



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 2016 Report



## **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; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## DIRECTORS OF THE COMPANY

### Executive Directors

Mr. Zhu Yong Ning (*Chairman*)  
Mr. Liu Jian (alias, Liu Jian Bang)

### Non-executive Directors

Mr. Wong Wa Tak  
Mr. Yin Shou Rong

### Independent Non-executive Directors

Dr. Daxi Li  
Mr. Xie Man Lin  
Mr. Shi Zhong Hua (appointed on 10 February 2017)  
Ms. Xu Xiao Qin (appointed on 10 February 2017)  
Ms. Xie Hong

### Supervisors

Mr. Yao Gen Yen  
Ms. Liang Run Bao  
Ms. Chen Jian Hong  
Ms. Gu Yin Ping  
Ms. Huang Jing Jing

## COMPANY SECRETARY

Mr. Shum Shing Kei

## AUDIT COMMITTEE

Dr. Daxi Li (*Chairman*)  
Ms. Xie Hong  
Mr. Xie Man Lin  
Ms. Xu Xiao Qin  
Mr. Shi Zhong Hua

## 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  
Mr. Yin Shou Rong

## COMPLIANCE OFFICER

Mr. Zhu Yong Ning

## AUTHORISED REPRESENTATIVES

Mr. Zhu Yong Ning  
Mr. Shum Shing Kei

## AUDITORS

ShineWing Certified Public Accountants

## LEGAL ADVISORS

Adrian Lau & Yim 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

## PRINCIPAL PLACE OF BUSINESS IN CHINA AND REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, St. John's Building,  
33 Garden Road,  
Central,  
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 2016 of Jiangsu NandaSoft Technology Company Limited (“NandaSoft”, “Our Company” or the “Company”, together with its subsidiaries, the “Group”) to the shareholders for their review.

According to the Government Work Report of the State Council for the Year 2016 that released on 5 March 2016, the report regarded “Internet” as the green driver of the new economy and delivered its expectation regarding the prospect of “consumption”, “Internet +”, “mass entrepreneurship and innovation” and “Internet Finance”, include encouraging online and offline interaction, promoting innovation and transformation of physical commerce, furthering the breadth and depth development of “Internet +” action plan, fostering and developing innovative enterprises with international competitive edge and promoting the widespread application of Big Data, cloud computing and Internet of Things. Under this circumstance, the Company made strategic approach centering on IT, with clear focus in accelerating the Internet business model transformation, and further enhanced the business platform focusing on international innovative institutes, transportation, education, medical services, energy conservation, agriculture, intellectual property transaction and system integration.

2016 is the 18th anniversary year since our establishment. By closely relying on scientific and technologic strengths of Nanjing University and excellent talent resources both domestically and abroad, our Company gave full play to the experience advantages in the application sector of Big Data, cloud computing and Internet industry, achieved breakthroughs in intellectual property transaction, intelligent education, intelligent medical service for our strategic development, and gave priority to resources allocation. At the same time, our Company adopted effective measures to establish a stable and highly-efficient internal management system which provided full functional support for our business, whereby reducing operating costs.

During the year under review, our Internet business model transformation achievements primarily reflected two aspects. Firstly, we are the first domestic trading platform targeting at universities’ intellectual property sector – China’s university intellectual property trading platform co-establishment agreement was formally signed. By focusing very closely on the construction of the state’s “1+2+20+N” intellectual property operation service system, such platform consolidates domestic’s best quality patent data resources, financial capital, operating practice, platform development, universities’ abundant science and education resources and technological achievements as well as other resources. It promotes the transformation of universities’ technological achievements and improves universities’ intellectual property operating efficiency so as to lead the operation of the PRC universities’ intellectual property and contribute to help China to

## CHAIRMAN'S STATEMENT

construct as an intellectual property powerful nation. Secondly, we are the first domestic “high vocational education themed educational cloud system” – “智雅在線教育雲平臺 (Zhiya Online Education Cloud Platform)” was officially in operation. The Platform is the new application of the state’s “Internet Plus” strategy in the vocational education sector. Tertiary vocational online education is the core of the Platform, which provides all-rounded services from education resources, education models, curriculum settings, academic certification to fostering the employment of students, etc. The Platform focuses on building vocational education “educational chain” and “industry chain” which meets actual market demand and receives high recognition from the society and provides support to cultivate PRC “craftsman”. The Platform was successfully put online, symbolizing that the Company is stepping a steady foothold towards becoming a renowned online education brand in “Internet + Vocational Education” sector.

