medicine and medical equipment, provision of services in relation to building installation and information system integration (projects need upon approval by law or operating activities need upon approval by related department).

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

## 2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Group's consolidated financial statements during the reporting period covers 17 companies, which are Jiangsu NandaSoft Computer Equipment Co., Ltd., NandaSoft Technology Investment Development (Wuxi) Company Limited, Jiangsu NandaSoft Biochemical Technology Co., Ltd., Nanjing NandaSoft Property Service Co., Ltd., NandaSoft Technology (Shenzhen) Company Limited, Jiangsu Changtian Technology Company Ltd., Jiangxi NandaSoft Technology Co., Ltd., Jiangxi NandaSoft Service Outsourcing Park Co., Ltd., Nanjing NandaSoft System Integration Company Limited, Jiangsu Sheng Feng Investment Company Limited, Jiangsu NandaSoft (Hong Kong) Company Limited, Texwell Investment Ltd., Smartful Ventures Holdings Limited, Vast Rich Asia Limited, Jiangsu Nandasoft (Hong Kong) Company Limited (BVI), Staterich Technology (Jiangsu) Company Limited, Jiangsu Zhiya Online Education Technology Ltd. As compared with last year, Jiangsu NandaSoft Investment Co., Ltd., Shenyang Soft Software Development Co., Ltd., Jiangsu Changtian Fuyun Information Technology Co., Ltd., Jiangsu Fuyue Technology Co., Nanjing Botong Technology Company Limited, Yancheng Soft Software Technology Co., Ltd. and Beijing NandaSoft Digital Technology Company Limited, Ltd. are removed from the scope due to sales.

See "VII Changes in Scope of Consolidation" and "VIII Interests in Other Entities" for the details of changes in the scope of consolidation during the reporting period.

### 3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### 1. Basis for preparation

The Financial statements has been prepared on the going-concern basis and transactions and events actually occurred in accordance with the “Accounting Standards for Business Enterprises” promulgated by the Ministry of Finance of the People’s Republic of China and relevant requirements (Collectively “Accounting Standards for Business Enterprises”), and China Securities Regulatory Commission’s “Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reports (2014 Revision)” and the provisions regarding disclosure pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong, as well as the accounting policies and estimation as stated in “4. Significant Accounting Policies and Accounting Estimation” under this section.

#### 2. Continuous Operation

As of 31 December 2015, the current liability of the Group is high than the current assets of RMB304,546,771.78. Such condition shows that uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern exist, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and accounting estimation prepared by the Group based on actual production and operation characteristics include recognition and measurement of bad debt provisions on receivables, measurement of inventories transferred out, measurement of investment properties, classification and depreciation method of fixed assets, amortisation of intangible assets, recognition and measurement of income, etc.

#### 1. Statement of compliance with the Accounting Standards for Business Enterprises

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

#### 2. Accounting year

The Group’s accounting year starts on 1 January and ends on 31 December.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 3. Reporting currency

The reporting currency of the Company and its domestic subsidiaries is RMB. The reporting currency for the overseas business is the currency of the place in which they are located.

Overseas subsidiaries use the currency of the country in which they are located. When preparing the consolidated statements of the Group, the statements in foreign currency of overseas subsidiaries translated according to the translation method in Notes 4 and 7(2).

### 4. Accounting treatments for a business combination involving enterprises under and not under common control

The assets and liabilities obtained by the Group (as the acquirer) by business combination under common control are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combinations adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For identifiable assets, liabilities and contingent liabilities of the acquiree obtained on the acquisition date through business combination under common control are measured at fair value. The cost of business combination is the fair value of consideration paid including cash and non-cash assets, liabilities issued or undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date and the sum of all expenses incurred during the business combination (For business combination achieved in stages, the cost of combination is the sum of cost for each single transaction). Goodwill is recognized by the difference between the costs of business combination over the fair value of net identifiable assets acquired. In case the cost of business combination is smaller than the fair value of net identifiable assets of the acquiree acquired, firstly, fair values of each identifiable assets, liabilities and contingent liabilities obtained during combination, and fair values of those non-cash assets or equity securities have to be reviewed. The excess of the fair value of net identifiable assets of the acquirer acquired over the cost of business combination will be recognized in the consolidated non-operating for the current period after review.

### 5. Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its controlled subsidiaries.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 5. Preparation of consolidated financial statements (Continued)

When preparing consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the parent company, and proportion of profit or loss for the current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under " equity of minority shareholders, profit or loss of minority shareholders, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders".

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the beginning of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existing since the final controller started control.

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statement since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for the current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for the current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loses control through disposal of shareholding in subsidiaries belongs to package deal, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognized as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for the current period upon loss of control.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 6. Cash and cash equivalents

Cash in the cash flow statement of the Group indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

### 7. Foreign currency operations

#### (1) *Foreign currency transaction*

Transactions by foreign currency are translated into RMB at the spot exchange rate of the transaction date.

On the balance sheet date, monetary items in foreign currency are translated into RMB at the spot exchange rate of the balance sheet date. Except for the exchange difference caused by specific foreign currency loans made to purchase or manufacture assets which will be capitalized, the exchange difference is accounted into profit and loss for the period. For non-monetary items measured in foreign currency under historical cost method, the foreign currency is translated into reporting currency at the spot exchange rate. For non-monetary items in foreign currency measured at fair value, the foreign currency is translated into RMB at the exchange rate on the date when the fair value is recognized which is applied and the exchange difference is accounted into profit and loss for the period as a result of fair value change, or recognized as other comprehensive income and charged into capital reserves.

#### (2) *Foreign Currency Translation of Financial Statements*

The asset and liability items in the balance sheets prepared in foreign currency are translated at a spot exchange rate as at the balance sheet date. The owner's equity items, except for those classified as "retained earnings", are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit or loss statements are translated at the average exchange rate approximate to the spot exchange rate of the date when the transaction occurred. The difference in the foreign currency statements arisen from the above translation's are presented under the other comprehensive income. Foreign currency cash flow is translated using the average exchange rate approximate to the spot exchange rate of the date when the cash flow occurred. The impact of exchange rate fluctuations on cash and cash equivalents is separately presented in the statement of cash flow.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities

When the Group becomes a party in the financial instrument contract, a financial asset or financial liability will be recognized.

#### (1) Financial assets

- 1) Classification of financial assets, basis of recognition and method of measurement

The Group classified financial assets into financial assets at fair value through profit or loss, held-to-maturity investments, receivables and financial assets available for sale according to the investment purpose and the economic stance.

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated into financial assets at profit or loss at initial recognition. Financial asset is classified as held for trading if one of the following conditions is satisfied: It has been acquired principally for the purpose of selling in the near term; or on initial recognition it is a part of a portfolio of identifiable financial instruments that the Group manages together and there is objective evidence that the Group recently manages the portfolio through the approach of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or the financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; hybrid instruments which contain one or more embedded derivatives, unless the embedded derivatives does not have a substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from the relevant hybrid instruments; hybrid instruments that have to be separated but cannot be individually measured after it has been obtained or the balance sheet date afterwards. Such kind of financial assets designated by the Group mainly includes forward exchange settlement business. The Group applies subsequent measurement based on fair value in respect of such kind of financial assets. Changes in fair values include in the fair value profit or loss; interests or cash dividends obtained during the period of holding assets, shall be recognized as investment income; difference between the fair value and the amount initial record, recognized as investment income on disposal, and the profit or loss from changes of fair value will be adjusted at the same time.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

- 1) Classification of financial assets, basis of recognition and method of measurement (Continued)

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets which do not fall into any of the above categories. For equity instruments which do not have quotations in active market and the fair values of which cannot be reliably measured and linked to that equity instrument, and derivatives linked to such equity instrument and settled through delivery of such equity instrument, will be measured at cost. Except for exchange of impairment loss and exchange gain or loss arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. Until such financial assets are derecognized, the accumulated change in the amount of fair value previous recorded in equity is transferred to the profit and loss account for the period. Interests for the period in which the assets are held are calculated using the effective interest method is charged to profit or loss for the period as 'Investment income'. Cash dividends declared by the investee company relating to available-for-sale equity instruments are charged to profit or loss for the period as 'Investment income'. As for instruments that do not have quotation in active market and the fair values of which cannot be reliably measured, they are measured subsequently at cost.

- 2) Recognition basis of transfer of financial assets and measure method

A financial asset is derecognized when any one of the following conditions is satisfied: (1) the rights to receive cash flows from the asset expire, (2) the financial asset has been transferred and the Group transfers substantially all risks and rewards relating to the financial assets to the transferee, (3) the financial asset has been transferred to the transferee, and the Group has given up its control of the financial asset although the Group neither transfers nor retains all risks and rewards of the financial asset.

Where an enterprise neither transfers nor retains substantially all risks and rewards of financial asset and does not give up the control over such financial asset, then the entity recognizes such financial asset to the extent of its continuous involvement and recognizes the corresponding liabilities.

In the case where the financial asset as a whole qualifies for the de-recognition conditions, the difference between the carrying value of transferred financial asset and the sum of the amount received for transfer and the accumulated amount of changes in fair value that was previously recorded under other comprehensive income is charged into profit or loss for the period.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (1) Financial assets (Continued)

##### 2) Recognition basis of transfer of financial assets and measure method (Continued)

In the case where only part of the financial asset meets the criteria for de-recognition, the carrying amount of financial asset being transferred is allocated between the portions that to be derecognized and the portion that continued to be recognized according to their relative fair value. The difference between the amount of consideration received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income of the part qualifies for derecognition and the above-mentioned allocated carrying amount is charged to profit or loss for the period.

##### 3) Testing of impairment of financial assets and accounting method

The Group assesses the carrying amount of financial assets, other than those at fair value through profit and loss, at the balance sheet date. Impairment of financial assets is provided for when there is objective evidence that a financial asset is impaired.

When an impairment of financial assets carried at amortized cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit loss that have not been incurred). If there is objective evidence indicating that the value of the financial asset is recovered and recovery is related objectively to events occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit and loss for the period.

Where an available-for-sale financial asset is impaired, the cumulative loss generated from decline of fair value that had been recognized directly in shareholder's equity shall be reversed and included in the impairment loss. For the available for sale debt instruments investment of which impairment loss has been recognized, if, in a subsequent period, the fair value of which increases and it can be objectively related to events occurring after the impairment loss was recognized, the previously recognized impairment loss shall be reversed. For the available for sale equity instruments investment of which impairment loss has been recognized, the increase in fair value in a subsequent period shall be directly included in shareholder's equity.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 8. Financial assets and financial liabilities (Continued)

#### (2) Financial Liabilities

- 1) Classification of financial liabilities, recognition basis and measure method

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities on initial recognition.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities held-for-trading and those designated as fair value through profit or loss on initial recognition. They are subsequently measured at fair value. The net gain or loss arising from changes in fair value; dividends and Interest expenditure related to such financial liabilities are recorded in profit or loss for the period in which they are incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

- 2) Conditions of derecognition of financial liabilities

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. An agreement between the Company and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. As for substantive changes made to the contract terms (whole or in part) of the existing financial liabilities, the existing financial liabilities (or part of it) will be derecognized. And financial liabilities after term revision will be recognized as a new financial liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss for the period.

#### (3) Method for determination of fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities of the Group are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Group: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level to which the results of measurement of fair value belong is subject to the lowest level to which the inputs having great significance to the measurement of fair value as whole belong.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 9. Bad debts provision for receivables

Receivables include accounts receivable and other receivables, etc. The Group's accounts receivable from selling products and providing services are initially recorded at fair value of consideration of contract value from buyer or service receiver.

The Group adopts the following criteria for recognition of provision for bad debts on receivables: When the debtors are dissolved, bankrupt, insolvent and in significant financial difficulty, or suspended its business due to natural disaster and unable to settle the debts in the foreseeable period; fails to perform its obligations of debt repayment by the debtors over 5 years; when there are other objective evidences indicating the debts are not recovered or not likely to be recoverable.

Provision for bad debts is made using allowance account method. At the end of the period, receivables are assessed for impairment on individual or group basis and the provision for bad debts is recognised in the profit or loss for the current period. When there are objective evidences indicating the receivable cannot be collected, it is written off against the provision for bad debts as a loss of bad debts according to the required procedures of approval of the Group.

Individual and portfolio methods are applied to estimate impairment loss on accounts receivable.

##### **(1) Accounts receivable that are individually significant and are provided for bad debts on individual basis**

The basis or standard for determining the significant level of individual receivable	Consider individual receivables above RMB1,000,000 as significant receivables
Provision-making method on individual receivables above significant level	The provision of bad debts is made according to the difference between the present value of future cash flows and the book value of receivables

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 9. Bad debts provision for receivables (Continued)

(2) *Receivables for which provision of bad debts made by portfolio of credit risk characteristics*

**Basis of defining portfolio**

Portfolio of ageing	Consider ageing of receivables as credit risk characteristics
Portfolio of nature of amounts	Consider nature of receivables as credit risk characteristics
Portfolio of relationship with counterparties	Consider relationship with counterparties as credit risk characteristics

**Method of provision of bad debts based on portfolio**

Portfolio of ageing	Ageing analysis method
Portfolio of nature of amounts	No provision of bad debts is made for guaranteed amounts and deposit
Portfolio of relationship with counterparties	No provision of bad debts is made for subsidiaries

1) The rate of bad debts provision according to ageing analysis is as follows:

<b>Ageing</b>	<b>Provision percentage for account receivables (%)</b>	<b>Provision percentage for other receivables (%)</b>
Within 3 months (inclusive, on the analogy of this for the following)	0%	0%
3 to 6 months	4%	4%
6 months to 1 year	8%	8%
1-2 years	20%	20%
2-3 years	50%	50%
Over 3 years	100%	100%

The bad debts provision for prepayments of the Company shall make reference to the policies for account receivables.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 9. Bad debts provision for receivables (Continued)

**(3) Accounts receivable that are individually insignificant but are provided for bad debts on individual basis**

Reason for making provision of bad debts individually	Individual receivables below significant level whereby the portfolio method does not reflect its risk characteristics
Method for provision of bad debts	Provision for bad debts is made using the difference between the present value of future cash flows and the book value of receivables

### 10. Inventories

The inventories of the Group include merchandise inventory, goods shipped in transit and construction, etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired or sent out.

The net realizable value of merchandise inventory which are directly used for sale such as merchandise and materials for sale, is determined based on the estimated selling price of such inventories after deducting its estimated selling costs and related taxes. The net realizable value of materials held for production is determined based on its estimated selling price after deducting its estimated cost, sale expenses and related sales taxes occurred till it is completed.

### 11. Long-term equity investment

Long-term investment of the Group is the investment in subsidiaries and investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

The Group directly or indirectly through its subsidiaries owns 20% (inclusive) or more but less than 50% shares with voting rights in the invested company, usually representing having significant influence on the invested company. For voting rights of less than 20% in the invested company, the Board or representative in similar authority in the invested company or the implementation processes of financial or operation policies of invested company have also been taken into account, or significant transaction with the invested company, or management personnel send to the invested company, or key technology information provided to the invested company which have significant influence to the invested company.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 11. Long-term equity investment (Continued)

The Group's subsidiaries are invested companies which form control. For long-term investment obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of acquisition in the consolidated financial statements of the final controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree is negative, investment cost of long-term equity investment is calculated as zero.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements, and accounted as the initial investment cost of long-term investment. Difference between initial investment cost 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.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

For shareholding which obtained by different transactions in stages and become business combination finally, if it belongs to package transaction, the accounting method for which each transaction applies will treat as one transaction which obtains control. If it does not belong to package transaction, Initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the invested company when it directly dispose related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for the current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement.

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 11. Long-term equity investment (Continued)

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be added according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the invested company, it shall be recognized as investment income for the current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders equity of the invested company. When determining the amount of proportion of net profit or loss in the invested company which it entitles, fair value of each identifiable assets of the invested company 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, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognized after adjustment is made to the net profit of the invested company.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognized as investment income for the period. For long-term investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group ceases to have control or significant influence on the invested company due to the reasons such as disposal of part of its equity investment, the remaining shareholding after disposal shall be accounted for under available-for-sale financial assets, and the difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for the current period. Other comprehensive income recognized in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method it shall be using the same accounting basis as the invested company directly disposing related assets or liabilities.

For loss of control in the invested company due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the invested company after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 11. Long-term equity investment (Continued)

For each transaction which equity are disposed in stages until loss of control, which does not belong to package transaction, the accounting for each transaction shall be conducted separately. For the package transaction, the accounting for each transaction shall be treated as disposing subsidiary and loss of its control. However, the difference between each disposal price before loss of control and the carrying value of the corresponding long-term investment of the equity disposed, shall be recognized as other comprehensive income, and shall be transfer to the profit or loss for the current period upon loss of control.

### 12. Investment property

The investment properties of the Group are properties held for gaining rental or realizing capital appreciation or both. Investment properties are measured through the fair value pattern.

Investment properties are stated by the Group at value with no provision or amortization made. The carrying amount is adjusted on the basis of the fair value of investment properties as at the balance sheet date. The difference between the fair value and the original value is recorded in current period, and meanwhile the effects on the deferred income tax assets or liabilities are considered.

Where fair value of investment properties under construction cannot be reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.

Where objective evidence indicates that the purpose of the real estate has changed, and the investment property shall be converted into other assets or the other assets shall be converted into investment properties in any of the following conditions: (1) investment properties begins to be owner-occupied; (2) real estate used for sales is converted to be used for rent; (3) the land use right of owner-occupied lands ceases to be owner-occupied but is used for earning rents or capital gains; (4) owner-occupied buildings cease to be owner-occupied but is used for renting.

When the investment property measured at fair value is converted into owner-occupied real estate, the fair value at the date of conversion shall be the carrying amount of the owner-occupied real estate; and the difference between the fair value and the original carrying amount is recorded in current profit or loss.

When owner-occupied real estate or real estate inventories are converted into investment properties measured at fair value, the investment properties are measured at the fair value on the date of conversion; where the fair value on the date of conversion is less than the original carrying amount, the difference is recorded in current profit or loss; where the fair value on the date of conversion is more than the original carrying amount, the difference is recorded into the owners' equity.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

##### 12. Investment property (Continued)

In case of sales, transfer or abandonment of the investment properties or when the investment property is destroyed, the Group shall record the amount of income from disposal less the carrying amount and relevant taxes into current profit and loss.

The Group assesses the fair value of investment properties based on the principles of prudence and steadiness. Where there is a trading price for the investment property, the fair value is determined based on the closing price or offer provided by the department of the Company in charge of property operation and management. Where there is no trading price for the investment property, the fair value is determined through the market research report or by the conclusion in the valuation report issued by the department of the Company in charge of property operation and management or any professional real estate intermediary engaged for market research or assessment.

When determining the fair value of the investment properties, the current market price (open price in the market) of the same or similar real estate in the active market is used for reference; where such price is unavailable, the latest transaction price of the same or similar real estate in the active market is used for reference with the consideration of factors such as the transaction details, date and the regions so as to make a reasonable estimation on the fair value of investment properties; the fair value can also be measured at the present value of the rent income expected to be obtained in the future and relevant cash flows.

The department of the Group in charge of property operation and management or the professional real estate intermediary engaged must assess the fair value of the investment properties at the end of each year and issue the market research report or the valuation report, which indicates the changes in fair value in the investment properties of the Company. Upon approval, the finance department of the Company shall make accounting treatment on the conclusion on valuation in the market research report or the valuation report.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 13. Fixed assets

The Group's fixed assets are tangible assets that are held for the production of goods and/or the rendering of services, leasing to others (excluding houses and structure), or for administrative purposes. Such assets have a useful life of over one accounting year.

The cost of an item of fixed assets shall be recognized as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Fixed assets consist of buildings, transportation equipment, electronic equipments and others.

Apart from fixed assets which are provided in full and continue to use, the Group made provision of depreciation for all the fixed assets. The Group made provision for depreciation by using the straight-line method. The useful life, estimated rate of salvage value and depreciation rate of fixed assets of the Group are as below:

<b>Classification</b>	<b>Useful life (year)</b>	<b>Estimated rate of salvage value (%)</b>	<b>Annual depreciation rate (%)</b>
Building	45	3.00	2.16
Transportation Equipment	6	3.00	16.17
Electronic equipments and others	5	3.00	19.40

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

### 14. Construction in progress

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is provided for as from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed, but it is not necessary to adjust the previous recorded depreciation or amortization amount.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 15. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for over one year, and can reached usable or sale condition after that. Borrowing costs incurred during assets expense is incurred, and when construction or production activities started in order to make assets to reach the expected usable or sale condition, capitalization starts; When construction or assets that fulfil the capitalization conditions, and reached the expected useable or sale condition, capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for the current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

### 16. Intangible assets

The intangible assets of the Group include the land use right and software, and are measured at actual cost on acquisition. The cost of intangible assets purchased from outsiders includes purchase prices and other relevant expenditure. The cost of intangible assets injected by investors to the Group is measured at the consideration as specified in the investment contracts or agreements. In the case where the consideration of the contracts or agreements is not a fair value, the actual cost of assets is determined based on its fair value.