### BUSINESS RESULTS

During the financial year of 2016, the turnover of the Group was approximately RMB443,364,648 representing a decrease of approximately 13.60% when compared with 2015, and the Company’s net loss attributable to parent amounted to approximately RMB109,609,323. The Board does not recommend the distribution of a final dividend for the year ended 31 December 2016.

### FUTURE PROSPECTS

Along with the national development strategy shifting from factor-driven to innovation-driven, the knowledge-intensive enterprises have ushered in new development opportunities. For the future prospects, the Company will give full play to the advantages of the technology, scientific research and talents of Nanjing University and integrate its business development with market demand to achieve the customized development of products and services. Meanwhile, the Company will gradually consolidate the technology, market and capital resources and integrate the online Internet business with offline physical economy business. Under the ever-changing and competitive market environment, the Company will continue to learn, innovate and comprehend to develop and become a renowned service provider in Jiangsu and radiating the whole country.

Going forward, the Group will continue to expand for maintaining the long term success in the industry. The Group will continue to strengthen our financial positions, cultivate both existing and new customer relationships and explore business opportunities with the aim to maximise the long-term return for our shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group’s shareholders, business partners, customers, the management and all staff members for their continuous support.

**Zhu Yong Ning**  
*Chairman*

Nanjing, PRC  
24 March, 2017

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The turnover of the Company for the year ended 31 December 2016 was approximately RMB443,364,648, which represented a decrease of approximately RMB69,765,505 when compared with 2015 and this was mainly due to the economic downturn in the Information Technology (the “IT”) industry. Net loss attributable to the parent company for the year ended 31 December 2016 was RMB109,609,323, representing a decrease in loss of RMB50,783,504 when compared with 2015. It was primarily due to: (1) a decrease of approximately RMB24.00 million in non-operating expenses since the loss and compensation for the mediation with China Nuclear Huaxing was incurred in 2015 which did not happen in current year; (2) there was an increase of RMB25.87 million generated from the change in fair value when compared with 2015.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, current assets of the Company amounted to approximately RMB419,081,089, of which approximately RMB49,652,041 were cash and cash equivalents and approximately RMB184,804,288 were receivables and prepayments, decreased by RMB99,748,304 when compared with 2015. The decrease in receivables was attributable to a decrease in turnover of approximately RMB82.00 million for the year when compared with previous year, which led to an overall decline in accounts receivables, while at the same time, the increase in impairment loss in receivables.

As at 31 December 2016, non-current liabilities was RMB208,110,994 and its current liabilities amounting to approximately RMB753,089,465, which mainly comprised trade and bills payables, receipts in advance and construction cost payables included in other payables. Current liabilities decreased by approximately 15% when compared with 2015. As at 31 December 2016, short-term borrowings and long-term borrowings amounted to RMB165,709,584 in total, representing a decrease of approximately 21% when compared with 2015. Its liquidity was sufficient to support the normal operation of the Company. As at 31 December 2016, net assets of the Company amounted to approximately RMB212,073,507 (2015: RMB270,269,598), representing a drop of approximately 22% when compared with 2015 year-on-year.

## CHARGE ON GROUP ASSETS

As at 31 December 2016, the land use right of the land located at the Jiangdong Software City of Gulou District, Nanjing City of approximately RMB22,000,000 (2015: approximately RMB22,000,000) were pledged as security for the interest-bearing bank borrowings granted to the Company.

## FOREIGN CURRENCY RISK

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 2016, the Group did not have any foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.



## CAPITAL COMMITMENT

As at 31 December 2016, the Group did not have any contracted for but not yet provided for capital commitment (2015: Nil).

## CONTINGENT LIABILITIES

### 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 the construction project. The payment was approximately RMB175,400,000 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of Nanjing IOT Application Research Institute Limited, Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd and Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd. held by the Company. The main reason for the delay in payment was that the audit on the related construction work is unable to complete by the agreed time and is still not completed yet. Therefore, the actual amount of construction payable by the Company is still uncertain.