Land use rights are amortized on the basis of their useful life or remaining useful life by straight-line method since is the date they are acquired. Other intangible assets are amortized on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into related assets and current profit and loss according to its beneficiaries. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at each financial year-end and makes adjustment if needed. If any changes occur, they will be regarded as changes on accounting estimates.

Internal research and development expenses of the Group is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 16. Intangible assets (Continued)

Expenditure on the research phase is recognized in profit or loss for the period as incurred; Expenditure on the development phase will be recognized as intangible assets while satisfying the following conditions: 1) It is technically feasible that the intangible asset can be used or sold upon completion; 2) There is intention to complete the intangible asset for use or sale; 3) The products produced using the intangible asset have a market or the intangible asset itself has a market; 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. Other expenditures that do not meet the above conditions are expensed in the period as incurred. Development expenditure previously expensed in prior periods is not recognized as an asset in subsequent period.

### 17. Long-term assets impairment

The Group would assess intangible assets such as long-term equity investment, fixed assets, construction in progress and intangible assets with limited useful lives at each of the assets balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the year end regardless of whether there is indication of impairment loss.

After the impairment test, if the carrying value of such assets is higher than its recoverable amount, the difference is recognized as impairment loss. The above assets impairment loss once is recognized, it cannot be reversed in subsequent accounting period.

### 18. Long-term deferred expenses

The long-term deferred expenses of the Group include renovation costs and other expenses. These expenses are amortized evenly over the estimated benefit period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the current profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 19. Employee remuneration

Employee remuneration of the Group includes short-term compensation, post employment benefits and termination benefits.

Short-term compensation include salaries, bonus, allowances and subsidies, medical insurance, industrial injury insurance, birth insurance and housing accumulation fund, worker welfare funds, union funds and employee education funds. Short-term compensation actually incurred shall be recognised as liabilities during the accounting period which the labour provided services, and included into the profit or loss or related assets cost of the current period of beneficiary.

Post employment benefits including the endowment insurance, and unemployment insurance, and classified into defined contribution plan and defined benefit plan according to the risks and liabilities assumed by the Company. As for defined contribution plan under which the group consumed obligation of making payment to independent funds, in order to exchange for staff services to be provide during the accounting period, shall be recognized as liabilities, and included into the profit or loss or related assets cost of the current period of the beneficiary.

Termination benefits are incurred when the Group terminates the employment relationship with employee before the expiry of the employment contracts or provides compensation as an offer to encourage employee to accept voluntary redundancy. If the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

### 20. Estimated liabilities

When an external warranty, commercial acceptance discount, pending legal proceedings or arbitration, warranty on quality of goods or other contingent matters meet the following requirements, the Group will recognize them as liabilities. The requirements mentioned above are as follows: the assumed responsibilities are actual and real; the fulfillment of obligations will probably to cause the outflow of economic benefit from the Group; the amount of liabilities can be measured reliably.

Estimated liabilities are initially recognized at the most appropriate estimation of performing relevant obligations by considering relative risks, uncertainties and time value related to contingent events. If the effect from time value of currency is significant, the best estimation will be determined by discounting relevant future cash flow. The Group assesses the book value of estimated liabilities on each balance sheet date and adjustments will be made if there are changes to reflect the current best estimation.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 21. Recognition and measurement of revenue

The revenue of the Group is mainly revenue from sales of goods, provision of services and transference of assets. Revenue recognition principles are as follows:

#### **(1) Sales of goods**

Revenue recognition principle of sales of goods by the Group is as follows: The revenue from selling goods shall be realized, when main risks and rewards related to the ownership of goods have been transferred to buyers, and the Group doesn't hold continuing management rights or effective control rights of goods, the amount of relevant revenue can be measured reliably and relevant economic benefits may flow into the Group, and related cost incurred or to be incurred can be measured in a reliable way.

Time of recognition of revenues from sales of goods: When the goods are in delivery of cargo from storage and related evidence for signature confirmation has been obtained from customers.

#### **(2) Provision of services**

When the provision of services is started and completed in the same accounting period, revenue from rendering of services is recognized upon completion. When the provision of services is started and completed in different accounting period and the outcome of a transaction involving the rendering of services can be estimated reliably on the balance sheet date, revenue from rendering of services is recognised by percentage of completion method. The percentage of completion of contract is calculated by the cost of contract actually incurred in proportion to the estimated total contract cost or the process actually measured.

When the outcome of provision of services cannot be estimated reliably on the balance sheet date, different accounting treatments will be adopted depending on the circumstances: if the costs of rendering of services are expected to be recoverable, the service revenue will be recognized to the extent of the costs incurred and service costs will be carried forward with the same amount. If the costs of rendering of services are not expected to be recoverable, the costs incurred are charged to the current profit or loss, and revenues are not recognised.

#### **(3) Revenue from transference of assets**

The revenue from transference of right to use assets shall be recognized when the economic benefits related to transactions may flow into the Group and the amount of relevant revenue can be measured reliably.

Time of recognition of lease revenue: on a time proportion basis over lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 22. Government grants

The Group classifies government grants as grants pertinent to assets and grants pertinent to incomes.

If a government grant is a monetary asset, it is measured at actual received amount; For the grants being allocated in accordance with fixed quotas, or if there is sufficient evidence at end of the period to show that the entity complies with the conditions of financial policies and is expected to receive supporting funds, the grants shall be measured at receivable amount; If a government grant is a non-monetary asset, it is measured at its fair value, and in the event the fair value cannot be acquired in a reliable way, it is measured at its nominal amount (RMB1).

The government grants pertinent to assets are recognized as deferred revenue, and equally accounted into current profit and loss within the useful life. The government grants pertinent to incomes and used to compensate the related expenses or losses in subsequent periods are recognized as deferred income, and accounted into profit and loss during the period when the related expenses are recognized; the government grants used to compensate the related expenses or losses already incurred are directly recognized in current profit or loss.

### 23. Deferred tax assets and deferred tax liabilities

The Group's deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The Group recognizes the deferred tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which is most likely to acquire and can be deducted from the deductible temporary difference.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 24. Lease

Lease of the Group includes operating lease and financial lease.

The Group, as the lessee under the financial lease, on the start date of financial lease, according to the lower of the fair value of leasing assets on the start date of leasing and the present value of the minimum lease payments, to be the recorded value of leasing fixed assets. The minimum lease payment shall be the recorded value of the long-term payable, the difference between the two shall be recorded as unrecognized financial expense.

The Group, as the lessee under operational lease, rental during the leasing term in each of the period, shall be included in the cost of related assets or profit or loss for the period using straight-line method directly.

## 5. TAXATION

### 1. Main categories of tax and tax rate

Category	Tax base	Tax rate
Value-Added Tax	Revenues from sales of goods and provision of technical services	17%/6%
Business Tax	Revenues from lease, technical services and installation	5.00%/3.00%
Urban Construction & Maintenance Tax	VAT and business tax payable	5.00%/7.00%
Education surcharges	VAT and business tax payable	3.00%
Local education surcharges	VAT and business tax payable	2.00%
Estate Tax	70% of the estate's original value	1.20%
Corporate income tax	Taxable income	25.00%

### 2. Tax Preference

#### (1) Corporate income tax

##### ■ Tax preference

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

## 5. TAXATION (Continued)

### 2. Tax Preference (Continued)

#### (1) Corporate income tax (Continued)

##### ■ Domestic subsidiaries of the Company

On 11 December 2013, Jiangsu Changtian Zhi Yuan Technology Company Limited, a subsidiary of the Company, was awarded the New and High Technology Enterprise Certificate (高新技術企業證書) (No. GF 201332000415) jointly issued by Jiangsu Science and Technology Department (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Administration of Taxation of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局), and was recognised as a new and high technology enterprise (高新技術企業) with a validity period of three years. Therefore, according to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the corporate income tax applicable to the Company for the year 2015 is 15%.

On 2 September 2010, Jiangxi NandaSoft Technology Company Limited, a subsidiary of the Company, was awarded the Software Enterprise Certificate with the number 「GanR-2010-0015」 issued by the Industry and Information Committee of Jiangxi Province (江西省工業和信息化委員會); According to Notice of the Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to the Enterprise Income Tax (Cai Shui [2008] No. 1) (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知)(財稅[2008]1號), when a newly founded domestic software enterprise is recognized, from its profit-making year, corporate income taxation is exempted for first two years, reduced half for next three years. Jiangxi NandaSoft Technology Company Limited records no gains in 2015.

#### (2) VAT

According to the Circular of State Administration of Taxation; Ministry of Finance on Value-added Tax Policy on Software Products (Cai Shui [2011] No. 100), if general VAT taxpayers sell software products developed and produced by them, VAT shall be collected at a tax rate of 17% and the refund-upon-collection policy shall be applied to the part VAT in excess of 3% of their actual tax burden.

The preferential VAT policies mentioned above applied to the Company in 2015.

Subsidiaries of the Company, to which the preferential VAT policies applied in 2015, are Jiangsu Changtian Zhi Yuan Transportation Company and Jiangxi NandaSoft Technology Co., Ltd.

# Notes to the Financial Statements

31 December 2015

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless specifically indicated, “Beginning Balance” refers to January 1, 2015; and “Ending Balance” refers to December 31, 2015. “Current Year” refers to the period from January 1, 2014 to December 31, 2015; and “Last Year” refers to the period from January 1, 2014 to December 31, 2014. The currency is in RMB.

### 1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	2,850,000.44	2,993,817.54
Bank deposits	72,729,402.91	72,696,182.37
Other currency funds	15,144,152.11	49,224,894.31
<b>Total</b>	<b>90,723,555.46</b>	124,914,894.22
Including: total amount deposited overseas	444,424.95	210,882.28

Note 1: The decrease in the ending balance of cash and cash equivalents as compared with the beginning balance was mainly due to the decrease in the use of bank acceptance bill of the Group.

Note 2: The fixed-term deposit of the Company was nil (31 December 2014: RMB 15,000,000.00).

Note 3: Among other monetary fund of the Company: RMB 5,088,631.41 (31 December 2014: RMB 4,316,441.16) was frozen due to litigation (please see notes 12.1. Pending Litigation for details of litigation); RMB 7,500,000.00 was the deposit for bank acceptance bill (31 December 2014: RMB 41,580,000.00); RMB 2,168,199.04 was the deposit for contract fulfillment (31 December 2014: 3,328,453.15); RMB 387,321.66 was the tender deposit (31 December 2014: Nil).

### 2. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	310,800,961.75	279,449,382.12
Less: provision for bad debts	48,731,761.68	43,261,908.19
<b>Net amount</b>	<b>262,069,200.07</b>	236,187,473.93

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Accounts receivable (Continued)

#### (1) Aging analysis

Age	Closing Balance	Opening Balance
3 months (inclusive)	<b>187,252,969.92</b>	159,653,519.87
3 months to 6 months (inclusive)	<b>12,009,484.10</b>	11,296,681.26
7 months to 12 months (inclusive)	<b>8,295,373.26</b>	13,125,666.33
Over 1 year	<b>54,511,372.79</b>	52,111,606.47
<b>Net</b>	<b>262,069,200.07</b>	236,187,473.93

#### (2) Classification by risks

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	310,800,961.75	100.00	48,731,761.68	15.68	262,069,200.07	279,449,382.12	100.00	43,261,908.19	15.48	236,187,473.93
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>310,800,961.75</b>	<b>100.00</b>	<b>48,731,761.68</b>	<b>15.68</b>	<b>262,069,200.07</b>	<b>279,449,382.12</b>	<b>100.00</b>	<b>43,261,908.19</b>	<b>15.48</b>	<b>236,187,473.93</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Accounts receivable (Continued)

#### (2) Classification by risks (Continued)

1) Accounts receivable in portfolio of which provision was made using ageing analysis method:

Aging	Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	187,252,969.92		
3 to 6 months (inclusive)	12,509,879.27	500,395.17	4.00
7 to 12 months (inclusive)	9,016,710.07	721,336.81	8.00
Over 1 year	102,021,402.49	47,510,029.70	46.57
<b>Total</b>	<b>310,800,961.75</b>	<b>48,731,761.68</b>	<b>15.68</b>

Aging	Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	159,653,519.87		
3-6 months (inclusive)	11,767,376.31	470,695.05	4.00
7-12 months (inclusive)	14,267,028.62	1,141,362.29	8.00
Over 1 year	93,761,457.32	41,649,850.85	44.42
<b>Total</b>	<b>279,449,382.12</b>	<b>43,261,908.19</b>	<b>15.48</b>

#### (3) The five largest accounts receivable assembled by debtors

Company name	Ending Balance	Aging	Proportion of ending balance of accounts receivables in total (%)	Ending balance of bad debts provision
No.1	17,342,000.00	0-3 months	5.58	
No.2	12,535,097.69	0-3 months	4.03	
No.3	12,239,462.97	0-3 months	3.94	
No.4	7,136,008.30	0-3 months	2.30	
No.5	6,055,626.51	0-3 months	1.95	
<b>Total</b>	<b>55,308,195.47</b>		<b>17.80</b>	

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Prepayments****(1) Aging analysis**

Items	Ending Balance		Beginning Balance	
	Amount	Percent (%)	Amount	Percent (%)
Within 1 year	<b>3,009,334.05</b>	<b>13.38</b>	18,855,768.73	58.82
1-2 years	<b>12,501,669.25</b>	<b>55.60</b>	7,533,271.25	23.50
2-3 years	<b>5,880,399.42</b>	<b>26.15</b>	2,132,235.37	6.65
3 years or above	<b>1,091,989.97</b>	<b>4.86</b>	3,534,782.15	11.03
<b>Total</b>	<b>22,483,392.69</b>	<b>100.00</b>	32,056,057.50	100.00

**(2) Prepayments from the five largest suppliers assembled by the subject receiving prepayments**

Company name	Ending Balance	Aging	Provision for bad debts	Proportion of ending balance of prepayments in total (%)
No.1	<b>5,653,552.00</b>	1-3 years		25.15
No.2	<b>4,477,699.00</b>	More than 3 years	4,477,699.00	-
No.3	<b>3,000,000.00</b>	More than 3 years	3,000,000.00	-
No.4	<b>2,092,160.00</b>	More than 2 years	1,326,080.00	3.41
No.5	<b>1,607,492.00</b>	0-3 years	689,163.40	4.08
<b>Total</b>	<b>16,830,903.00</b>		9,492,942.40	32.64

# Notes to the Financial Statements

31 December 2015

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Interest receivable

Items	Ending Balance	Beginning Balance
Time deposit		453,750.00
Total		453,750.00

### 5. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	208,824,575.53	170,247,553.49
Less: provision for bad debts	82,674,629.21	49,025,288.04
Net amount	126,149,946.32	121,222,265.45

Note: The increase in ending balance of the other receivables as compared with the beginning balance was mainly due to the increase in balance of account of Shenyang Soft Software Development Co., Ltd. as a result of the disposal of 70% equity interests of Shenyang Soft Software Development Co., Ltd.

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
Amount	Percent (%)	Amount	Percent (%)	Amount		Percent (%)	Amount	Percent (%)		
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	208,824,575.53	100.00	82,674,629.21	39.59	126,149,946.32	170,247,553.49	100.00	49,025,288.04	14.99	121,222,265.45
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>208,824,575.53</b>	<b>100.00</b>	<b>82,674,629.21</b>	<b>39.59</b>	<b>126,149,946.32</b>	<b>170,247,553.49</b>	<b>100.00</b>	<b>49,025,288.04</b>	<b>14.99</b>	<b>121,222,265.45</b>

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Other receivables (Continued)****(1) Classification of other receivables (Continued)**

1) Other receivables in portfolio of which provision was made using ageing analysis method:

Aging	Other receivables	Ending Balance Bad debts provision	Ratio (%)
1-3 months	21,090,140.70		
Within 6 months (inclusive)	9,603,669.37	384,146.77	4.00
7 months – 1 years (inclusive)	12,045,681.95	963,654.56	8.00
Over 1 year	166,085,083.51	81,326,827.88	48.97
<b>Total</b>	<b>208,824,575.53</b>	<b>82,674,629.21</b>	<b>39.59</b>

**(2) Other receivables by nature**

Nature	Book balance at end of the year	Book balance at beginning of the year
Security deposit, imprest and cash pledge	34,356,834.45	35,209,749.21
Current accounts	174,467,741.08	135,037,804.29
<b>Total</b>	<b>208,824,575.53</b>	170,247,553.49



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Other receivables (Continued)****(3) The five largest other receivables assembled by debtors**

Company name	Nature	Ending Balance	Aging	Proportion of	Ending balance of bad debts provision
				ending balance of other receivables in total (%)	
No.1	Current accounts	<b>32,668,475.42</b>	More than 3 years	15.64	32,668,475.42
No.2	Current accounts	<b>23,789,900.00</b>	1-3 years	11.39	10,398,980.00
No.3	Current accounts	<b>13,763,439.60</b>	1-3 years	6.59	5,958,904.80
No.4	Current accounts	<b>8,045,439.47</b>	7 months-3 years	3.85	4,019,629.74
No.5	Current accounts	<b>6,454,678.49</b>	1-3 years	3.09	1,825,281.57
<b>Total</b>		<b>84,721,932.98</b>		40.57	54,871,271.53

**6. Inventories****(1) Classification**

Items	Ending Balance Inventory			Beginning Balance Inventory		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Merchandise inventories	<b>46,488,681.99</b>	<b>4,192,364.26</b>	<b>42,296,317.73</b>	31,377,786.70	4,253,149.36	27,124,637.34
Goods in transit	<b>12,784,170.40</b>		<b>12,784,170.40</b>	32,295,618.85		32,295,618.85
Engineering construction	<b>22,618,617.74</b>		<b>22,618,617.74</b>	36,155,935.96		36,155,935.96
Technology development				2,438,569.00		2,438,569.00
<b>Total</b>	<b>81,891,470.13</b>	<b>4,192,364.26</b>	<b>77,699,105.87</b>	102,267,910.51	4,253,149.36	98,014,761.15

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Inventories (Continued)

#### (2) Inventory impairment

Items	Beginning Balance	Increase during the year	Decrease during the year		Ending Balance
			Reversal	Transferred out	
Merchandise inventories	4,253,149.36	31,009.77		91,794.87	<b>4,192,364.26</b>
Total	4,253,149.36	31,009.77		91,794.87	<b>4,192,364.26</b>

#### (3) Provision for inventory impairment

Items	Basis of determination of net realisable value	Reasons for reversal or write-off
Merchandise inventories	Based on the amount of the estimated selling price of such merchandise inventory after deducting its estimated sales expenses and relevant taxes	No reversal during the year
<b>Total</b>		

### 7. Other current assets

Items	Ending Balance	Beginning Balance
Unamortized expense — rent	<b>44,000.00</b>	67,168.33
Unamortized expense — others	<b>19,127.36</b>	23,400.00
<b>Total</b>	<b>63,127.36</b>	90,568.33

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Available-for-sale financial assets

#### (1) Description of available-for-sale financial assets

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument Measured at cost	8,967,082.48	747,972.48	8,219,110.00	10,575,229.23	747,464.99	9,827,764.24
<b>Total</b>	<b>8,967,082.48</b>	<b>747,972.48</b>	<b>8,219,110.00</b>	10,575,229.23	747,464.99	9,827,764.24

As the reasonable scope of fair value valuation is significant and the directors of the Company believed such fair values were not reliable calculations, such assets were measured at cost impairment at the end of the reporting period.

#### (2) The analysis of available-for-sale financial assets is as follows

Items	Ending Balance	Beginning Balance
Listed		
Unlisted	8,219,110.00	9,827,764.24
<b>Total</b>	<b>8,219,110.00</b>	9,827,764.24

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Available-for-sale financial assets (Continued)

#### (3) Available-for-sale financial assets measured at cost at the end of the year

Investee	Beginning	Book balance		Ending	Beginning	Provision for impairment		Ending	Shareholding ratio investee (%)	Cash dividend for the year
		Increase during the year	Decrease during the year			Increase during the year	Decrease during the year			
Jiangsu Unisource Technology Industry Co., Ltd.	2,500,000.00			2,500,000.00					12.50%	
Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd	2,000,000.00			2,000,000.00					4.35%	
Polyrey Medical Tech. (Suzhou) Co., Ltd.	1,786,454.70		1,786,454.70							
Nanjing IOT Application Research Institute Limited	1,600,000.00			1,600,000.00					16.00%	
Nanjing Changtian Shuangjin Software Limited	979,110.00			979,110.00					40.80%	
Jiangsu NanadaSoft Investment Co., Ltd.		950,000.00		950,000.00					19.00%	
Jiangsu Nanda Shang Cheng High Technology Industrial Limited	771,692.05		771,692.05							
Jiangsu Nandasoft Education Information Technology Limited	736,000.00			736,000.00	736,000.00			736,000.00	18.40%	
Nanjing Nandasoft Electronic Technology Limited	11,972.48			11,972.48	11,464.99	507.49		11,972.48	19.00%	
Nanjing Fineweb Import and Export Trade Limited	190,000.00			190,000.00					19.00%	
<b>Total</b>	<b>10,575,229.23</b>	<b>950,000.00</b>	<b>2,558,146.75</b>	<b>8,967,082.48</b>	<b>747,464.99</b>	<b>507.49</b>	<b>-</b>	<b>747,972.48</b>		

Note 1: The decrease in available-for-sale financial assets was mainly due to the disposal of Polyrey Medical Tech. (Suzhou) Co., Ltd. and Jiangsu Nanda Shang Cheng High Technology Industrial Limited;

Note 2: The increase in available-for-sale financial assets was mainly due to the transfer of 81% equity interests of Jiangsu NandaSoft Investment Co., Ltd., as a result, the Company did not possess any control over it;

Note 3: The current provision for impairment was mainly due to the deregistration of Nanjing Nandasoft Electronic Technology Limited.

### 9. Long-term equity investment

#### (1) Classification of long-term equity investment

Items	Ending Balance	Beginning Balance
Under equity method	<b>79,429,411.44</b>	85,332,654.47
Total of long-term equity investment	<b>79,429,411.44</b>	85,332,654.47
Less: provision for impairment		
Value of long-term equity investment	<b>79,429,411.44</b>	85,332,654.47

# Notes to the Financial Statements

31 December 2015

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Long-term equity investment (Continued)

#### (2) Long-term equity investment accounted under equity method

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year				Announced dividends or profit	Provision for impairment	Others	Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity						
Shenzhen Nanda Research Institute Company Limited	41,841,243.67			1,150,553.89						42,991,797.56		
Promed Medical Technology (Suzhou) Company Limited	18,193,384.02			-922,769.17						17,270,614.85		
Yantai Blue Innovation Co., Ltd.	8,599,163.30			-269,664.29						8,329,499.01		
Nada pharmaceutical (HK) Limited	5,694,451.75			-2,595.50						5,691,856.25		
Soft Intelligent Technology (Shanghai) Co., Ltd.	2,486,217.33			-31,220.41						2,454,996.92		
Jiangsu NandaSoft Communication Company Limited	2,279,255.55		-2,279,255.55									
Jiangsu Fu Men Investment Limited	1,995,584.35			-756.92						1,994,827.43		
Nandasoft (Jiangsu) Health Technology Limited	1,992,756.05		-1,992,756.05									
Changshu Fu Men Services Training Centre	919,754.22			-539,521.18						380,233.04		
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	854,796.89		-854,796.89									
Nanjing Furuwei Medical Technologies Co., Ltd.	324,942.87			-9,356.49						315,586.38		
Nanjing King Wen Information Technology Limited	151,104.47		-151,104.47									
<b>Subtotal</b>	<b>85,332,654.47</b>		<b>-5,277,912.96</b>	<b>-625,330.07</b>						<b>79,429,411.44</b>		

Note: The decrease in investment is mainly because of the transfer of 81% equity interests of Jiangsu NandaSoft Investment Co., Ltd., indirectly causing the Company no longer had the possession of related interests of Jiangsu NandaSoft Communication Company Limited, Nandasoft (Jiangsu) Health Technology Limited and Jiangsu NandaSoft Intelligent Transportation Technology Company Limited; the Company gave up the equity interests of Nanjing King Wen Information Technology Limited.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Investment properties

#### (1) Investment properties measured at fair value

Items	Buildings	Land use rights	Total
<b>I. Beginning Balance</b>		511,800,000.00	511,800,000.00
In which: Cost		316,991,604.56	316,991,604.56
Changes in fair value		194,808,395.44	194,808,395.44
<b>II. Changes for the current year</b>			
Add: Transferred from fixed assets	4,894,077.07		4,894,077.07
Estimated value adjustment on			
fixed assets	21,929,362.04		21,929,362.04
Transferred from intangible assets		360,108.25	360,108.25
Changes in fair value		-9,252,653.94	-9,252,653.94
Less: Disposal			
<b>III. Ending Balance</b>		529,730,893.42	529,730,893.42
In which: Cost		344,175,151.92	344,175,151.92
Changes in fair value		185,555,741.50	185,555,741.50

Note 1: The increase in investment properties for the year was due to the Company's leasing out its self-used office floors.

Note 2: The estimated value adjustment on fixed assets for the year was due to the mediation result on the adjustment originally accounted to the cost of investment properties according to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016.

Note 3: Investment properties of the Group were located in Nanjing, China. Investment properties were re-evaluated by an independent professionally qualified valuers on 31 December 2015.

At the end of the year, the fair value of such investment properties was determined based on the valuation by Zhonglian Tianmu Property Assets Revaluation Co., Ltd. (中聯天目土地房地產資產評估有限公司) (an independent third party not connected to the Group). Such valuation referred to the recent market value of similar properties in terms of areas and usage and was determined after the capitalization of net rental income when necessary.

#### (2) Investment properties analyzed by regions where they located and year

Items	Ending balance	Beginning Balance
Mainland China		
Mid-term (10-50 years)	<b>529,730,893.42</b>	511,800,000.00
Outside China		
<b>Total</b>	<b>529,730,893.42</b>	511,800,000.00

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 11. Fixed assets

## (1) Breakdown of fixed assets

Items	Buildings	Electronic equipment and others	Transportation equipment	Total
<b>(I) Original book value</b>				
1. Balance as at 31 December 2014	87,089,653.01	13,196,303.52	7,595,288.43	107,881,244.96
2. Increase for the period	3,804,117.74	9,639,672.74	107,731.82	13,551,522.30
(1) Purchase		5,206,807.74	107,731.82	5,314,539.56
(2) Transfers from construction in progress				
(3) Adjustment of estimated value	3,804,117.74			3,804,117.74
(4) Leasing back after sale		4,432,865.00		4,432,865.00
3. Decrease for the period	5,330,819.22	7,606,175.05	1,826,623.45	14,763,617.72
(1) Disposal or scrapped		521,113.64	1,398,455.25	1,919,568.89
(2) Transfer to investment properties	5,330,819.22			5,330,819.22
(3) Leasing back after sale		4,990,642.67		4,990,642.67
(4) Other decreases		2,094,418.74	428,168.20	2,522,586.94
4. Balance as at 31 December 2015	85,562,951.53	15,229,801.21	5,876,396.80	106,669,149.54
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2014	8,137,650.79	6,922,722.97	5,029,681.61	20,090,055.37
2. Increase for the period	1,932,495.17	1,896,606.48	510,051.53	4,339,153.18
(1) Provision	1,932,495.17	1,896,606.48	510,051.53	4,339,153.18
3. Decrease for the period	436,742.15	2,474,318.22	1,624,628.47	4,535,688.84
(1) Disposal or scrapped		360,127.85	1,263,972.10	1,624,099.95
(2) Transfer to investment properties	436,742.15			436,742.15
(3) Leasing back after sale		314,428.74		314,428.74
(4) Other decreases		1,799,761.63	360,656.37	2,160,418.00
4. Balance as at 31 December 2015	9,633,403.81	6,345,011.23	3,915,104.67	19,893,519.71
<b>(III) Impairment provision</b>				
1. Balance as at 31 December 2014				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2015				
<b>(IV) Book value</b>				
1. Book value as at 31 December 2014	78,952,002.22	6,273,580.55	2,565,606.82	87,791,189.59
2. Book value as at 31 December 2015	75,929,547.72	8,884,789.98	1,961,292.13	86,775,629.83

Note 1: The decrease in book value of buildings for the year was mainly due to part of floors of the Company's properties located at No. 19, Qingjiang South Road, Nanjing City were transferred into investment properties from self-use.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. Fixed assets (Continued)

#### (1) Breakdown of fixed assets (Continued)

Other decreases of the fixed assets for the year were mainly due to the change in the scope of consolidation of the Company.

Note 2: The increase in book value of buildings for the year was mainly due to the mediation result on the adjustment originally accounted to the cost of fixed assets according to letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016.

Note 3: The property ownership certificates of all properties of the Group have been obtained.

#### (2) Fixed Assets leased under finance lease

Items	Original Book value	Accumulated depreciation	Provision for impairment	Carrying amount
Electronic equipment	4,432,865.00	836,073.77		3,596,791.23
<b>Total</b>	<b>4,432,865.00</b>	<b>836,073.77</b>		<b>3,596,791.23</b>

#### (3) Buildings analysed by regions where they located and year

Items	Ending balance	Opening balance
Within China		
Medium term (10-50 years)	<b>75,929,547.72</b>	78,952,002.22
Outside China		
<b>Total</b>	<b>75,929,547.72</b>	<b>78,952,002.22</b>



## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 12. Construction in progress

## (1) Breakdown of construction in progress

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Phase I of Shenyang Soft Science Park				119,017,257.51		119,017,257.51
Phase I of Life Science and Technology Park				1,895,278.00		1,895,278.00
<b>Total</b>				120,912,535.51		120,912,535.51

## (2) Changes in significant construction in progress

Project Name	Beginning Balance	Increase	Decrease		Ending Balance
			Transferred into fixed assets	Other decrease	
Phase I of Shenyang Soft Science Park	119,017,257.51			119,017,257.51	
Phase I of Life Science and Technology Park	1,895,278.00	80,210.00		1,975,488.00	
<b>Total</b>	120,912,535.51	80,210.00		120,992,745.51	

Note: The decrease in the balance of the construction in progress of "Phase I of Shenyang Soft Science Park" for the year was mainly due to the change in the scope of consolidation as a result of the disposal of the 70% equity interests of Shenyang Soft Software Development Co., Ltd.

The decrease in the balance of Phase I of Life Science and Technology Park for the year was mainly due to the disposal of the upfront fee as a result of failure to acquire related land by NandaSoft Technology Investment Development (Wuxi) Company Limited.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 13. Intangible assets

## (1) Breakdown of intangible assets

Items	Land use right	Software	Total
<b>(I) Original book value</b>			
1. Beginning Balance	5,511,577.78	3,233,674.10	8,745,251.88
2. Increase for the year		361,133.56	361,133.56
(1) Purchase		361,133.56	361,133.56
3. Decrease for the year	391,487.57		391,487.57
(1) Transferred into investment properties	391,487.57		391,487.57
4. Ending Balance	5,120,090.21	3,594,807.66	8,714,897.87
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	287,581.04	920,916.38	1,208,497.42
2. Increase for the year	107,614.23	1,160,660.06	1,268,274.29
(1) Provision	107,614.23	1,160,660.06	1,268,274.29
3. Decrease for the year	31,379.32		31,379.32
(1) Transferred into investment properties	31,379.32		31,379.32
4. Ending Balance	363,815.95	2,081,576.44	2,445,392.39
<b>(III) Impairment provision</b>			
1. Beginning Balance			
2. Increase for the year			
3. Decrease for the year			
4. Ending Balance			
<b>(IV) Book value</b>			
1. Ending book value	4,756,274.26	1,513,231.22	6,269,505.48
2. Beginning book value	5,223,996.74	2,312,757.72	7,536,754.46

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Intangible assets (Continued)

#### (2) Land use right analysed by regions where they locate and year

Items	Ending balance	Opening balance
Within China		
Medium term (10-50 years)	<b>4,756,274.26</b>	5,223,996.74
Outside China		
<b>Total</b>	<b>4,756,274.26</b>	5,223,996.74

### 14. Goodwill

Name of investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision of impairment at end of the year
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	22,877,034.78			<b>22,877,034.78</b>	
SMARTFUL VENTURE HOLDINGS LIMITED	531,334.14			<b>531,334.14</b>	
<b>Total</b>	23,408,368.92			<b>23,408,368.92</b>	

The collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd was calculated based on the 5-year budget approved by the management by adopting cash flow forecast approach. Cash flow beyond 5 years was estimated with a rate not exceeding the long-term average growth rate of the IT system integration industry.

The key assumptions for adopting future cash flow discounting:

Items	Current year	Previous year
Gross profit margin	<b>25%</b>	23%
Growth rate	<b>15%</b>	10%
Discount rate	<b>14.34%</b>	15.31%

The management decided on the budget gross profit margin based on past experience and forecast of market development and adopted the interest rate before tax as the discount rate, which can reflect the specific risk of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd. The above assumption is used for the analysis on the collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. Goodwill (Continued)

As at 31 December 2015, as the gross profit margin and growth rate for the IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd were expected to increase and bringing about a higher collectable amount, the impairment of goodwill has not been provided for.

### 15. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Ending Balance
Improvements of lease assets	572,348.68	87,392.92	288,224.26	<b>371,517.34</b>
<b>Total</b>	<b>572,348.68</b>	<b>87,392.92</b>	<b>288,224.26</b>	<b>371,517.34</b>

### 16. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	<b>9,950,506.15</b>	<b>1,573,955.15</b>	45,780,088.60	6,867,013.29
<b>Total</b>	<b>9,950,506.15</b>	<b>1,573,955.15</b>	45,780,088.60	6,867,013.29

#### (2) Deferred tax liabilities without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Investment properties	<b>219,694,255.00</b>	<b>54,923,563.75</b>	205,693,820.96	51,423,455.24
<b>Total</b>	<b>219,694,255.00</b>	<b>54,923,563.75</b>	205,693,820.96	51,423,455.24

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. Deferred tax assets and deferred tax liabilities (Continued)****(3) Breakdown of unrecognized deferred tax assets**

Items	Ending Balance	Beginning Balance
Deductible temporary difference	<b>155,930,797.12</b>	10,061,440.33
Deductible loss	<b>141,247,009.85</b>	29,134,690.03
Total	<b>297,177,806.97</b>	39,196,130.36

Note: There were no deductible losses and deductible temporary difference which have been recognized as deferred tax assets since it is not certain that sufficient taxable income will be acquired in future.

**17. Other Non-Current Assets**

Item	Ending Balance	Beginning Balance
Prepaid land transfer payments		3,500,000.00
Unrealized profit and loss of leasing back after sale (finance leases)	<b>196,031.08</b>	
Unrecognized financial charges	<b>280,398.18</b>	
Total	<b>476,429.26</b>	3,500,000.00

Note 1: During the year ended 31 December 2012, the Company's subsidiary, NandaSoft Technology Investment Development (Wuxi) Company Limited entered into an agreement with the PRC's government for the acquisition of a parcel of land located in Wuxi at a consideration of RMB17,513,000.00, which has been partially settled by NandaSoft Technology Investment Development (Wuxi) Company Limited during that year. As at 31 December 2012, NandaSoft Technology Investment Development (Wuxi) Company Limited was still in the course of applying for approval for the change of ownership from the local authorities.

During the year ended 31 December 2013, the right of acquiring a parcel of land located in Wuxi was confiscated by the PRC government. NandaSoft Technology Investment Development (Wuxi) Company Limited is required to increase the registered capital to RMB50,000,000.00. During the year, NandaSoft Technology Investment Development (Wuxi) Company Limited's registered capital was increased from RMB10,000,000.00 to RMB50,000,000.00 and the paid-up capital increased from RMB10,000,000.00 to RMB18,000,000.00.

The PRC government completed the tender of the parcel of land. NandaSoft Technology Investment Development (Wuxi) Company Limited was unable to acquire such parcel of land and the upfront deed tax was recovered on 9 March 2015; the payment of RMB 3,500,000.00 was unrecoverable and was recognized as current loss after fulfilling related procedures.

Note 2: Details of unrealized profit and loss of leasing back after sale (finance leases) and unrecognized financial charges, please refer to Note VI.11 and Notes VI.30.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Short-term borrowings

Category	Ending balance		Beginning balance	
	Interest rate %	Amount	Interest rate %	Amount
<b>Bank Loans</b>				
Mortgage borrowings			6	14,250,000.00
Secured borrowings	<b>7.30</b>	<b>10,000,000.00</b>	7.5	3,000,000.00
Guaranteed borrowings	<b>5.52</b>	<b>3,500,000.00</b>	7.2-7.5	36,000,000.00
<b>Other Loans</b>				
Non-banking financial institutions	<b>15</b>	<b>8,000,000.00</b>	15	14,000,000.00
Others	<b>15</b>	<b>142,971,000.00</b>	15-30	94,750,000.00
<b>Total</b>		<b>164,471,000.00</b>		<b>162,000,000.00</b>

Note 1: Bank loans

Secured borrowings of RMB 10million were granted with personal properties of Qin Jun Jun and Ye Hua as the pledge and guarantee.

Guaranteed borrowings of RMB 3.5 million were guaranteed by Qin Jun Jun and Ye Hua.

Note 2: Other loans

The non-banking financial institutions provided other loans of RMB8 million to the Group.

The Group has obtained other loans of RMB142.971 million from intra-group companies.

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Notes payable**

<b>Category</b>	<b>Ending Balance</b>	Beginning Balance
Bank acceptance bill	<b>12,500,000.00</b>	55,580,000.00
<b>Total</b>	<b>12,500,000.00</b>	55,580,000.00

As at the end of the year, the total notes payable due and not yet paid amounted to RMB12,500,000.00.

Pledge details: as at the end of the year, bank acceptance bill of RMB12,500,000.00 was granted with the Group's other monetary capital of RMB7,500,000.00 as the pledge.

**20. Accounts payable****(1) Accounts payable**

<b>Item</b>	<b>Ending Balance</b>	Beginning Balance
<b>Total</b>	<b>251,271,180.22</b>	225,590,647.19
In which: over 1 year	<b>57,386,304.51</b>	40,483,524.45

**(2) Aged analysis of accounts payable**

An aged analysis of accounts payable as at 31 December 2015, based on the invoice date, is as follows:

<b>Item</b>	<b>Ending Balance</b>	Beginning Balance
Within one year	<b>193,884,875.71</b>	185,107,122.74
Beyond one year	<b>57,386,304.51</b>	40,483,524.45
<b>Total</b>	<b>251,271,180.22</b>	225,590,647.19

**21. Advances from customers****(1) Advances from customers**

<b>Item</b>	<b>Ending Balance</b>	Beginning Balance
Total	<b>64,975,915.85</b>	63,550,968.30

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 22. Employee benefits

## (1) Classification of employee benefits

Items	Beginning Balance	Increase	Decrease	Ending Balance
Short-term payroll	1,610,591.55	34,467,220.22	33,945,003.22	<b>2,132,808.55</b>
Post-employment benefits – Defined contribution plan		5,215,725.40	5,141,693.93	<b>74,031.47</b>
<b>Total</b>	<b>1,610,591.55</b>	<b>39,682,945.62</b>	<b>39,086,697.15</b>	<b>2,206,840.02</b>

## (2) Short-term payroll

Items	Beginning Balance	Increase	Decrease	Ending Balance
Wages (including bonuses, allowances and subsidies)	603,586.43	28,662,472.04	28,102,169.18	<b>1,163,889.29</b>
Staff welfare		978,609.86	978,609.86	–
Social insurance	101,545.15	2,043,234.72	2,034,258.38	<b>110,521.49</b>
Including: Medical insurance		1,978,761.28	1,877,388.44	<b>101,372.84</b>
Work-related injury insurance	31,661.28	52,882.26	77,527.54	<b>7,016.00</b>
Maternity insurance	69,883.87	11,591.18	79,342.40	<b>2,132.65</b>
Housing fund	161,711.66	2,499,527.86	2,544,520.06	<b>116,719.46</b>
Others	743,748.31	283,375.74	285,445.74	<b>741,678.31</b>
<b>Total</b>	<b>1,610,591.55</b>	<b>34,467,220.22</b>	<b>33,945,003.22</b>	<b>2,132,808.55</b>

## (3) Defined contribution plan

Items	Beginning Balance	Increase	Decrease	Ending Balance
Basic pension insurance		4,827,403.92	4,814,587.83	<b>12,816.09</b>
Unemployment insurance		388,321.48	327,106.10	<b>61,215.38</b>
<b>Total</b>		<b>5,215,725.40</b>	<b>5,141,693.93</b>	<b>74,031.47</b>



# Notes to the Financial Statements

31 December 2015

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	<b>16,556,333.95</b>	16,553,423.99
Corporate Income Tax	<b>4,713,659.73</b>	6,355,027.76
Including: domestic	<b>4,713,659.73</b>	6,355,027.76
Individual Income Tax	<b>69,268.03</b>	71,544.25
City Maintenance and Construction Tax	<b>152,943.30</b>	222,384.66
Education Surcharge	<b>98,202.01</b>	63,710.31
Local Education Surcharge		1,569.73
Others	<b>1,276,780.70</b>	390,945.24
<b>Total</b>	<b>22,867,187.72</b>	23,658,605.94

### 24. Interests Payable

Item	Ending Balance	Beginning Balance
Interests payable	<b>9,055,684.11</b>	
<b>Total</b>	<b>9,055,684.11</b>	

### 25. Dividends payable

Item	Ending Balance	Beginning Balance
Amounts payable to the shareholders	<b>6,003,967.80</b>	6,020,917.80
<b>Total</b>	<b>6,003,967.80</b>	6,020,917.80

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Other payables

#### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Construction Fee	130,731,146.57	146,096,724.50
Estimated expenses	5,434,050.00	10,491,707.05
Compensation for construction stoppage or slowdown with overdue interests	39,582,507.42	
Investment from shareholders received in advance	45,864,000.00	
Others	106,689,643.09	174,428,751.75
<b>Total</b>	<b>328,301,347.08</b>	331,017,183.30

Note 1: Investment from shareholders received in advance was amounted to RMB 45.864 million received from Jiangsu Keneng Electricity Technology Co., Ltd., among which, RMB 16.129 million was paid by Jiangsu Phoenix Palace Electricity Industry Co., Ltd. (江蘇鳳凰台電力實業股份有限公司) on behalf of Jiangsu Keneng Electricity Technology Co., Ltd. Due to the pending capital verification, the Company is yet to complete the procedures for industrial and commercial registration change.