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

As Phase II of New NandaSoft Technology and Innovation Park constructed by the Company was put into use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the "report on the consultation of construction costs" issued by 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.



## Management Discussion and Analysis

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, loss on shutting down, and overdue interest payment amounted to RMB219.64 million (net of RMB37 million which had already paid by the Company). For the period of 1 January 2016 to the actual payment date, with the annual rate of 6%, the Company shall pay RMB182.64 million and related interest to the plaintiff on or before 30 June 2016. The plaintiff has the right to apply to the people's court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time. If the Company fails to perform the payment obligations within the period prescribed under the mediation letter, additional debt interest which is twice of the amount during the performance period will be levied on by the Company in accordance with Article 253 of the "PRC Civil Procedure Law".

As at 31 December 2016, the Company's bank deposit frozen amounted to RMB3,306,093; 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. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was made according to the mediation letter.

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

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People's Court (廣州市天河區人民法院) by 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 and total borrowing interest up to 10 October 2015 was RMB8,426,989. 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, the bank balance of the Company of RMB23,926,989 was frozen. The equity interest of Jiangsu NandaSoft Investment Company Limited and NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司) held by the Company was frozen.

On 8 October 2016, Guangzhou City Tianhe District People's Court issued the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No. 5504, which ruled that the Company should repay the borrowings of principal amount of RMB15.5 million and pay borrowing interests (interest before 9 July 2014 amounted to RMB4,197,400; interest from 10 July 2014 to 30 September 2014 amounted to RMB413,333; interest from 1 October 2014 to settlement date was calculated at an annual rate of 24% based on RMB15.5 million) to Aimin.

The Company objected the judgment of the first instance and filed an appeal to Guangzhou City Intermediate People's Court on 27 October 2016, claiming to offset against another debt of RMB6 million owed by Aimin to the Company, and by reason of the settlement of RMB5 million by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4.5 million and interest thereon to Aimin by the Company. On 1 November 2016, Guangzhou City Intermediate People's Court accepted the case, which is yet to be heard.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

As at 31 December 2016, the litigation was pending. A bank balance of the Company of RMB4,213,581 was frozen. The relevant amount frozen was net off against the bank deposit frozen pursuant to Litigation 1 above.



### **(3) Litigation 3**

On 15 November 2016, 武漢金家公司 (Wuhan Jinjia Company) filed a litigation against the Company at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 11102, requesting the Company to repay three borrowings with total principal amount of RMB3,035,592 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal amount of RMB966,666 and interest of RMB1,008,555; 2. the second borrowing with principal amount of RMB42,667 and interest of RMB47,787; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB404,917. On 15 March 2017, according to the letter of civil mediation "(2016) Su 0106 Min Chu No. 11102" issued by Nanjing City Gulou District People's Court, if the Company repays the borrowing with principal amount and interest of RMB1.8 million in total to the plaintiff, 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) before 22 March 2017. 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) will voluntarily abandon other litigation requests.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

### **(4) Litigation 4**

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.) filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People's Court Case No.: (2016) Su 0115 Min No. 15397, requesting the Company to repay the borrowing with principal amount of RMB1 million and interest thereon and penalty interest of RMB11,541.66, pay default charges of RMB1,206,400 and undertake solicitor's fee of RMB20,000; requesting Nanjing Botong Technology Company Limited to repay the borrowing with principal amount of RMB4 million and interest thereon and penalty interest of RMB185,583, pay default charges of RMB862,400 and undertake solicitor's fee of RMB80,000; requesting Nanjing NandaSoft System Integration Co., Ltd to repay the borrowing of RMB5 million and interest thereon and penalty interest of RMB277,500, pay default charges of RMB724,800 and undertake solicitor's fee of RMB100,000; requesting the seven companies, including the Company, to assume the joint guaranty liabilities for the aforesaid liability; requesting that the reinsurance company shall be preferentially reimbursed with the proceeds from the auction, sale, discounted of properties and land at No. 25 Xingnan Road, Wuzhong Economic Development Zone, Suzhou City.