Note 2: Compensation for construction stoppage or slowdown with overdue interests was mainly a provision provided by the Company according to the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court and the 「Report on the consultation of construction costs on Phase II of New NandaSoft Technology and Innovation Park」 Su Jian Shen No. 0139 (2016) issued by Teamo Suling Investment Project Management Limited.

Note 3: The significant decrease in other payables as compared with last year was mainly due to the change in the scope of consolidation of the Company as a result of the disposal of 70% equity interests of Shenyang Soft Software Development Co., Ltd. held by the Company.

### 27. Non-current liabilities due within one year

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	11,200,000.00	8,000,000.00
<b>Total</b>	<b>11,200,000.00</b>	8,000,000.00

Note: Please refer to Note VI. 29 for details.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Other current liabilities

Items	Ending Balance	Beginning Balance
Government subsidy	<b>10,881,976.75</b>	8,469,670.64
<b>Total</b>	<b>10,881,976.75</b>	8,469,670.64

Items of government subsidy

Types of government subsidy	31 December 2013	Additional subsidy during the year	Included in non-operating income during the year	Other changes	31 December 2014	Related to assets/related to income
The Company						
Remote medical service system platform for the community and public based on IOT	1,859,080.64		1,859,080.64			Related to income
Software and Cloud computation	4,419,289.95		1,400,613.25		<b>3,018,676.70</b>	Related to income
Research and development and industrialization of information security management platform based on intelligent analysis	2,191,300.05		400,000.00		<b>1,791,300.05</b>	Related to income
Nanjing introduction of high-quality talents program fund		6,072,000.00			<b>6,072,000.00</b>	Related to income
<b>Total</b>	<b>8,469,670.64</b>	<b>6,072,000.00</b>	<b>3,659,693.89</b>		<b>10,881,976.75</b>	

Note 1: The amount included in the non-operating income during the year was carried forward based on the research and development expenses that actually occurred.

Note 2: 「Nanjing introduction of high-quality talents program fund」 was obtained according to the Administrative Methods for the Nanjing introduction of high-quality talents program fund (Ning Cai Gui [2014] No. 3).

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Long-term borrowings

Category	Ending Balance	Beginning Balance
Pledged borrowings	44,800,000.00	52,800,000.00
Less: amounts due with one year	11,200,000.00	8,000,000.00
<b>Total</b>	<b>33,600,000.00</b>	44,800,000.00

Pledge details: as at the end of the year, the pledged borrowings were based on the mortgage contract entered into between the Company and Cheng Bei sub-branch, Bank of Nanjing. The Company pledged the land use right of A3 land parcel located in the Science and Technology Park, Gu Lou, Nanjing as security and the guarantee provided by Nanjing Gulou Science and Technology Industry Company Limited in order to obtain borrowings of RMB80 million. As at 31 December 2015, RMB3,520 million has been repaid.

#### (1) Long-term loans due date analysis

Items	Ending Balance	Beginning Balance
One to two years	12,000,000.00	8,000,000.00
Two to five years	21,600,000.00	24,000,000.00
Five years above		12,800,000.00
<b>Total</b>	<b>33,600,000.00</b>	44,800,000.00

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	<b>13,623,117.28</b>	22,879,740.47
Payments for buildings	<b>56,289,325.00</b>	56,289,325.00
payments for finance leases	<b>3,002,443.74</b>	
Total	<b>72,914,886.02</b>	79,169,065.47

Note 1: Payments for equity transfer were paid by the Company in agreed installments for the purchase of equity interests in Jiangsu Changtian Zhi Yuan Transportation Company Limited. The agreed payment term commenced from 2013 to January 2016.

Note 2: Payments for buildings were the advance receipts based on the property sales contract entered into between the Company and the related parties before 2014. Please refer to note 12.3 for the details of the advance receipts according to the property sales contract.

Note 3: Payments for finance leases was generated by leasing back after the disposal of a subject matter of the Company (「Lessee」) at RMB 4,432,865.00 to HuiPu Leasing Co., Ltd (惠普租賃有限公司)(「Lessor」). 「Finance Leases Contract」 and 「Sales and Purchases Contract」 were entered between Lessee and Lessor, according to which: the principle amount of the rent, interests and tax would be RMB 4,432,865, RMB 484,314.5, RMB 82,333.46, respectively; lease term for the finance leases would be 12 quarters; the first installment of the finance leases would be RMB 1,329,859.50, and the principle amount of the rent, interests and tax for the second to twelve installment would be RMB 282,091.41, RMB 44,028.59, RMB 7,484.86 respectively. At the end of the leasing term, lessee should purchase the subject matter at a hire purchases price of RMB 100. As at 31 December 2015, the aggregate amount of rent paid was RMB 1,997,069.22.

### 31. Share capital

The changes of authorized, issued and paid-up share capital are set out as follows. All shares of the Company are the ordinary shares of nominal value of RMB0.1 each.

Items	Beginning Balance	Changes during the year (+,-)				Subtotal	Ending Balance
		Issue of new shares	Stock dividends	Converted from public reserve	Others		
Total shares	124,000,000.00					124,000,000.00	
Domestic shares	81,900,000.00					81,900,000.00	
Overseas listed foreign shares	42,100,000.00					42,100,000.00	

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Share capital (Continued)

Note 1: On 10 April 2015, according to the resolution of the shareholders' general meeting, the Company issued 163.8 million ordinary domestic shares with a par value of RMB0.1 per share and the issue price of RMB0.28 per share to Jiangsu Keneng Electricity Technology Co., Ltd.; as at 31 December 2015, the Company received the investment funds amounted to RMB45.864 million, among which, RMB 16.129 million was paid by Jiangsu Phoenix Palace Electricity Industry Co., Ltd. (江蘇鳳凰台電力實業股份有限公司) on behalf of Jiangsu Keneng Electricity Technology Co., Ltd from Jiangsu Keneng Electricity Technology Co., Ltd. Due to the pending capital verification, the Company is yet to complete the procedures for the industrial and business registration change.

Note 2: Domestic Shares and H Shares are both ordinary shares in the share capital of the Company. However, H Shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any countries other than the PRC. Domestic Shares, on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. All dividends in respect of H Shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. Other than the above, all domestic shares and H Shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

### 32. Capital reserves

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	92,234,414.34			<b>92,234,414.34</b>
Other		1,638,917.69		<b>1,638,917.69</b>
<b>Total</b>	<b>92,234,414.34</b>	<b>1,638,917.69</b>		<b>93,873,332.03</b>

Note: The increase in share capital premium of the Company for the year was mainly due to the transfer of 81% equity interests of Jiangsu NandaSoft Investment Co., Ltd., causing the decrease in equity interest of NandaSoft Technology Investment Development (Wuxi) Company Limited held by the Company from 100% to 80%.

# Notes to the Financial Statements

31 December 2014

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33 Other comprehensive income

Items	Beginning Balance	Amount before Income tax for the year	Amount for the year Less: Transferred from other comprehensive Income in previous year to current profit and loss	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	Ending Balance
I. Item that may not be reclassified subsequently to profit and loss:							
II. Item that may be reclassified subsequently to profit and loss:							
In which: self used investment							
properties transferred into lease with its fair value greater than the book value at date of conversion	75,528,052.30	8,445,814.67		2,111,453.66	6,334,361.01		81,862,413.31
Foreign currency translation difference	-1,953,017.25	2,371,312.12			2,371,312.12		418,294.87
Others	640,155.12		640,155.12		-640,155.12		
<b>Total</b>	<b>74,215,190.17</b>	<b>10,817,126.79</b>	<b>640,155.12</b>	<b>2,111,453.66</b>	<b>8,065,518.01</b>		<b>82,280,708.18</b>

Note: The decrease in others for the year was mainly due to the change in the scope of consolidation of the Company as a result of the transfer of 100% equity interests of Jiangsu NandaSoft Investment Co., Ltd.

### 34. Surplus reserves

Items	Beginning Balance	Increase	Decrease	Ending Balance
Statutory surplus reserves	19,962,462.38			<b>19,962,462.38</b>
<b>Total</b>	<b>19,962,462.38</b>			<b>19,962,462.38</b>

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****35. Undistributed profits**

Items	Current Year	Last year
Beginning balance for current year	<b>59,743,392.25</b>	138,601,335.89
Add: Net profit attributable to owners of the parent company for current Year	<b>-160,392,827.30</b>	-78,857,943.64
Less: Provision of statutory surplus reserve Ordinary share dividend payable		
<b>Ending balance for current year</b>	<b>-100,649,435.05</b>	59,743,392.25

As at 31 December 2015, the Group's undistributed profits attributable to the parent company included the surplus reserve of RMB4,984,645.70 withdrawn by the subsidiary of the Company.

**36. Minority shareholders' interest**

Name of subsidiaries	Proportion of minority shareholders' interests (%)	Ending Balance
Jiangsu NandaSoft Computer Equipment Company Limited	49	<b>7,822,341.43</b>
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	49	<b>42,846,676.83</b>
Jiangxi NandaSoft Technology Co., Ltd	30	<b>-1,154,084.24</b>
Jiangxi NandaSoft Service Outsourcing Company Limited	30	<b>1,478,017.53</b>
Smartful Ventures Holdings Limited	40	<b>-1,239,049.72</b>
Jiangsu Zhiya Online Education Technology Co., Ltd	30	<b>-1,139.67</b>
NandaSoft Technology Investment Development (Wuxi) Company Limited	20	<b>1,049,769.59</b>
<b>Total</b>		<b>50,802,531.75</b>



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****37. Net current assets**

Items	Ending Balance	Beginning Balance
Current assets	<b>579,188,327.77</b>	612,939,770.58
Less: current liabilities	<b>883,735,099.55</b>	885,498,584.72
Net current assets	<b>-304,546,771.78</b>	-272,558,814.14

**38. Total assets less current liabilities**

Items	Ending Balance	Beginning Balance
Total assets	<b>1,315,443,148.61</b>	1,470,488,399.74
Less: current liabilities	<b>883,735,099.55</b>	885,498,584.72
Total assets less current liabilities	<b>431,708,049.06</b>	584,989,815.02

**39. Loans**

The summary of the loans of the Group is as follows:

Items	Ending Balance	Beginning Balance
Short-term borrowings	<b>164,471,000.00</b>	162,000,000.00
Bank borrowings	<b>13,500,000.00</b>	53,250,000.00
Non-banking financial institution	<b>8,000,000.00</b>	14,000,000.00
Others	<b>142,971,000.00</b>	94,750,000.00
Short-term bank borrowings	<b>44,800,000.00</b>	52,800,000.00
<b>Total</b>	<b>209,271,000.00</b>	214,800,000.00

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Loans (Continued)

#### (1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans		
– due within 1 year	24,700,000.00	61,250,000.00
– due after 1 year	33,600,000.00	44,800,000.00
Subtotal	58,300,000.00	106,050,000.00
Other loans		
– due within 1 year	150,971,000.00	108,750,000.00
– due after 1 year		
Subtotal	150,971,000.00	108,750,000.00
<b>Total</b>	<b>209,271,000.00</b>	214,800,000.00

#### (2) Loans due date analysis

Bank loans:

Items	Ending Balance	Beginning Balance
On demand or within 1 year	24,700,000.00	61,250,000.00
1-2 years	12,000,000.00	8,000,000.00
2-5 years	21,600,000.00	24,000,000.00
Over 5 years		12,800,000.00
<b>Total</b>	<b>58,300,000.00</b>	106,050,000.00

Other loans:

Items	Ending Balance	Beginning Balance
On demand or within 1 year	150,971,000.00	108,750,000.00
<b>Total</b>	<b>150,971,000.00</b>	108,750,000.00

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****40. Operating income & Operating cost**

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
Main operation	499,761,123.38	442,207,756.10	513,775,288.97	455,474,664.08
Other operation	13,369,030.08	2,873,465.83	10,546,542.83	2,167,226.15
<b>Total</b>	<b>513,130,153.46</b>	<b>445,081,221.93</b>	524,321,831.80	457,641,890.23

Note: The income from other operation during the year was mainly the income from property management and rental income.

**(1) Income from main operation by category**

Items	Current Year		Last Year	
	Income	Cost	Income	Cost
Computer hardware and software products	424,494,302.23	384,568,583.52	437,619,645.84	397,042,600.28
Provision of system integration service	75,266,821.15	57,639,172.58	76,155,643.13	58,432,063.80
<b>Total</b>	<b>499,761,123.38</b>	<b>442,207,756.10</b>	513,775,288.97	455,474,664.08

**41. Business tax and surcharges**

Items	Current Year	Last Year
Business Tax	3,114,804.03	1,570,115.63
City Maintenance and Construction Tax	303,065.39	485,742.23
Education Surcharge	199,151.78	326,715.77
Local Education Surcharge	17,595.21	17,267.86
<b>Total</b>	<b>3,634,616.41</b>	2,399,841.49

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****42. Sales Expense**

Items	Current Year	Last Year
Total	<b>16,039,565.27</b>	21,356,893.15
In which: Personnel expenses	<b>9,019,775.41</b>	10,432,252.81
Sales business expenses	<b>820,600.00</b>	2,146,924.59
Sales operational fees	<b>238,495.49</b>	1,197,393.34
Service charges	<b>2,660,952.78</b>	2,019,208.28
Logistics fees	<b>1,289,223.48</b>	1,025,361.30
Others	<b>2,010,518.11</b>	4,535,752.83

**43. Administration Expense**

Items	Current Year	Last Year
Total	<b>56,013,388.82</b>	80,733,364.50
In which: Research and development expenditure	<b>6,048,092.15</b>	24,788,704.67
Personnel expenses	<b>20,272,857.81</b>	19,835,910.63
Business charges	<b>1,058,338.30</b>	2,640,711.74
Office expenses	<b>1,629,753.34</b>	2,627,199.74
Others	<b>27,004,347.22</b>	30,840,837.73

Note: The significant decrease in research and development expenditure during the year was mainly due to a significant decrease in investment in research and development as the projects had been entered into a later stage.

**44. Financial Expenses****(1) Breakdown of financial expenses**

Items	Current Year	Last Year
Interest expense	<b>36,165,426.93</b>	25,455,678.12
Less: Interest income	<b>1,299,693.93</b>	1,205,523.62
Add: Exchange loss	<b>-202,071.33</b>	67,409.13
Add: Other expenditure	<b>341,386.19</b>	1,879,787.85
<b>Total</b>	<b>35,005,047.86</b>	26,197,351.48

Note: The amount of interest expense for the current year increased as compared with last year, which was mainly due to the fact that the funds borrowed from non-bank companies by the Company had a longer period.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Financial Expenses (Continued)

#### (2) Breakdown of interest expenses

Items	Current Year	Last Year
Interests from bank loans	<b>36,165,426.93</b>	25,455,678.12
Sub-total	<b>36,165,426.93</b>	25,455,678.12
Less: Capitalized interest		
<b>Total</b>	<b>36,165,426.93</b>	25,455,678.12

#### (3) Breakdown of interest income

Items	Current Year	Last Year
Interest income from bank deposit	<b>1,299,693.93</b>	751,773.62
Interest income provided at effective interest rates		453,750.00
<b>Total</b>	<b>1,299,693.93</b>	1,205,523.62

### 45. Assets impairment losses

Items	Current Year	Last Year
Bad debts loss	<b>45,437,421.08</b>	40,344,695.76
Loss from inventory devaluation	<b>31,009.77</b>	841,111.99
Loss from impairment of other asset	<b>507.49</b>	7,653,732.00
<b>Total</b>	<b>45,468,938.34</b>	48,839,539.75

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46. Gain/loss on changes in fair value

Items	Current Year	Last Year
Investment properties measured at fair value	-17,698,468.61	27,110,000.00
<b>Total</b>	<b>-17,698,468.61</b>	<b>27,110,000.00</b>

Note: The amount of investment properties measured at fair value for the current year significantly decreased as compared with last year, which was mainly attributable to the mediation result on the adjustment originally accounted to the estimated cost of construction of investment properties of RMB 21,929,362.04 according to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016.

### 47. Investment income

Items	Current Year	Last Year
From wealth management products		18,845.49
From disposal of long-term equity investment	7,956,444.21	4,125,500.80
From disposal of available-for-sale financial assets	160,170.89	
From long-term equity investment under equity method	-625,330.07	386,658.46
<b>Total</b>	<b>7,491,285.03</b>	<b>4,531,004.75</b>

### 48. Non-Operating Income

#### (1) Breakdown of non-operating income

Items	Current Year	Last Year	Amount included in non-recurring profit and loss for the year
Gain on disposal of non-current assets	174,278.14	92,771.41	174,278.14
In which: gain on disposal of fixed assets	174,278.14	92,771.41	174,278.14
Government grants	4,598,693.89	18,840,619.21	4,598,693.89
Others	91,776.70	280,230.30	91,776.70
<b>Total</b>	<b>4,864,748.73</b>	<b>19,213,620.92</b>	<b>4,864,748.73</b>

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Non-Operating Income (Continued)

#### (2) Breakdown of government grants

Items	Current Year	Related to income
Funds for technological development	367,000.00	Related to income
National top 100 software award	500,000.00	Related to income
Others	72,000.00	Related to income
Transfer of deferred income		
Remote medical service system platform for the community and public based on IOT	1,859,080.64	Related to income
Research and development and industrialization of information security management platform based on intelligent analysis	400,000.00	Related to income
Software and cloud computation items	1,400,613.25	Related to income
<b>Total</b>	<b>4,598,693.89</b>	

### 49. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for current year
Loss on disposal of non-current assets	17,800.99	56,711.14	261,149.92
Including: Loss on disposal of fixed assets	17,800.99	22,408.03	261,149.92
Donating		10,000.00	
Abnormal loss from products		600,553.73	2,260.00
Others	51,171,019.24	3,419,089.49	6,991,284.03
<b>Total</b>	<b>51,188,820.23</b>	<b>4,086,354.36</b>	<b>7,254,693.95</b>

Note: Other non-operating expense recorded a significant increase for the year as compared with last year was mainly due to the provision for interests and compensation for construction stoppage or slowdown according to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016 (please refer to Notes XII.1.(1)); and provision for the estimated compensation in case for the loss on litigation by the Company (please refer to Notes XII.1.(2)).

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****50. Income tax expenses**

Items	Current year	Previous year
Income tax for the year	<b>-1,825,603.25</b>	1,629,543.54
Deferred income tax	<b>6,743,333.56</b>	9,727,009.31
<b>Total</b>	<b>4,917,730.31</b>	11,356,552.85

**51. Audit fees**

The audit fees charged for the current year is RMB0.68 million. (Last Year: RMB0.68 million).

**52. Depreciation and amortization**

The depreciation/amortization recognized in the income statement for the current year was RMB5,607,427.47 (Last Year: RMB8,271,018.24).

**53. Rental income**

Rental income from land and buildings during the current year is RMB8,440,778.10 (Last Year: RMB6,042,667.88).



**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****54. Earnings per share****(1) Basic earnings per share**

Items	Current Year	Last Year
Net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-160,392,827.30</b>	-78,857,943.64
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-108,370,216.47</b>	-117,370,359.01
Weighted average number of ordinary shares in issue of the Parent Company	<b>1,240,000,000.00</b>	1,149,333,333.33
Basic EPS(RMB/share)	<b>-0.129</b>	-0.076
Basic EPS (RMB/share)(after deducting extraordinary items)	<b>-0.087</b>	-0.102

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

Items	Current Year	Last Year
Numbers of ordinary shares in issue at beginning of the year	<b>1,240,000,000.00</b>	1,104,000,000.00
Issue for the current year		136,000,000.00
Numbers of ordinary shares in issue at end of the year	<b>1,240,000,000.00</b>	1,240,000,000.00

**(2) Diluted EPS**

Items	Current Year	Last Year
Adjusted net consolidated profit attributable to ordinary shareholders of Parent Company	<b>-160,392,827.30</b>	-78,857,943.64
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	<b>-108,370,216.47</b>	-117,370,359.01
Adjusted weighted average number of ordinary shares in issue of the Company	<b>1,240,000,000.00</b>	1,149,333,333.33
Diluted EPS(RMB/share)	<b>-0.129</b>	-0.076
Diluted EPS (RMB/share)(after deducting extraordinary items)	<b>-0.087</b>	-0.102

**55. Other comprehensive income**

For details, please refer to the “VI. 33. Other Comprehensive Income” in this Note.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 56. Items to the cash flow statement

#### (1) Supplemental information for the consolidated cash flow statement

Items	Current Year	Last Year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	<b>-149,561,610.56</b>	-77,435,330.34
Add: Provision for assets impairment	<b>45,468,938.34</b>	48,839,539.75
Fixed assets depreciation	<b>4,339,153.18</b>	7,489,638.72
Intangible assets amortization	<b>1,268,274.29</b>	781,379.61
Amortization of long-term deferred expense	<b>288,224.26</b>	1,242,155.80
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain marked as "-")	<b>-156,477.15</b>	36,060.27
Loss from scrapped of fixed assets (gain marked as "-")		
Profit or loss on changes in fair value (gain marked as "-")	<b>17,698,468.61</b>	-27,110,000.00
Finance costs (gain marked as "-")	<b>35,005,047.86</b>	25,455,678.12
Investment loss (gain marked as "-")	<b>-7,491,285.03</b>	4,531,004.75
Decrease in deferred tax assets(increase marked as "-")	<b>5,293,058.14</b>	1,918,940.38
Increase in deferred tax liabilities(decrease marked as "-")	<b>1,388,654.85</b>	14,621,094.83
Decrease in Inventories (increase marked as "-")	<b>20,376,440.38</b>	-30,223,406.26
Decrease in operating receivables (increase marked as "-")	<b>-13,434,494.71</b>	-16,675,350.26
Increase in operating payables (decrease marked as "-")	-	94,715,301.75
Others	<b>33,877,356.22</b>	42,137,985.89
Net cash flow from operating activities	<b>-5,640,251.32</b>	-4,390,608.74
2. Material investing and financing activities that do not involve cash receipts and payments:		
Conversion from debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Ending balance	<b>75,579,403.35</b>	60,689,999.91
Less: Beginning balance	<b>60,689,999.91</b>	81,055,144.00
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	<b>14,889,403.44</b>	-20,365,144.09

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 56. Items to the cash flow statement (Continued)

#### (2) Information on disposal of subsidiaries

Items	Current Year
Information of disposal of subsidiaries or other operating unit	
1. Consideration of disposal of subsidiaries or other operating unit	17,650,000.00
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	10,000,000.00
Less: cash and cash equivalents held by subsidiaries and other operating units	1,419,240.85
3. Net cash received from disposal of subsidiaries or other operating units	8,580,759.15
4. Net assets of the subsidiaries disposed of	10,080,641.52
Current asset	47,387,444.56
Non-current asset	130,189,099.74
Current liability	167,495,902.77
Non-current liability	-

#### (3) Cash and Cash Equivalents

Items	Ending Balance	Beginning Balance
Cash	<b>75,579,403.35</b>	60,689,999.91
Including: Cash at hand	<b>2,850,000.44</b>	2,993,817.54
Bank deposit available-for-use	<b>72,729,402.91</b>	57,696,182.37
Other cash fund available-for-use		
Ending Balance of Cash and Cash Equivalents	<b>75,579,403.35</b>	60,689,999.91
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****57. Assets with restricted ownerships or right to use**

Items	Ending carrying value	Reasons for restriction
Monetary funds	5,088,631.41	Bank deposits frozen due to lawsuit
Monetary funds	8,414,466.50	Security deposit for bank acceptance bill
Monetary funds	1,253,732.54	Performance guarantees
Monetary funds	387,321.66	Tender deposit
Available-for-sale financial assets	950,000.00	The equity interest of Soft Intelligence Technology (Shanghai) Company Limited and Jiangsu Nandasoft Investment Company Limited held by the Company got frozen due to the litigation filed by Guangzhou City Aimin Investment Co., Ltd (廣州市愛民投資有限公司)
Long-term equity interests investment	2,454,996.92	
Investment properties (cost)	344,175,151.92	The rights of the buildings of Block 1 and 2, No. 19 South Qingjiang Road, Gulou District was restricted due to the litigation filed by China Nuclear Industry Huaxing Construction Company Limited and the Higher People's Court of Jiangsu Province ruled to temporarily frozen assets of the Company of RMB 150,000,000.00 (for details, please refer to Notes XI.1 (1)) and related land pledged for bank loan.
Fixed assets	75,929,547.72	
Intangible assets	4,756,274.26	

**6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****58. Foreign currency items****(1) Foreign currency items**

Items	Ending foreign currency balance	Exchange rate	Ending RMB balance
Monetary fund			
Including: HKD	323,390.98	0.83778	270,930.51
EUR	25,924.25	7.0952	183,937.74
USD	0.17	6.4936	1.10
Accounts receivable			
Including: HKD	662,050.00	0.83778	554,652.25
Prepayments			
Including: HKD	660,689.13	0.83778	553,512.14
Other receivables			
Including: HKD	4,842,537.21	0.83778	4,056,980.82
Accounts payable			
Including: HKD	459,800.00	0.83778	385,211.24
Other payables			
Including: HKD	5,954,855.88	0.83778	4,988,859.16

**(2) Overseas operating entities**

Overseas operating entities	Principal place of business	Reporting Currency	Whether change or not
Jiangsu NandaSoft (Hong Kong) Company Limited	Hong Kong	HKD	No
Texwell Investment Limited	Hong Kong	HKD	No
Jiangsu NandaSoft (Hong Kong) Company Limited (BVI)	Hong Kong	HKD	No
SMARTFUL VENTURE HOLDINGS LIMITED	Hong Kong	HKD	No
VAST RICH ASIA LIMITED	Hong Kong	HKD	No

## 7. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Disposal of holding subsidiary

On 20 May 2015, the Company entered into Share Transfer Agreement with Shenyang Yuan Hong Investment Management Ltd. 70% shares of Shenyang Soft Software Development Company Limited will be held by transferred at the price of RMB 7 million. As at 31 December 2015, the Company has received RMB 5 million for equity transfer.

On December 2015, the Company entered into Share Transfer Agreement with Nanjing PengDa Technology Development Ltd. 100% shares of Jiangsu Changtian Fuyun Information Technology Co.,Ltd will be held by transferred at the price of RMB 5 million. As at 31 December 2015, the Company has received RMB 5 million for equity transfer.

On May 2015, Fuzhou Technology (Jiangsu) Company Limited, a subsidiary of the Company, entered equity transfer agreement with Jiangsu NandaSoft Investment Company Limited to transfer 80% of Beijing NandaSoft Digital Technology Company Limited at RMB 1.6 million. As at 31 December 2015, the amount of equity transfer was not yet received.

On 31 December 2014, the Company entered Equity Transfer Agreement with Lu Fusheng, Sun Shenghui, pursuant to which 81% interests of the 100% interests held by the Company in Jiangsu NandaSoft Investment Company Limited was transferred at a consideration of RMB4.05 million. As of the reporting date, the relevant equity consideration was recovered; therefore, Jiangsu NandaSoft Investment Company Limited is no longer included in the consolidation scope of the Company at the end of 2015.

Jiangsu Fuyue Technology Company Limited, Nanjing BoTong Technology Company Limited and YanchengSoft Software Technology Company Limited are all subsidiaries of Jiangsu NandaSoft Investment Company Limited.

### 2. The establishment of subsidiaries

On 18 September 2015, the Company entered into “Changzhou Science and Education Town cloud platform project Cooperation Agreement” with Changzhou Science & Education Town; jointly established Jiangsu Zhiya online education technology Ltd with Changzhou Science & Education Town modern industrial center, with RMB 10 million registered capital. The Company held 70% shares and Changzhou Science & Education Town modern industrial center held the remaining 30%.

On 28 October 2015, Jiangsu Zhiya online education technology Ltd was established and obtained the business license issued by Changzhou Wujin District Market Supervisory Authority with a Unicode of Social Credit ‘91320412MA1MAGKM4F’. The operation scope included development of education software, non-degree vocational skills training, and website design. (Excluding the vocational certificate training class unified recognized by the Country)

# Notes to the Financial Statements

31 December 2014

## 8. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Group companies forming the Group

Name of subsidiaries	Principal place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Nanjing NandaSoft System Integration Company Limited	Nanjing	Nanjing	Rendering of system integration services	100		set up
Jiangsu Sheng Feng Investment Company Limited	Nanjing	Nanjing	Investment holding	100		set up
Jiangsu NandaSoft (Hong Kong) Company Limited	Hong Kong	Hong Kong	Investment	100		set up
Jiangsu NandaSoft (Hong Kong) Company Limited (BVI)	Hong Kong	Hong Kong	Investment holding	100		set up
Jiangsu Nandasoft CRO Technology Co., Ltd.	Nanjing	Nanjing	Biological medicine	100		set up
NandaSoft Technology (Shenzhen) Company Limited	Shenzhen	Shenzhen	Sale of computer hardware products and equipment	90	10	set up
Nanjing NandaSoft Property Services Co., Ltd.	Nanjing	Nanjing	Properties	100		set up
Jiangsu NandaSoft Computer Equipment Company Limited	Nanjing	Nanjing	Sale of computer hardware products and equipment	51		set up
NandaSoft Technology Investment Development (Wuxi) Company Limited	Nanjing	Nanjing	Science and technology property	80	3.80	set up
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	Nanjing	Nanjing	Rendering of communication intelligence control system	51		Combination not under common control
Jiangxi NandaSoft Technology Co., Ltd.	Nanchang	Nanchang	Sales	70		set up
Jiangxi NandaSoft Service Outsourcing Park Co., Ltd.	Nanchang	Nanchang	Sales	70		set up
Jiangsu Zhiya Online Education Technology Company	Changzhou	Changzhou	Online education	70	Set up	
Smartful Ventures Holdings Limited	Hong Kong	BVI	Investment holding		60	set up
Texwell Investment Limited	Hong Kong	Hong Kong	Investment holding		100	set up
VAST RICH ASIA LIMITED	Hong Kong	Hong Kong	Investment holding		60	set up
Staterich Technology (Jiangsu) Company Limited	Nanjing	Nanjing	Software outsourcing and R&D		60	set up

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (2) Significant non-wholly owned subsidiaries

Name of subsidiaries	Shareholding of minority interests (%)	Profit and loss attributable to minority shareholders for the year	Dividends declared to minority shareholders for the year	Ending balance of minority interests
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	49	12,121,953.84		42,846,676.83
Jiangsu NandaSoft Computer Equipment Company Limited	49	303,868.67		7,822,341.43

#### (3) Main financial information of significant non-wholly owned subsidiaries

Name of subsidiaries	Current assets	Non-current assets	Ending Balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	251,057,479.31	7,170,068.41	258,227,547.72	170,785,350.11		170,785,350.11
Jiangsu NandaSoft Computer Equipment Company Limited	103,898,609.75	735,356.35	104,633,966.10	88,670,003.99		88,670,003.99

(Continued)

Name of subsidiaries	Current assets	Non-current assets	Beginning Balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd	245,517,935.10	6,554,648.66	252,072,583.76	189,369,067.46		189,369,067.46
Jiangsu NandaSoft Computer Equipment Company Limited	128,855,291.93	741,577.46	129,596,869.39	114,253,047.42		114,253,047.42



## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interests in subsidiaries (Continued)

#### (4) Substantial restriction on the usage of assets or the settlement of liabilities of the Group

The use of RMB15,144,152.11 in the balance of monetary capitals of the Group at end of the year was subject to restriction, of which RMB7,500,00.00 was deposit for issuing bank acceptance bill.

In the balances of the Group's long-term assets at end of the year, the carrying amounts of investment properties and intangible assets which have been pledged for the bank borrowings granted to the Group were RMB17,463,095.44 and RMB4,756,274.26 respectively.

The use of ending balance of the Group's long-term assets amounted to RMB 402,641,604.20 was restricted, of which, RMB 326,712,056.48 was investment properties and RMB 75,929,547.72 was fixed assets, which was mainly the rights of the buildings of Block 1 and 2, No. 19 South Qingjiang Road, Gulou District was restricted due to the litigation filed by China Nuclear Industry Huaxing Construction Company Limited and the Higher People's Court of Jiangsu Province ruled to temporarily frozen assets of the Company of RMB 150,000,000.00 (for details, please refer to Notes XI.1 (1))

### 2. Interests in joint ventures or associates

#### (1) Significant joint ventures and associates

Name	Principal place of operation	Place of registration	Business nature	Proportion of shareholding (%)		Investment in joint ventures or associates
				Direct	Indirect	
Shenzhen Nanda Research Institute Company Limited	Shenzhen	Shenzhen	Property investment	30.00		3,000,000.00
Promed Medical Technology (Suzhou) Company Limited	Suzhou	Suzhou	Development of cardiovascular stent	18.09		17,270,614.85
Yantai Blue Innovation Co., Ltd.	Yantai	Yantai	Development of system integration services	20.00		10,000,000.00

Note 1: Texwell, a subsidiary of the Company, appointed a director to the board of directors of Promed Medical Technology (Suzhou) Company Limited to participate in the daily operation and management of the company, and the Group exercises significant influence on the company.

Note 2: The above associates were not audited by ShineWing Certified Public Accountants (Special General Partnership).

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### (2) Summarised financial information of associates

	Ending balance/ amount for the year	Opening balance/ amount for the year
Total carrying amount of investments	<b>79,429,411.40</b>	85,332,654.47
Total assets	<b>570,167,845.36</b>	639,158,602.57
Total liabilities	<b>238,929,474.97</b>	300,885,904.34
Net assets	<b>331,238,370.39</b>	338,272,698.23
Revenue	<b>11,202,521.82</b>	139,199,404.82
Net profit	<b>-4,417,473.04</b>	-1,087,116.09
Combined total of the followings (according to shareholdings)		
– Net profit	<b>-549,924.84</b>	386,658.46
– Other comprehensive income		
– Total comprehensive income	<b>-549,924.84</b>	386,658.46

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include: Loans, receivables and payables etc. For the specific details for each instrument please see Note VI. The risks related to these financial instruments, and Group's risk management policies for risk mitigation are stated as below. The management and supervision on the risk exposure is to ensure that these risks mentioned above are controlled within a reasonable range.

### 1. Each kind of risk management objectives and policies

The risk management objectives of the Group are to obtain an appropriate balance between risks and returns, to reduce negative effects caused by risks on operating results to a lowest level, and to maximize interest of shareholders and other equity investors. Based on these objectives, the basic strategies are to confirm and analyze all potential risks related to the Group, to build appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Each kind of risk management objectives and policies (Continued)

#### (1) Market risk

##### 1) Exchange rate risk

The Group's foreign exchange exposure is mainly related to HKD. Except for the operation conducted by the Company's subsidiaries located in Hong Kong, other main business operations are settled in RMB. As of December 31, 2015, except for assets and liabilities with balances in HKD and fragmentary USD balances depicted as below, all other assets and liabilities of the Group are denominated in RMB. The exchange rate risk arisen from those foreign currency assets and liabilities may affect the results of operation of the Group.

Items	31 December 2015	31 December 2014
Monetary funds – USD	1.10	6,119.00
Monetary funds – HKD	270,930.51	220,372.73
Monetary funds – EUR	183,937.74	1,118.34
Accounts receivable – HKD	554,652.25	522,291.25
Prepayments – HKD	553,512.14	521,217.65
Other receivables – HKD	4,056,980.82	5,441,740.07
Accounts payables – HKD	385,211.24	362,736.22
Other payables – HKD	4,988,859.16	2,675,329.18

The Group has paid close attention to the influence generated from exchange rate changes.

##### 2) Interest rate risk

The interest rate risk of the Group generated from interest-bearing debts such as bank borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at December 31, 2015, most of the interest-bearing debts are borrowings contracts with fixed rates in RMB with total amount of RMB209,271,000.00 (December 31, 2014: RMB214,800,000.00).

##### 3) Price risk

The Group conducted the sales of computer hardware and software products, IT related products and equipment, provision of IT training services, development, manufacture and promotion of market network security software, Internet application software, education software and business application software and provision of systems integration services, research and development of medicine and medical equipment and provision of construction installation and information system integration services based on market price. Therefore, it may be impacted by the fluctuations in such prices.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Each kind of risk management objectives and policies (Continued)

#### (2) Credit risk

As at December 31, 2015, the Group's potential maximum exposure to credit risk is mainly because of the counter-parties' failure to perform their obligations leading to losses on financial assets of the Group and the financial burden assumed by the Group, including:

Book values of financial assets which have been recognized in the consolidated balance sheet; as for the financial instruments measured at fair value, the book value reflects their exposures to risks, but not the maximum exposure to risks which shall vary following the changes in fair value occurs.

To reduce credit risk, a team, responsible for confirming credit limitations, reviewing paper work related to credit, and executing supervisory procedures, has been built up within the Group in order to ensure that necessary measures have been taken to retrieve expired claims. In addition, the Group reviews the recoverability of each single receivable at each balance sheet date, ensuring sufficient bad-debt provisions have been made for unrecoverable amounts. Therefore, the Management reckons that credit risks exposure of the Group have been reduced significantly.

The liquidities of the Group are deposited in banks with high credit rating, thus the credit risk of liquidities is relatively low.

The Group has adopted necessary policies to ensure that all clients have good credit history. The Group has no significant concentration risk of credit except for that arising from the top 5 of accounts receivable.

The total amount for the top 5 of accounts receivable is RMB55,308,195.47.

#### (3) Liquidity risk

Liquidity risk refers to the risk that the Group could not engage the financial obligations at the maturity date. The method of the Group to manage liquidity risk is to ensure adequate cash flows to perform obligations at maturity, so that not to cause any unacceptable losses or damages of the Group reputation. The analysis of liabilities structure and durations would be made periodically to ensure the cash is adequate. The Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Group would make the financing negotiations with financial institutions to maintain credit lines and reduce liquidity risks.

The main sources of funding of the Group is bank borrowings. As at December 31, 2015, the unused bank borrowing facilities was RMB Nil.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Each kind of risk management objectives and policies (Continued)

#### (3) Liquidity risk (Continued)

The analysis of financial assets and financial liabilities held by the Group is analyzed as below, in terms of the maturity of undiscounted remaining contractual obligations:

31 December 2015:

Items	Within 1 year	1 to 2 years	2 to 3 years	3 years or above	Total
<b>Financial assets</b>					
Monetary funds	90,723,555.46				90,723,555.46
Accounts receivable	208,779,559.26	37,892,099.36	20,068,992.84	44,060,310.29	310,800,961.75
Other receivables	42,739,492.02	48,547,170.80	45,291,118.06	72,246,794.65	208,824,575.53
Prepayments	3,009,334.05	9,674,893.25	8,707,175.42	1,091,989.97	22,483,392.69
<b>Financial liabilities</b>					
Short-term borrowing	164,471,000.00				164,471,000.00
Notes payable	12,500,000.00				12,500,000.00
Accounts payable	193,884,875.71	34,319,706.44	11,197,914.87	11,868,683.20	251,271,180.22
Other payables	172,467,648.78	68,453,006.58	87,380,691.72		328,301,347.08
Tax payable	22,867,187.72				22,867,187.72
Employee benefits	2,206,840.02				2,206,840.02
Non-current liabilities due within one year	11,200,000.00				11,200,000.00
Long-term loans		12,000,000.00	12,000,000.00	9,600,000.00	33,600,000.00

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 2. Sensitivity analysis

The Group adopted sensitivity analysis of reasonableness and the probable change effect of risk variables on equity or profit or loss. Since risk variables rarely change in isolation, the correlation between the variables can bring significant influence to the financial statement. The following sensitivity analysis is assumed the risk variable is independently carried out.

#### (1) Interest rate risk sensitivity analysis

The reasonable movements of interest rate with all other variables unchanged may have the following impact on the profit or loss and equities for the current period (after tax):

Items	Interest rate change	2015		2014	
		Effect on Net profit	Effect on owner's equity	Effect on Net profit	Effect on owner's equity
Borrowings	Increase 1%	-2,099,000.00	-2,099,000.00	-2,068,000.00	-2,068,000.00
	Decrease 1%	2,099,000.00	2,099,000.00	2,068,000.00	2,068,000.00

## 10. DISCLOSURE OF FAIR VALUE

### 1. Amount of assets and liabilities measured at fair value at the end of the year and level of fair value measurement

Items	Ending fair value			Total
	Level 1	Level 2	Level 3	
Continual fair value measurement				
(1) Investment properties				
1. Land use rights for rent		4,332,000.00	525,398,893.42	529,730,893.42
2. Buildings for rent				
Total financial assets continually measured in fair value		4,332,000.00	525,398,893.42	529,730,893.42

## 10. DISCLOSURE OF FAIR VALUE (Continued)

### 2. Continual and non-continual Level 2 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used

Property held	Ending fair value	Valuation technique	Unobservable input
Commercial properties in Jianye District, Nanjing City, Jiangsu, the PRC	4,332,000.00	Direct comparison approach	Price per square meter, using direct comparables

### 3. Continual and non-continual Level 3 fair value measurement item, qualitative and quantitative information of the valuation techniques and significant parameters used

Property held	Ending fair value	Valuation technique	Unobservable input	Range of unobservable input	Relationship between unobservable input and fair value
Commercial properties in Gulou District, Nanjing City, Jiangsu, the PRC	529,730,893.42	Market approach	Adjustment of price per square meter for the grade of each floor, using direct comparables	0.5 to 10% Base level RMB12,000/square meter	The higher of grade adjustment, the higher of fair value The higher the price, the higher of fair value

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Related party relationships

#### 1. Subsidiaries

For details of subsidiaries, please refer to relevant contents set out in Notes 8.1. (1) Group companies forming the Group to this note.

#### 2. Joint ventures and associates

For related information in respect of significant joint ventures and associates of the Company, please refer to relevant contents set out in Notes 8.2. (1) to this note. Joint ventures and associates which have related party transactions with the Company during the year or have related party balance with the Company resulted from related party transaction in prior years are listed as follows:

Name of joint ventures or associates	Relationship with the Company
Jiangsu NandaSoft Service Outsourcing Talent Training Institute	40% of its equity rights was indirectly held by the Company
Jiangsu Fu Man Investment Limited	40% of its equity rights was held by the Company
Soft Intelligent Technology (Shanghai) Co., Ltd.	25% of its equity rights was held by the Company
Nanjing Fineweb Import & Export Trade Co., Ltd.	19% of its equity rights was indirectly held by the Company
Jiangsu Sheng Feng Medical Company Limited	30% of its equity rights was indirectly held by the Company
Nanjing Furuiwei Medical Technologies Co., Ltd	40% of its equity rights was indirectly held by the Company
Nanjing Nanda Pharmaceutical Company Limited	22.61% of its equity rights was indirectly held by the Company

Note: The Company indirectly held 5.89% equity interests of Jiangsu NandaSoft Communication Company Limited (indirectly held 31% for last year), 5.7% equity interests of Jiangsu NandaSoft Intelligent Transportation Technology Company Limited (indirectly held 30% for last year), 5.7% equity interests of Nandasoft (Jiangsu) Health Technology Limited (indirectly held 30% for last year).



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 1. Related party relationships (Continued)

#### 3. Other related parties

Name of related parties	Relationship with the Company
Nanjing University Asset Administration Company Limited	A shareholder of the Company holding 11.58% voting rights
Nanjing University	High-level organization of Nanjing University Asset Administration Company Limited
Jiangsu Co-Creation Education Development Company Limited	A shareholder of the Company holding 6.79% voting rights
Jiangsu NandaSoft Information Industry Company Limited	An associated company of the Company
Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	An associated company of the Company
Qin Junjun	A minority shareholder of Jiangsu NandaSoft Computer Equipment Company Limited, the subsidiary of the Company
Ye Hua	Spouse of Qin Junjun
Xie Manlin	Director of the Company
Guotai Junan Assets Management Investment Co., Ltd.	Related senior management
Jiangsu Hongxin Trading Development Co., Ltd.	Related senior management
Jiangsu Phoenix Palace Electricity Industry Co., Ltd.	Related senior management
Jiangsu Guotai Yihe Property Investment Co., Ltd.	Related senior management

### 2. Related party transactions

#### 1. Related transaction of sales of goods

Related parties	Descriptions	Amount for the current year	Amount for the last year
Nanjing University	Sales of hardware and software	1,584,866.10	1,508,618.95
Jiangsu Co-Creation Education Development Company Limited	Sales of hardware and software	577,564.10	99,999.99
<b>Total</b>		<b>2,162,430.20</b>	1,608,618.94

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)****2. Related party transactions (Continued)****2. Related transaction of provision of services**

Related parties	Descriptions	Amount for the current year	Amount for the last year
Jiangsu NandaSoft Communication Company Limited	Property services		28,780.42
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited	Property services		17,772.96
Jiangsu NandaSoft Service Outsourcing Talent Training Institute	Property services and technical services	<b>765,701.60</b>	37,978.80
Jiangsu NandaSoft Information Industry Company Limited	Property services	<b>17,227.68</b>	13,551.35
Jiangsu Guotai Yihe Property Investment Co., Ltd.	Leasing services	<b>500,000.00</b>	
Nanjing University	System integration services	<b>2,029,326.67</b>	
<b>Total</b>		<b>3,312,255.95</b>	98,083.53

**3. Related transaction of receipt of services**

Company name	Ending loan amount	Annual interest rate
Jiangsu Hongxin Trading Development Co., Ltd.	93,500,000.00	15%
Jiangsu Phoenix Palace Electricity Industry Co., Ltd.	1,871,000.00	15%
Jiangsu Guotai Yihe Property Investment Co., Ltd.	32,100,000.00	15%
<b>Total</b>	127,471,000.00	

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### 4. Related-party guarantee

Guarantor	Guaranteed party	Value Guaranteed	Commencement date of guarantee	Expiration date of guarantee	Guarantee fully fulfilled or not
The Company, Jiangsu NandaSoft Communication Company Limited, Nanjing	The Company	3,000,000.00	2015-11-27	2016-2-26	No
NandaSoft System Integration Company Limited, Nanjing Botong Technology Company Limited, Nandasoft (Jiangsu) Health Technology Limited, Nanjing Nanda Pharmaceutical Company Limited, Vascore Medtech Company Limited Mortgage	Nanjing NandaSoft System Integration Company Limited	5,000,000.00	2015-11-26	2016-2-25	No
Qin Junjun, Ye Hua	Jiangsu NandaSoft Computer Equipment Co., Ltd	3,500,000.00	2015-11-27	2016-11-25	No
		3,560,000.00	2015-4-17	2016-4-16	No
		6,440,000.00	2015-4-15	2016-4-14	No

**11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)****2. Related party transactions (Continued)****5. Remuneration of key management staff**

## (1) Directors and supervisors' remuneration

The remuneration of directors and supervisors for current year is as follows:

Name	Fees	Salaries and allowance	Contributions to Retirement Benefit Plan	Total
<b>Independent non-executive directors</b>				
Li Daxi	79,992.00			79,992.00
Xie Hong	79,992.00			79,992.00
Xie Man Lin	79,992.00			79,992.00
<b>Subtotal</b>	<b>239,976.00</b>			<b>239,976.00</b>
<b>Executive directors</b>				
Zhu Yong Ning (appointed in August)		208,300.00		208,300.00
Liu Jian	33,330.00	105,000.00		138,330.00
Qiao Ruo Gu		500,000.00		500,000.00
<b>Subtotal</b>	<b>33,330.00</b>	<b>813,300.00</b>		<b>846,630.00</b>
<b>Non-executive directors</b>				
Huang Huade (appointed in June)	46,662.00			46,662.00
Wong Wei Khei (resigned in November)	66,660.00			66,660.00
<b>Subtotal</b>	<b>113,322.00</b>			<b>113,322.00</b>
<b>Directors total</b>	<b>386,628.00</b>	<b>813,300.00</b>		<b>1,199,928.00</b>
<b>Supervisors</b>				
Gu Yin Ping		149,200.00	15,957.30	165,157.30
Liang Run Bao	49,992.00			49,992.00
Chen Jian Hong		180,690.00	28,057.50	208,747.50
Dong Liang	49,992.00			49,992.00
Ngai Kei Ho	49,992.00			49,992.00
Wang Da Ming (resigned in April)	26,664.00			26,664.00
<b>Supervisors total</b>	<b>176,640.00</b>	<b>329,890.00</b>	<b>44,014.80</b>	<b>550,544.80</b>

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 2. Related party transactions (Continued)

#### 5. Remuneration of key management staff (Continued)

(1) Directors and supervisors' remuneration (Continued)

Gao Peng and Li Cheng have voluntarily waived their respective allowance for Directors and Supervisors since 2014. Gao Peng has waived his allowance since September 2014 (2014: RMB 26,664.00, between January and December 2015: RMB79,992.00); Li Cheng has waived his allowance since September 2014 and resigned on December 2015 (2014: RMB26,672.04.00, between January and November 2015: RMB73,326.00)

There's no motivated monetary funds provided for board members joining or upon-joining the Group, and there's no compensation provided for board members resigning or upon-resigning for giving up the positions.

The remuneration for directors and supervisors is determined according to the remuneration policy of the Group, and is authorized by the Board's remuneration committee.

(2) Five highest paid employees

The five highest paid employees during the year included two (2014: two) directors, the remaining three (2014: three) highest paid employees are as follows:

Item	Amount for the current year	Amount for last year
Emoluments for Directors and Supervisors Salaries and allowances	<b>714,544.52</b>	712,670.00
<b>Total</b>	<b>714,544.52</b>	712,670.00

Their emoluments were within the following bands:

Item	Current year	Last year
Nil to RMB1,000,000	<b>3</b>	3

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 3. Account balance between related parties

#### 1. Receivable items

Item	Related parties	Ending Balance		Beginning Balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Soft Intelligent Technology (Shanghai) Co., Ltd.	5,653,552.00		5,653,552.00	
	Nanjing University	1,000,000.00		1,000,000.00	
	Jiangsu NandaSoft Communication Company Limited			58,556.40	
Accounts receivables	Nanjing University	4,179,728.61		2,150,401.94	
	Jiangsu Co-Creation Education Development Company Limited	30,000.00		30,000.00	
Other receivables	Jiangsu Fu Man Investment Limited	2,000,000.00		2,000,000.00	
	Nanjing Fineweb Import & Export Trade Co., Ltd.	145,000.00		145,000.00	
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	2,760,261.98		2,366,699.64	
	Jiangsu Sheng Feng Medical Company Limited			6,454,678.49	
	Jiangsu Nandasoft Communication Company Limited			3,199,209.93	
	Nanjing Nanda Pharmaceutical Company Limited	275,731.82		275,731.82	

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 3. Account balance between related parties

#### 2. Payables items

Item	Related parties	Ending Balance	Beginning Balance
Accounts payable	Jiangsu NandaSoft Intelligent Transportation Technology Company Limited		4,179,115.40
	Jiangsu NandaSoft Communication Company Limited		112,177.60
	Nanjing University		
Other payables	Nanjing University Asset Administration Company Limited	<b>9,725,249.00</b>	9,725,249.00
	Nanjing Fineweb Import & Export Trade Co., Ltd.	<b>200,000.00</b>	200,000.00
	Nandasoft (Jiangsu) Health Technology Limited		14,100.00
	Nanjing Furuwei Medical Technologies Co., Ltd	<b>1,094,900.00</b>	1,094,900.00
	Jiangsu NandaSoft Intelligent Transportation Technology Company Limited		117,200.00
	Jiangsu NandaSoft Information Industry Company Limited	<b>12,100.00</b>	100.00
	Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	<b>100.00</b>	100.00
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	<b>100.00</b>	60,100.00
	Soft Intelligent Technology (Shanghai) Co., Ltd.	<b>1,968,000.00</b>	1,968,000.00
	Jiangsu NandaSoft Communication Company Limited		99,000.00
	Xie Manlin	<b>1,600,000.00</b>	2,500,000.00
	Jiangsu Fu Man Investment Limited	<b>100,000.00</b>	
	Advance from customers	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	<b>4,505,278.43</b>
Jiangsu NandaSoft Communication Company Limited			5,500.00
Jiangsu NandaSoft Intelligent Transportation Technology Company Limited			2,400.00
Interests payables	Jiangsu NandaSoft Information Industry Company Limited	<b>89,322.97</b>	
	Jiangsu Hongxin Trading Development Co., Ltd.	<b>2,951,917.81</b>	
	Jiangsu Phoenix Palace Electricity Industry Co., Ltd.	<b>29,218.35</b>	
	Jiangsu Guotai Yihe Property Investment Co., Ltd.	<b>5,839,109.59</b>	

### 4. Undertaking by related parties

Financial support undertaken by Jiangsu Keneng Electricity Technology Co., Ltd. to the Company:

On 24 March 2016, in view of the current situation of the Company, financial support was undertaken by Jiangsu Keneng Electricity Technology Co., Ltd. (a shareholder of the Company) to the Company: Where the Company faces liquidity problems on working capital or unable to repay the short-term current liabilities, financial supports, including funds, pledges and guarantees, are provided to the Company unconditionally to assist the Company in resolving the short-term liabilities within a year since the undertaking.

## 12. CONTINGENT EVENTS

### 1. Pending Litigations

#### (1) *Litigation 1*

On 23 September 2014, the Company received a civil claim which was filed to the Higher People's Court of Jiangsu Province by China Nuclear Industry Huaxing Construction Company Limited (as the plaintiff).

According to the civil claim, it was claimed that the Company failed to pay for construction project. The payment was approximately RMB175,400,000.00 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen assets of the Company of RMB150,000,000.00.

The main reason for the delay in payment was that the audit on the related construction work cannot be completed by the agreed time and is still incomplete. Therefore, the actual amount of construction payable by the Company is still uncertain.

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

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

According to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 issued by Jiangsu Provincial High People's Court on 15 February 2016, both parties confirmed that the construction payment of Nandasoft Software City 02 project, compensation financing, the loss on shutdown, late interest payment amounted to RMB 219.635 million (Deduct RMB 37 million which had paid by the Company). For the period of 1 January 2016 to the actual payment date, with the annual rate of 6%, Nandasoft shall pay RMB 182.635 million and related interest to the plaintiff before 30 June 2016. The plaintiff has the right to apply to court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time.

As at 31 December 2015, the Company's bank deposit frozen amounted to RMB 829,023.92; According to the court ruling, the rights of the buildings of Block 1 and 2, No. 19 South Qingjiang Road, Gulou District owned by the Company, and the rights of land use are restricted. According to the aforesaid ruling, the Company adjusted the estimated assets costs, estimated loss on shutdown and estimated interest payment to RMB25,733,479.78, RMB 12,199,750.34 and RMB 27,382,757.08 respectively, and RMB65,315,987.20 in total.



## 12. CONTINGENT EVENS (Continued)

### 1. Pending Litigations (Continued)

#### (2) Litigation 2

NandaSoft (Jiangsu) Pharmaceutical Service Outsourcing Co., Ltd. (Soft Pharmaceutical), a former subsidiary of the Company, entered into the Clinic Trial Contract with Nanchang Lijian Pharmaceutical Co., Ltd. (Lijian Company) with a contract value of RMB2.84 million (RMB1.2 million of which was already paid), which intended to provide medical examination services for Lijian Company. In 2012, Soft Pharmaceutical, Lijian Company and Nanjing Linghua Hospital Technology Co., Ltd. (Linghua Pharmaceuticals) signed a tripartite agreement to terminate the technical service contract mentioned above, and to transfer relevant rights and obligations of Soft Pharmaceutical to Linghua Pharmaceuticals.

As at 21 October 2013, Linghua Pharmaceuticals lodged a lawsuit to Intermediate People's Court of Nanchang as Soft Pharmaceutical refused to pay RMB 1.2 million, which was originally received from Lijian Company. On 19 July 2012 Soft Pharmaceutical applied for liquidation to, and accepted by Nanjing Trade and Industry Bureau. The Court ruled that Soft Pharmaceutical should paid RMB1.20 million and responsible for the compensation of RMB2.40 million. The Company, the shareholder of Soft Pharmaceutical and Jiangsu Sheng Feng Investment, a subsidiary of the Company were liable for the corresponding liabilities.

As at 4 December 2013, according to the Civil Ruling (2013) Hong Min Er Chu Zi No. 380-1 issued by Intermediate People's Court of Nanchang Jiangxi Province, RMB3.65 million of the Company's bank deposit was frozen.

As at 11 June 2015, according to the Civil Ruling (2013) Hong Min Er Chi Zi No. 380 issued by Intermediate People's Court of Nanchang Jiangxi Province, Soft Pharmaceutical needed to repay Linghua Pharmaceuticals RMB 1.20 million with compensation, calculated based on RMB 1.20 million from 18 November 2013 until the date amount was settled according to the interest rate for the same period determined by the People's Bank of China and 6.15%.

As at 25 June 2015, Linghua Pharmaceuticals filed a second appeal, requesting a double of the aforesaid compensation, which is RMB 2.40 million and increased the Company jointly supplemental compensation liabilities to USD\$0.35 million.

As at 1 February 2016, High People's Court of Jiangxi Province made a second instant verdict. Soft Pharmaceutical repay Linghua Pharmaceuticals RMB 1.20 million with compensation, calculated based on RMB 1.20 million from 18 November 2013 until the date amount was settled according to the interest rate for the same period determined by the People's Bank of China and 24%. The Company and Sheng Feng Investment, a subsidiary of the Company, assumed the supplemental compensation liabilities for the unseizable part of Soft Pharmaceutical at a range within RMB 1.87 million and RMB 0.64 million respectively.

## 12. CONTINGENT EVENS (Continued)

### 1. Pending Litigations (Continued)

#### (2) *Litigation 2 (Continued)*

The directors of the Company, based on the advices from the Group's legal counsel, consider that a provision for loss arising from this litigation is necessary.

As at 31 December 2015, bank balances of the Company of RMB3,650,000.00 was frozen.

#### (3) *Litigation 3*

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by Guangzhou City Aimin Investment Co., Ltd ("Aimin") (廣州市愛民投資有限公司).

According to the Civil Complaint, the Company has borrowed RMB 15.50 million from Aimin with an aggregate borrowing interest of RMB 8,426,989.04 for the date 10 October 2015. Shangehai Honghao Investment Management Co., Ltd assumed the joint compensation liabilities for the aforesaid liability.

As at 16 November 2015, according to the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No. 5504 issued by Guangzhou City Tianhe District People's Court, bank balance of the Company of RMB 23,926,989.04 was frozen. The equity interest of Jiangsu Nandasoft Investment Company Limited and of Soft Intelligence Technology (Shanghai) Company Limited (有蘇富特智能科技(上海)有限公司) was frozen.

The directors of the Company, based on the advices from the Group's legal counsel, consider that the Company may assume all the liabilities and related interests.

As at 31 December 2015, the litigation was pending and bank balances of the Company of RMB 609,607.49 was frozen (related frozen amount of bank balance after deducting Litigation 1 and 2).

## 12. CONTINGENT EVENS (Continued)

### 2. Contingent liabilities relating to provision of financial guarantees

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB13,000,000.00 in total (2013: RMB28,000,000.00) given to financial institutions in respect of borrowings and other banking facilities granted by these financial institutions to Nanjing Nanda Pharmaceutical Company Limited, which is a subsidiary of the Group. The banking facilities were fully utilized as at 31 December 2015.

The Company had contingent liabilities in respect of financial guarantees to the extent of RMB 7,440,000.00 in total given to financial institutions in respect of borrowing granted by these financial institutions to Nanjing Higrade Architecture & Landscape Design Research Institute Co., Ltd., an independent third party.

Save for the above, the Company was also involved in the contingent liabilities in respect of guarantees to the extent of RMB0 in total (2014: RMB77,000,000.00) in respect of banking facilities granted to certain subsidiaries. At the end of reporting period, the subsidiaries have utilized such facilities of RMB0 in total (2014: RMB53,000,000.00).

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing

#### ***(1) Description of commercial properties of the Company in Gulou District, Nanjing recognized as investment properties***

The management of the Company proposed to recognize the leasing section of the commercial properties in Gulou District, Nanjing of the Company as investment properties in August 2012 and November 2013, respectively, shall be subsequently measured at fair value.

#### ***(2) The actual usage of the commercial properties of the Company in Gulou District, Nanjing***

The commercial properties of the Company in Gulou District, Nanjing with an area of 70,510.82 sq. meters, in which 20,801.08 sq. meters was entered into leasing contract, 15,286.18 sq. meters was entered into sales contract from 2009 to 2013 and approximately 14,981.56 sq.meters was not yet entered into leasing and sales contract but delivered part of it to the related parties from 2011 to 2013.

## 12. CONTINGENT EVENS (Continued)

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing (Continued)

#### **(3) Description of the part of the commercial properties of the Company in Gulou District, Nanjing which was entered into sales contract**

On 13 January 2013, Notice in respect of the advice of speculation for industrial and research and development sites from the municipal government (《市政府印發關於進一步規範工業及科技研發用地管理意見的通知》) issued by Nanjing government: Strictly managed the transfer of land: For transfer and sale of the research and development sites and the properties erected on the sites, application should be made in advance by the development Park, Zijin special area and functional blocks management unit. For changing stock of industrial land to research and development sites, application should be made by land units. The transfer and sale area of the properties must not exceed 50% of the aggregate GFA. The transfer and sale of the research and development sites and the properties erected on the sites shall be approved by development Park, Zijin special area and functional blocks management unit, and the purchaser must be the R&D enterprises or institutions eligible for the conditions required by the development Park, Zijin special area and functional blocks management unit and shall not transfer or sell to any individuals. Strengthen the land sale management: For transfer of research and development sites, land and properties must not transfer of sale as stipulated in the original transfer contract. Application for transfer and sale of land units shall be approved by the development Park, Zijin special area and functional blocks management unit with reliable conditions of scope and limitations of transfer and sale. The approved transfer and sale of GFA must not exceed 50% of the aggregate GFA and paid for the land premium as required.

The land use rights of the commercial properties of the Company in Gulou District, Nanjing was research and development sites.

Based on the opinion of the Company's legal counsel, the above sale and purchase contracts are valid. According to the relevant documents of the Nanjing government, it was uncertain that whether the Company achieved the effect of the property transfer. In view of the above sale and purchase contracts are true and accurate, there were certain legal risks of failed to fulfill the above sale and purchase contracts and the Company may subject to the relevant obligations. For the parties other than natural person (the purchaser), it was possible to perform the contract obligations, unless it was not approved by development Park, Zijin special area and functional blocks management unit after the completion of relevant procedures. Once the relevant judiciary considered that the Company should perform such obligations, the Company shall pay compensation to the purchaser and continue to fulfill the contracts, return the purchase amount and interest according to the provisions of the contracts and legal requirements.

## 12. CONTINGENT EVENS (Continued)

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing (Continued)

#### (4) *Description of the commercial properties of the Company in Gulou District, Nanjing which was not entered into sales contract or leasing contract*

14,981.56 sq. meter of the commercial properties of the Company in Gulou District, Nanjing was delivered to the related parties from 2011 to 2013.

As the certificate of land use rights was not transferable, the Company and the occupier had not duly entered into leasing contract or property sale contract. Currently, both parties are still under negotiations and believe that will finally enter into leasing contract or property sale contract which comply with the conditions after the final negotiations.

As at 31 December 2015, the occupier did not provide any economic benefit in respect of the unoccupied commercial properties to the Company or other parties designated by the Company. The occupier will pay the settled amount to the Company at the agreed price by both parties after entering into leasing contract or property sale contract which complies with the conditions.

### 4. Equity pledge by Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd., a subsidiary held by the Company

According the equity pledge agreement ZH2015-GZ01 entered between the Company and Jiangsu Phoenix Culture Trading Group Co., Ltd. on November 2015, both parties, based on the cooperation agreement ZH2015-C03, the Company agreed to provide security, which is the 51% equity interests of Jiangsu Changtian Zhiyuan Transportation Research Co., Ltd. held by the Company, to pledge by means of equity pledge for ensuring the realization of the agreement rights of pledgee.

### 5. Undertaking by related parties

On 24 March 2016, financial support was undertaken by Jiangsu Keneng Electricity Technology Co., Ltd. (a shareholder of the Company) to the Company: Where the Company faces liquidity problems on working capital or unable to repay the short-term current liabilities, financial supports, including funds, pledges and guarantees, are provided to the Company unconditionally to assist the Company in resolving the short-term liabilities within a year since the undertaking.

### 6. Restriction on important assets of the Company

For details, please refer to the Notes XII.1(1) Litigation 1.

### 7. As at 31 December 2015, the Group had no other major contingencies except for those mentioned above.

## 13. COMMITMENTS

### 1. Significant commitments

#### (1) Capital expenditure commitment of the Group at the end of the year

Capital expenditure commitment contracted but not yet recognized in financial statements

Item	<b>Balance at the end of the year</b>	Balance at the beginning of the year
External investment (Note)		25,600,000.00
<b>Total</b>		<b>25,600,000.00</b>

Note: Due to the failure in obtaining use rights of related land (for details, please refer to Notes VI.17) by NandaSoft Technology Investment Development (Wuxi) Company Limited, a subsidiary of the Company, the Company did not plan to invest further on it during the year.

#### (2) Large-amount contracts signed and currently being performed or prepared to be performed

As at 31 December 2015, the Group still had large-amount contracts signed and currently being performed or prepared to be performed amounting to RMB 1,826,350.00 million. The details are as follows:

Unit: RMB 0,000

Item	<b>Contract amount</b>	<b>Paid amount</b>	<b>Unpaid amount</b>	<b>Estimated period</b>
<b>Total</b>	<b>219,635,000.00</b>	<b>37,000,000.00</b>	<b>182,635,000.00</b>	

## 13. COMMITMENTS (Continued)

### 1. Significant commitments (Continued)

**(3) Signed or executed lease contracts currently being executed or to be executed and financial impact**

The Group as the lessor

At the end of the year, as the lessor, the Group's irrevocable operating lease of certain property projects owned by the Group for the following period is as follows.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>6,470,142.05</b>	6,456,499.73
2 to 5 years	<b>3,540,056.56</b>	10,206,785.82
<b>Total</b>	<b>10,010,198.61</b>	16,663,285.55

The Group as the lessee

On 31 December 2015, as the lessee, the Group's irrevocable operating lease of certain property projects owned by the Group.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>364,000.00</b>	1,013,226.72
2 to 5 years	<b>233,880.00</b>	564,046.96
<b>Total</b>	<b>597,880.00</b>	1,577,273.96

## 13. COMMITMENTS (Continued)

### 1. Significant commitments (Continued)

#### (3) Signed or executed lease contracts currently being executed or to be executed and financial impact (Continued)

The Group as the lessor

At the end of the year, as the lessor, the Group's irrevocable operating lease of certain property projects owned by the Group for the following period is as follows.

Period	Amount for the year	Amount for the previous year
Within 1 year	<b>6,470,142.05</b>	6,456,499.73
2 to 5 years	<b>3,540,056.56</b>	10,206,785.82
Total	<b>10,010,198.61</b>	16,663,285.55

2. Except for the commitments mentioned above, there's no other significant commitment within the Group at 31 December 2015.

## 14. POST BALANCE SHEET EVENTS

### 1. Information about profit distribution

Item	Content
Profits or dividends approved to declare to pay after consideration	According to the resolution of the board of directors of the Company on 24 March 2016: did not recommend any final dividends for the year ended 31 December 2015

### 2. Sales return

There were no material sales return occurred subsequent to the balance sheet date.



## 14. POST BALANCE SHEET EVENTS (Continued)

### 3. Mediation on litigation between the Company and China Nuclear Industry Huaxing Construction Company Limited

For details, please refer to the Notes XII.1(1) Litigation 1.

4. Save as the post balance sheet events disclosed above, the Group had no other material post balance sheet event.

## 15. OTHER SIGNIFICANT EVENTS

On 10 April 2015, according to the resolution of the shareholders' general meeting, the Company issued 163.8 million ordinary domestic shares with a par value of RMB0.1 per share and the issue price of RMB0.28 per share to Jiangsu Keneng Electricity Technology Co., Ltd.; upon the issuance, the registered capital and share capital of the Company increased to RMB140.38 million. As at 31 December 2015, the Company received the investment funds amounted to RMB45.864 million, among which, RMB 16.129 million was paid by Jiangsu Phoenix Palace Electricity Industry Co., Ltd. (江蘇鳳凰台電力實業股份有限公司) on behalf of Jiangsu Keneng Electricity Technology Co., Ltd from Jiangsu Keneng Electricity Technology Co., Ltd. Due to the pending capital verification, the Company is yet to complete the procedures for the industrial and business registration change.

## 2. Segment information

According to the internal organizational structure of the Group, requirement for managements and internal reporting system, the operating business is classified into 4 reporting segments the computer hardware and software products, system integration service, IT-related products and property investment. These departing segments have been laid down in the internal organization structure, requirements for management and international. The management of the Group will evaluate the operating results of these report segments to determine the distribution of resources and evaluation on its results.

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

## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 2. Segment information (Continued)

#### Reporting segments for 2015

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	424,494,302.23	75,266,821.15		13,369,030.08			513,130,153.46
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				-17,698,468.61		8,790,978.96	-8,907,489.65
Operating costs	384,568,583.52	57,639,172.58		2,873,465.83			445,081,221.93
Sales tax and fees	16,711,139.85	2,963,041.83					19,674,181.68
Financing costs						36,165,426.93	36,165,426.93
Other costs (management asset impairment)						101,621,642.02	101,621,642.02
<b>Total operating profit (total loss)</b>	<b>23,214,578.86</b>	<b>14,664,606.74</b>		<b>7,202,904.36</b>		<b>-128,996,089.99</b>	<b>-98,319,808.75</b>
Total assets	362,861,513.82	322,526,368.83		535,418,498.55		94,636,767.41	1,315,443,148.61
Total liabilities	487,691,718.91	262,708,428.04		182,872,815.04		111,900,587.33	1,045,173,549.32
Supplementary information							
Capital expenditure							3,895,768.64
Impairment loss recognized for the period							45,468,938.34
Depreciation and amortization expenses							5,607,427.47

# Notes to the Financial Statements

31 December 2015

## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 2. Segment information (Continued)

#### Reporting segments for 2014 (previous year)

Item	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	437,619,645.84	76,155,643.13		10,546,542.83			524,321,831.80
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				26,960,000.00			26,960,000.00
Operating costs	397,042,600.28	58,432,063.80		2,167,226.15			457,641,890.23
Sales tax and fees	20,938,673.13	2,818,061.51					23,756,734.64
Financing costs						25,455,678.12	25,455,678.12
Other costs (management asset impairment)						125,633,572.86	125,633,572.86
<b>Total operating profit (total loss)</b>	19,638,372.43	14,905,517.82		8,379,316.68		-124,129,250.98	-81,206,044.05
Total assets	460,640,130.16	130,948,283.32		594,938,706.44		283,961,279.82	1,470,488,399.74
Total liabilities	630,904,350.53	98,427,996.20		109,910,496.70		221,648,262.00	1,060,891,105.43
Supplementary information							
Capital expenditure							18,714,559.72
Impairment loss recognized for the period							48,839,539.75
Depreciation and amortization expenses							8,271,018.24

Note: Capital expenditure includes purchases such as buildings, transportation equipment and electronics equipments and others.

## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 2. Segment information (Continued)

The total income from external transactions of the Group in PRC and other countries and regions, and the total amount of the non-current assets, other than financial assets and deferred income tax, of the Group in PRC and other countries and regions are as follows:

<b>External transactions</b>	<b>Amount of the year</b>	Amount of the previous year
Within China (except Hong Kong)	<b>513,130,153.46</b>	521,765,116.99
Hong Kong		2,556,714.81
<b>Total</b>	<b>513,130,153.46</b>	524,321,831.80
<b>Total non-current assets</b>	<b>Balance at the end of the year</b>	Balance at the beginning of the year
Within China (except Hong Kong)	<b>725,503,905.34</b>	847,417,511.77
Hong Kong	<b>10,750,915.50</b>	10,131,147.39
Total	<b>736,254,820.84</b>	857,548,629.16

3. No other important events require other explanations by the Group.

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Cash and cash equivalents

<b>Items</b>	<b>Balance at the end of the year</b>	Balance at the beginning of the year
Cash	<b>23,145.61</b>	18,653.51
Bank deposits	<b>3,075,288.33</b>	15,186,663.47
Others	<b>5,101,451.41</b>	4,479,993.86
<b>Total</b>	<b>8,199,885.35</b>	19,685,310.84

Note: Among other monetary funds, RMB 5,088,631.41 was frozen due to litigation (please see notes XII(1) for details of litigation); the remaining was the performance guarantees.

# Notes to the Financial Statements

31 December 2015

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 2. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	<b>121,308,285.14</b>	93,423,912.40
Less: provision for bad debts	<b>38,289,383.16</b>	30,999,449.28
Net amount	<b>83,018,901.98</b>	62,424,463.12

#### (1) Aging analysis

Aging	Ending Balance	Beginning Balance
Within 3 months(inclusive)	<b>47,182,775.69</b>	21,303,016.52
3 to 6 months(inclusive)	<b>76,919.18</b>	4,862,622.03
7 to 12 months(inclusive)	<b>1,518,036.80</b>	5,014,973.72
Over 1 year	<b>34,241,170.31</b>	31,243,850.85
Net amount	<b>83,018,901.98</b>	62,424,463.12

#### (2) Classification of accounts receivable

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	<b>121,308,285.14</b>	<b>100.00</b>	<b>38,289,383.16</b>	<b>31.56</b>	<b>83,018,901.98</b>	93,423,912.40	100.00	30,999,449.28	33.18	62,424,463.12
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>121,308,285.14</b>	<b>100.00</b>	<b>38,289,383.16</b>	<b>31.56</b>	<b>83,018,901.98</b>	93,423,912.40	100.00	30,999,449.28	33.18	62,424,463.12

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 2. Accounts receivable (Continued)

#### (2) Classification of accounts receivable (Continued)

1) Accounts receivable in portfolio of which provision was made using ageing analysis method:

Aging	Ending Balance		Ratio (%)
	Accounts receivable	Provision for bad debts	
Within 3 months(inclusive)	47,182,775.69		
3 to 6 months(inclusive)	80,124.15	3,204.97	4.00
7 to 12 months(inclusive)	1,650,040.00	132,003.20	8.00
Over 1 year	72,395,345.30	38,154,174.99	52.70
<b>Total</b>	<b>121,308,285.14</b>	<b>38,289,383.16</b>	<b>31.56</b>

Items	Accounts receivable	Opening Balance	
		Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	21,303,016.52		
3 to 6 months (inclusive)	5,065,231.28	202,609.25	4.00
7 to 12 months (inclusive)	5,451,058.39	436,084.67	8.00
Over 1 year	61,604,606.21	30,360,755.36	49.28
<b>Total</b>	<b>93,423,912.40</b>	<b>30,999,449.28</b>	<b>33.18</b>

#### (3) The five largest accounts receivable assembled by debtors

Company name	Ending Balance	Aging	Proportion of ending balance of accounts receivables in total (%)	
			Ending balance of bad debts provision	
No.1	12,535,097.69	0-3 months	10.33	
No.2	6,359,455.49	Over 2 years	5.24	6,329,997.75
No.3	5,688,762.47	0-3 months	4.69	
No.4	3,614,107.95	0-3 months	2.98	
No.5	3,542,058.80	Over 3 years	2.92	3,542,058.80
<b>Total</b>	<b>31,739,482.40</b>		<b>26.16</b>	<b>9,872,056.55</b>

# Notes to the Financial Statements

31 December 2015

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 3. Prepayments

#### (1) Aging analysis of prepayments

Items	<b>31 December 2015</b>	31 December 2014
<b>Total</b>	<b>11,701,874.30</b>	18,970,739.38

#### (2) Prepayments from the five largest suppliers assembled by the subject receiving prepayments as at 31 December 2015

Company name	Amount	Aging	Provision for bad debts	Proportion of ending balance of prepayments in total (%)
No. 1	5,653,552.00	1-3 years		48.31
No. 2	4,477,699.00	over 3 years	4,477,699.00	–
No. 3	1,510,000.00	1-2 years	302,000.00	10.33
No. 4	1,000,000.00	over 3 years	1,000,000.00	–
No. 5	749,611.21	within 2 years	70,977.18	5.80
<b>Total</b>	<b>13,390,862.21</b>		<b>5,850,676.18</b>	<b>64.44</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 4. Other receivables

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percent (%)	Amount	Percent (%)		Amount	Percent (%)	Amount	Percent (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis										
Accounts receivable that are provided for bad debts by portfolio of credit risk characteristics	178,264,140.50	100	39,317,426.42	22.06	138,946,714.08	192,112,766.34	100.00	11,099,558.76	5.78	181,013,207.58
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>178,264,140.50</b>	<b>100</b>	<b>39,317,426.42</b>	<b>22.06</b>	<b>138,946,714.08</b>	<b>192,112,766.34</b>	<b>100.00</b>	<b>11,099,558.76</b>	<b>5.78</b>	<b>181,013,207.58</b>

#### (2) Other receivables by nature

Nature	Book balance at end of the year	Book balance at beginning of the year
Security deposit, imprest and cash pledge	6,882,386.66	9,268,553.78
Current accounts	171,381,753.84	182,844,212.56
<b>Total</b>	<b>178,264,140.50</b>	<b>192,112,766.34</b>



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 4. Other receivables (Continued)

#### (3) The five largest other receivables assembled by debtors

Company name	Nature	Ending Balance	Aging	Proportion of ending balance of other receivables in total (%)	Ending balance of bad debts provision
No. 1	Current accounts	23,789,900.00	over 1 year	13.35	10,398,980.00
No. 2	Current accounts	13,763,439.60	1-3 years	7.72	6,328,030.80
No. 3	Current accounts	8,045,439.47	7 months-3 years	4.51	4,019,629.74
No. 4	Current accounts	6,454,678.49	1-3 years	3.62	1,825,281.57
No. 5	Current accounts	5,786,847.50	within 2 years	3.25	518,551.60
<b>Total</b>		<b>57,840,305.06</b>		<b>32.45</b>	<b>23,090,473.71</b>

### 5. Inventories

#### (1) Classification

Items	Ending Balance Inventory			Beginning Balance Inventory		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Merchandise inventories	4,161,354.49	4,161,354.49		4,161,354.49	4,161,354.49	
Goods in transit	12,638,324.25		12,638,324.25	23,164,599.58		23,164,599.58
Engineering construction	4,834,442.43		4,834,442.43	4,401,696.74		4,401,696.74
<b>Total</b>	<b>21,634,121.17</b>	<b>4,161,354.49</b>	<b>17,472,766.68</b>	<b>31,727,650.81</b>	<b>4,161,354.49</b>	<b>27,566,296.32</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 5. Inventories (Continued)

#### (2) Inventory impairment

Items	Beginning Balance	Decrease during the year		Ending Balance
		Increase during the year	Transferred out	
Merchandise inventories	4,161,354.49			<b>4,161,354.49</b>
<b>Total</b>	4,161,354.49			<b>4,161,354.49</b>

### 6. Available-for-sale financial assets

#### (1) Description of available-for-sale financial assets

Items	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instrument Measured at cost	<b>7,797,972.48</b>	<b>747,972.48</b>	<b>7,050,000.00</b>	9,406,119.23	747,464.99	8,658,654.24
<b>Total</b>	<b>7,797,972.48</b>	<b>747,972.48</b>	<b>7,050,000.00</b>	9,406,119.23	747,464.99	8,658,654.24

### 7. Long-term equity investment

#### (1) Classification of long-term equity investment

Items	Ending Balance			Beginning Balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	<b>129,179,868.50</b>		<b>129,179,868.50</b>	137,628,175.62		137,628,175.62
Investment in associates and joint ventures	<b>19,992,610.64</b>		<b>19,992,610.64</b>	19,294,802.84		19,294,802.84
<b>Total</b>	<b>149,172,479.14</b>		<b>149,172,479.14</b>	156,922,978.46		156,922,978.46

# Notes to the Financial Statements

31 December 2015

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 7. Long-term equity investment (Continued)

#### (2) Investment in subsidiaries

Investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision for impairment	Ending balance of provision for impairment
Jiangsu Changtian Zhi Yuan Technology Company Limited	51,592,986.81			51,592,986.81		
Jiangxi NandaSoft Service Outsourcing Company Limited	7,000,000.00			7,000,000.00		
Jiangsu NandaSoft (Hong Kong) Limited	1,810,150.42	1,551,692.88		3,361,843.30		
Jiangsu NandaSoft Computer Fixtures Company Limited	5,100,000.00			5,100,000.00		
Jiangxi NandaSoft Technology Company Limited	1,400,000.00			1,400,000.00		
Shenyang Soft Software Development Company Limited	7,000,000.00		7,000,000.00	-		
Jiangsu Sheng Feng Investment Limited	10,000,000.00			10,000,000.00		
Nanjing NandaSoft System Integration Company Limited	20,000,000.00			20,000,000.00		
Jiangsu NandaSoft CRO Technology Co., Ltd.,	5,225,038.39			5,225,038.39		
Nanjing NandaSoft Property Services Company Limited	500,000.00			500,000.00		
NandaSoft Technology Investment Development (Wuxi) Company Limited	14,400,000.00			14,400,000.00		
Jiangsu NandaSoft Investment Company Limited	5,000,000.00		5,000,000.00			
NandaSoft Technology (Shenzhen) Company Limited	3,600,000.00			3,600,000.00		
Jiangsu Changtian Fuyun Information Technology Co., Ltd.	5,000,000.00		5,000,000.00			
Jiangsu Zhiya online education technology Ltd.		7,000,000.00		7,000,000.00		
<b>Subtotal</b>	137,628,175.62	8,551,692.88	17,000,000.00	129,179,868.50		

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 7. Long-term equity investment (Continued)

#### (3) Investment in associates

Investee	Beginning Balance	Additional investment	Reduction of investment	Increase/Decrease for the year					Others	Ending Balance	Ending balance of provision for impairment
				Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Announced dividends or profit	Provision for impairment			
<b>Under equity method</b>											
Shenzhen Nanda Research Institute Company Limited	5,631,964.69			1,150,553.89						6,782,518.58	
Yantai Blue Innovation Co., Ltd.	8,599,163.30			-269,664.29						8,329,499.01	
Nanjing King Wen Information Technology Limited	151,104.47		151,104.47								
Nanjing Qi Ming Financial Consultation Company Limited	430,768.70									430,768.70	
Jiangsu Fu Man Investment Limited	1,995,584.35			-756.92						1,994,827.43	
Soft Intelligent Technology (Shanghai) Co., Ltd.	2,486,217.33			-31,220.41						2,454,996.92	
<b>Subtotal</b>	<b>19,294,802.84</b>		<b>151,104.47</b>	<b>848,912.27</b>						<b>19,992,610.64</b>	

Note: The decrease in long-term equity investment was mainly due to the disposal of the equity interest of Nanjing King Wen Information Technology Limited by the Company.

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 8. Investment properties

#### (1) Investment properties measured at fair value

Items	Buildings	Land use rights	Total
<b>I. Beginning Balance</b>		506,300,000.00	506,300,000.00
In which: Cost		313,707,680.11	313,707,680.11
Changes in fair value		192,592,319.89	192,592,319.89
<b>II. Changes for the current year</b>			
Add: Transferred from fixed assets	4,894,077.07		4,894,077.07
Estimated value adjustment on fixed assets	21,929,362.04		21,929,362.04
Transferred from intangible assets		360,108.25	360,108.25
Changes in fair value		-8,084,653.94	-8,084,653.94
Less: Disposal			
<b>III. Ending Balance</b>		525,398,893.42	525,398,893.42
In which: Cost		340,891,227.47	340,891,227.47
Changes in fair value		184,507,665.95	184,507,665.95

Note 1: Investment properties of the Group were located in Nanjing, China. Investment properties were re-evaluated by an independent professionally qualified valuers on 31 December 2015.

#### (2) Investment properties analyzed by regions where they located and year

Items	Ending balance	Beginning Balance
Mainland China		
Mid-term (10-50 years)	<b>525,398,893.42</b>	506,300,000.00
Outside China		
<b>Total</b>	<b>525,398,893.42</b>	506,300,000.00

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 9. Fixed assets

#### (1) Breakdown of fixed assets

Items	Buildings	Electronic equipment and others	Transportation equipment	Total
<b>(I) Original book value</b>				
1. Balance as at 31 December 2014	87,011,653.02	6,874,031.26	2,419,653.98	96,305,338.26
2. Increase for the period	3,804,117.74	9,478,620.36		13,282,738.10
(1) Purchase		5,045,755.36		5,045,755.36
(2) Transfers from construction in progress				
(3) Estimated value adjustment	3,804,117.74			3,804,117.74
(4) Leasing back after sale		4,432,865.00		4,432,865.00
3. Decrease for the period	5,330,819.22	5,383,047.31	737,049.25	11,450,915.78
(1) Disposal or scrapped		392,404.64	737,049.25	1,129,453.89
(2) Transfer to investment properties	5,330,819.22			5,330,819.22
(3) Leasing back after sale		4,990,642.67		4,990,642.67
4. Balance as at 31 December 2015	85,484,951.54	10,969,604.31	1,682,604.73	98,137,160.58
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2014	7,914,778.43	2,024,701.22	2,104,993.73	12,044,473.38
2. Increase for the period	1,932,495.17	1,560,355.90	139,659.56	3,632,510.63
(1) Provision	1,932,495.17	1,560,355.90	139,659.56	3,632,510.63
3. Decrease for the period	436,742.15	563,771.14	630,186.14	1,630,699.43
(1) Disposal or scrapped		249,342.40	630,186.14	879,528.54
(2) Transfer to investment properties	436,742.15			436,742.15
(3) Leasing back after sale		314,428.74		314,428.74
4. Balance as at 31 December 2015	9,410,531.45	3,021,285.98	1,614,467.15	14,046,284.58
<b>(III) Impairment provision-</b>				
1. Balance as at 31 December 2014				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2015				
<b>(IV) Book value</b>				
1. Book value as at 31 December 2014	79,096,874.59	4,849,330.04	314,660.25	84,260,864.88
2. Book value as at 31 December 2015	76,074,420.09	7,948,318.33	68,137.58	84,090,876.00

Note 1: The property ownership certificates of all properties of the Group have been obtained.

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 10. Intangible assets

#### (1) Breakdown of intangible assets

Items	Land use right	Software	Total
<b>(I) Original book value</b>			
1. Beginning Balance	5,511,577.78	1,783,715.54	7,295,293.32
2. Increase for the year		361,133.56	361,133.56
(1) Purchase		361,133.56	361,133.56
3. Decrease for the year	391,487.57		391,487.57
(1) Transferred into investment properties	391,487.57		391,487.57
4. Ending Balance	5,120,090.21	2,144,849.10	7,264,939.31
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	287,581.04	308,912.75	596,493.79
2. Increase for the year	107,614.23	881,341.75	988,955.98
(1) Provision	107,614.23	881,341.75	988,955.98
3. Decrease for the year	31,379.32		31,379.32
(1) Transferred into investment properties	31,379.32		31,379.32
4. Ending Balance	363,815.95	1,190,254.50	1,554,070.45
<b>(III) Impairment provision</b>			
1. Beginning Balance			
2. Increase for the year			
3. Decrease for the year			
4. Ending Balance			
<b>(IV) Book value</b>			
1. Ending book value	4,756,274.26	954,594.60	5,710,868.86
2. Beginning book value	5,223,996.74	1,474,802.79	6,698,799.53

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 11. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets			41,348,940.00	6,202,341.00
<b>Total</b>			41,348,940.00	6,202,341.00

#### (2) Deferred tax liabilities without taking into consideration the offsetting of balances

Items	Ending Balance		Beginning Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Investment properties	<b>216,222,344.52</b>	<b>54,055,586.13</b>	203,231,263.08	50,807,815.77
<b>Total</b>	<b>216,222,344.52</b>	<b>54,055,586.13</b>	203,231,263.08	50,807,815.77



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 12. Short-term borrowings

Borrowings category	Ending Balance		Beginning Balance	
	Interest rates	Amount	Interest rates	Amount
<b>Bank loans</b>				
Mortgage borrowings			6	14,250,000.00
Other loans				
Non-bank financial institutions	15	3,000,000.00	15	7,000,000.00
Others	15	142,971,000.00	15-30	94,750,000.00
<b>Total</b>		<b>145,971,000.00</b>		<b>116,000,000.00</b>

Note: Other loans of RMB 3 million were provided by the non-banking financial institute.

Others of RMB 142.971 million were obtained from part of the company.

### 13. Accounts payable

Item	Ending Balance	Beginning Balance
Total	90,544,067.26	68,378,733.79
In which: over 1 year	32,467,871.43	12,361,502.77

### 14. Advances from customers

Item	Ending Balance	Beginning Balance
Total	27,162,841.95	24,574,077.56

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 15. Other payables

#### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Project funds	130,731,146.57	106,640,482.09
Pledged deposits	935,204.38	1,491,606.34
Compensation for construction stoppage or slowdown with overdue interests	39,582,507.42	
Investment from shareholders received in advance	45,864,000.00	
Others	163,362,506.44	216,813,548.51
<b>Total</b>	<b>380,475,364.81</b>	<b>324,945,636.94</b>

### 16. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	13,623,117.28	22,879,740.47
Payments for buildings	56,289,325.00	56,289,325.00
Payments for long-term leases	3,002,443.74	
<b>Total</b>	<b>72,914,886.02</b>	<b>79,169,065.47</b>

Please refer to note VI.30 for more details.

### 17. Operating revenue and cost

Items	Current Year		Last Year	
	Revenue	Cost	Revenue	Cost
Main operating businesses	68,001,954.14	71,700,726.50	90,298,454.74	83,033,495.42
Other businesses	8,340,778.10	1,499,557.43	6,042,667.88	794,611.25
<b>Total</b>	<b>76,342,732.24</b>	<b>73,200,283.93</b>	<b>96,341,122.62</b>	<b>83,828,106.67</b>

# Notes to the Financial Statements

31 December 2015

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 18. Taxes and surcharges

Items	Current Year	Last Year
Taxes and surcharges	<b>65,183.62</b>	10,256.75
Urban construction & maintenance tax	<b>4,694.36</b>	170,113.11
Education surcharges	<b>3,511.60</b>	121,509.39
<b>Total</b>	<b>73,389.58</b>	301,879.25

### 19. Sales Expense

Items	Current Year	Last Year
Total	<b>4,889,195.03</b>	6,725,900.52
In which: Personnel expenses	<b>3,290,075.92</b>	3,542,094.08
Sales business expenses	<b>548,462.50</b>	2,164,666.00
Others	<b>1,050,656.61</b>	1,019,140.44

### 20. Administrative expenses

Items	Current Year	Last Year
Total	<b>33,060,672.83</b>	51,772,439.92
In which: Research and development expenditure	<b>6,048,092.15</b>	23,541,946.33
Personnel expenses	<b>6,135,469.59</b>	6,247,122.24
Office expenses	<b>869,421.19</b>	2,074,325.86
Business expenses	<b>432,354.23</b>	1,810,883.75
Others	<b>19,575,335.65</b>	18,098,161.74

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 21. Financial Expenses

#### (1) Financial Expenses Category

Items	Current Year	Last Year
Interest expenditure	<b>34,870,851.38</b>	20,620,216.54
Less: Interest income	<b>525,878.75</b>	605,893.66
Add: Exchange loss	<b>57,914.65</b>	67,409.11
Add: Other expenditure	<b>16,134.70</b>	42,159.86
<b>Total</b>	<b>34,419,021.98</b>	20,123,891.85

Note: The Interest expenditure incurred this year increased as compared with last year, which is mainly attributable to an average longer period from the non-banking companies this year.

#### (2) Interest expenditure category

Items	Current Year	Last Year
Interests from bank loans	<b>34,870,851.38</b>	20,620,216.54
Subtotal	<b>34,870,851.38</b>	20,620,216.54
Less: Capitalized interest		
<b>Total</b>	<b>34,870,851.38</b>	20,620,216.54

#### (3) Interest income category

Items	Current Year	Last Year
Interest income from bank deposit	<b>525,878.75</b>	17,325.44
Interest income is accrued by effective interest rate		453,750.00
<b>Total</b>	<b>525,878.75</b>	471,075.44

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 22. Assets impairment losses

Items	Current Year	Last Year
Bad debts	<b>35,207,872.13</b>	17,315,317.62
Loss from inventory devaluation		749,317.12
Impairments of other assets	<b>507.49</b>	
<b>Total</b>	<b>35,208,379.62</b>	18,064,634.74

### 23. Gain or loss on changes in fair value

Items	Current Year	Last Year
Investment properties measured at fair value	<b>-16,530,468.61</b>	26,960,000.00
<b>Total</b>	<b>-16,530,468.61</b>	26,960,000.00

Note: the Investment properties measured at fair value decreased significantly as compared with last year, which is mainly attributable to the mediation result on the adjustment originally accounted to the cost of investment properties according to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016..

### 24. Investment income

Items	Current Year	Last Year
From disposal of available-for-sale financial assets	<b>160,170.89</b>	1,573,200.00
From long-term equity investment under equity method	<b>848,912.27</b>	-2,591,062.98
<b>Total</b>	<b>1,009,083.16</b>	-1,017,862.98

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 25. Non-Operating Income

#### (1) Non-Operating Income

Items	Current Year	Last Year	Amount included
			in non-recurring profit and loss for the year
Gain on disposal of non-current assets	<b>148,088.34</b>	92,771.41	148,088.34
In which: gain on disposal of fixed assets	<b>148,088.34</b>	92,771.41	148,088.34
Government grants	<b>4,528,693.89</b>	18,450,619.21	4,528,693.89
<b>Total</b>	<b>4,676,782.23</b>	18,543,390.62	4,676,782.23

#### (2) Government grants category

Items	Current Year	Related with assets
		/income
Funds for technological development	<b>367,000.00</b>	Related income
National top 100 software award	<b>500,000.00</b>	Related income
Funds for Subei Talents	<b>2,000.00</b>	Related income
<b>Transfer of deferred income</b>		
Platform for remote communities and public health care system demonstration based on Internet of Things	<b>1,859,080.64</b>	Related income
Development and industrialization of the information security management platform based on intelligent analysis	<b>400,000.00</b>	Related income
Software and cloud computing	<b>1,400,613.25</b>	Related income
<b>Total</b>	<b>4,528,693.89</b>	

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 26. Non-operating expense

Items	Current Year	Last Year	Non-operating gains or losses for Current Year
Loss on disposal of non-current assets	<b>16,739.22</b>	34,303.11	16,739.22
Including: Loss on disposal of fixed assets	<b>16,739.22</b>	34,303.11	16,739.22
Others	<b>44,945,608.73</b>	103,735.79	6,243,725.84
<b>Total</b>	<b>44,962,347.95</b>	138,038.90	6,503,813.99

Note: Other non-operating expense recorded a significant increase for the year as compared with last year was mainly due to the provision for interests and compensation for construction stoppage or slowdown according to the mediation result in the letter of civil mediation Su Min Chu Zi No. 00015 (2014) issued by Jiangsu Provincial High People's Court on 15 February 2016 (please refer to Notes XII.1.(1)); and provision for the estimated compensation in case for the loss on litigation by the Company (please refer to Notes XII.1.(2)).

### 27. Income tax expenses

Items	Current Year	Last Year
Current income tax		-999,012.04
Deferred income tax	<b>7,338,657.69</b>	7,823,090.37
<b>Total</b>	<b>7,338,657.69</b>	6,824,078.33

### 28. Audit fees

The audit fees charged for the year is RMB0.68 million (last year: RMB0.68million).

### 29. Depreciation and amortization

The total depreciation/amortization for the year is RMB4,621,466.61 (last year: RMB6,286,905.54).

### 30. Rental income

Rental income from land and buildings for the year is RMB8,340,778.10 (last year: RMB6,042,667.88).

## 17. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The Company's financial statements were issued with the approval of the Board of the directors of the Company on 24 March 2016.

# SUPPLEMENTAL INFORMATION OF FINANCIAL STATEMENTS

31 December 2015

## 1. STATEMENT OF NON-OPERATING PROFIT AND LOSS

According to the No. 1 Notice on publicly listed company financial information disclosure – Non-operating gains and losses (2008), issued by China Securities Regulatory Commission, the non-operating gains and losses are disclosed as below:

Items	Current Year	Explanation
Gains and losses from disposal of non-current assets	156,477.15	
Casual tax rebate or tax exemption with ultra vires or without formal approval		
Government grants expensed	4,598,693.89	
Funds usage fees from non-financial institutions expense		
Gains from the investment lower than the fair value of net identifiable assets of investees during the process of acquiring subsidiaries, joint ventures and associate		
Gains and losses from non-monetary assets exchange		
Gains and losses from commissioned investment or assets management		
Force majeure, provision for impairment of assets due to natural disaster		
Gains and losses from debt restructuring		
Corporate restructuring expenditures		
Gains and losses from the non-arm's length transactions		
Net gains and losses from subsidiaries, consolidated under common control, for the period from beginning of the year to consolidation date		
Gains and losses from non-operating business contingencies		
Gains and losses on changes in fair value from Financial assets/liabilities held-for-trading; and Realized gain on disposal of Financial assets/liabilities held-for-trading, Financial assets available-for-use, except for the operation related hedging transactions	160,170.87	
Reversals of provision for impairment reserves from receivables with individual impairment test		
Reversals of provision for impairment reserves from receivables with individual impairment test		
Gains and losses on changes in fair value, arisen from subsequent measurement of Investment property using fair value model	-17,698,468.61	
The impact of one-time adjustment of current profit and loss, according to the laws and regulations of taxation or accounting		
Trustee fee income from entrusted operation		
Other non-operating income and expense except for the above items	-51,079,242.54	
Other non-operating profit and loss define	7,331,114.16	
Subtotal	-56,531,255.08	
Income tax impact	-4,467,783.63	
Impact on non-controlling shareholder's equity (after-tax)	-40,860.62	
Total	-52,022,610.83	



# FIVE YEAR FINANCIAL SUMMARY

31 December 2015

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2015 RMB	2014 RMB	2013 RMB	2012 RMB	2011 RMB
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>513,130,153.46</b>	524,321,831.80	602,525,445	643,001,427	475,966,732
Cost of sales	<b>(445,081,221.93)</b>	(457,641,890.23)	(503,311,385)	(523,156,836)	(374,758,938)
Gross profit	<b>68,048,931.53</b>	66,679,941.57	99,214,060	119,844,591	101,207,794
Other income and gains	<b>(56,531,255.08)</b>	46,768,271	71,975,401	17,135,272	28,430,776
Selling and distribution costs	<b>(19,674,181.68)</b>	(23,756,735)	(26,744,805)	(27,247,158)	(28,374,424)
Research and development costs	<b>(6,048,092.15)</b>	(24,788,705)	(9,596,083)	(5,222,011)	(407,145)
Administrative expenses	<b>(95,434,235.01)</b>	(104,784,200)	(96,371,427)	(57,421,602)	(51,624,115)
Finance costs	<b>(35,005,047.86)</b>	(26,197,351)	(13,477,524)	(10,586,360)	(11,630,005)
Share of profits/(losses) of associates	-	-	2,507,795	(1,200,930)	35,928,663
PROFIT BEFORE TAX	<b>(144,643,880.25)</b>	(66,078,777)	27,507,417	35,301,802	73,531,544
Income tax expense	<b>(4,917,730.31)</b>	(11,356,553)	(20,711,875)	(4,000,002)	(5,678,065)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<b>(149,561,610.56)</b>	(77,435,330)	6,795,542	31,301,800	67,853,479
<b>DISCONTINUED OPERATION</b>					
Profit for the year from a discontinued operation	-	-	-	5,113,474	-
PROFIT FOR THE YEAR	<b>(149,561,610.56)</b>	(77,435,330)	6,795,542	36,415,274	67,853,479
Attributable to:					
Owners of the Company	<b>(160,392,827.30)</b>	(78,857,943)	2,176,371	28,089,862	66,888,502
Non-controlling interests	<b>10,831,216.74</b>	1,422,613	4,619,171	8,325,412	964,977
	<b>(149,561,610.56)</b>	(77,435,330)	6,795,542	36,415,274	67,853,479
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
TOTAL ASSETS	<b>1,315,443,148.61</b>	1,470,488,399	1,393,088,196	1,211,478,936	779,313,521
TOTAL LIABILITIES	<b>(1,045,173,549.32)</b>	(1,060,891,105)	(952,207,994)	(749,082,180)	(406,766,832)
NON-CONTROLLING INTERESTS	<b>(50,802,531.75)</b>	(39,441,835)	(38,922,719)	(45,782,426)	(30,054,097)
	<b>219,467,067.54</b>	370,155,459	401,957,483	416,614,330	342,492,592