On 14 February 2017, Jiangning District People's Court delivered the judgment of the first instance that the Company should pay the borrowing with principal amount of RMB1 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB1 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 26 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB4 million from 26 May 2016 respectively, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

## Management Discussion and Analysis

Nanjing NandaSoft System Integration Company Limited should pay the borrowing with principal amount of RMB5 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB5 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 25 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 26 May 2016 to actual payment date at an annual rate of 24%) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

Nanjing Botong Technology Company Limited should pay the borrowing with the principal amount of RMB4 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB4 million, compound interest is calculated based on the outstanding penalty interest, which are both from 26 May 2016 to the actual payment date at the annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB1 million respectively from 26 May 2016, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

### **(5) Litigation 5**

On 24 November 2016, the Company filed a litigation against NandaSoft Intelligent Technology (Shanghai) Co., Ltd. at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 10808, requesting NandaSoft Intelligent Technology (Shanghai) Co., Ltd. to repay the debt with principal amount of RMB24,335,362, pay interest thereon (calculated based on the amount of each loan at an annual rate of 10%, and the amount of RMB12,398,130 is temporarily calculated up to 3 November 2016); and had submitted an application to the court for property restriction of the 5/1 land use rights of Shanghai NandaSoft Company in Yingzhong village, Qingpu Town, Qingpu District, Shanghai.

On 19 January 2017, Nanjing City Gulou District People's Court first heard the case and was in the process of first instance trial.

As of the reporting date, as the case is in progress, the Company was unable to provide relevant investment information and financial information regarding NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司).

Save as disclosure in note 12, the Group did not have any contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICIES

The remuneration for the employees of the Group for the year ended 31 December 2016 amounted to approximately RMB30,441,149 (2015: approximately RMB28,662,472), including the directors' and supervisors' emoluments of approximately RMB1,113,807 (2015: approximately RMB1,199,928) and RMB503,112 (2015: approximately RMB550,544) respectively.

The number of employees for the year had decreased from 367 to 325.

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

## DIVIDENDS

The Directors do not recommend the distribution of final dividends for the year ended 31 December 2016 (2015: Nil).

## BUSINESS REVIEW

### R&D of Information Technology and Products

During the year under review, the Company continued to carry out the research and development of Soft electronic file management system, the product currently under R&D is the model version of "Electronic File Management System V2.0". The Company continued to facilitate the pilot demonstration project of the electronic file system of Nanjing Municipal Committee during the year.

During the year under review, the R&D of Soft cloud computing management system was also in progress, the product currently under R&D currently is the model version of "Cloud Computing Management System V2.0". During the year, the Company undertook the procurement network project of Nanjing government and the big data platform project of Nanjing Civil Affairs Bureau, continued to facilitate the pilot demonstration project of the cloud desktop system of Nan Hu Hospital, and developed new customers including Nanjing College of Information Technology, Changzhou College of Information Technology, Jiangsu Open University and Health Bureau of Jianye District.

During the year under review, the Cloud computing project and "Soft Cloud System Software V1.0" of the Company obtained a software copyright respectively. In addition, CMMI-3 passed the further examination of qualification. During the year under review, the Company was granted two government funds, namely "2016 Software Internet Rewards – Internet Innovation Start-up Carrier and Service Guarantee" and "Jiangsu Province Service Outsourcing Project".

### IT Services

During the year under review, "暢行江蘇APP (Jiangsu Transportation App)" was officially put online on 9 May this year. This App contains 31 functions in one package such as bus, railway and public bike information enquiry, flights, trains and buses ticket booking, real-time expressway traffic information, information of driving schools, information of charter car service for travel and search engine for nearby car parks, which met users' needs and enhanced users experience.

## Management Discussion and Analysis

During the year under review, “智雅在線教育雲平臺 (Zhiya Online Education Cloud System)” was officially put online in May this year. Such system provides internet educational cloud service for vocational education based on OTO and digitized school service of informationization of high schools based on Cloud Computing to five vocational schools in the Science and Education Town through the Internet, and has already provided online course services to over 8,000 students, and the micro-class was recognized by teachers and students.

For the system integration, the Company undertook the machine room construction procurement project of Oriental Energy Co., Ltd., which earmarked the Company’s foothold into the new energy industry. In addition, the Company developed a new customer, namely Department of Human Resources and Social Security of Jiangsu. It adopted the personnel management system, a comprehensive platform penetrating the information regarding professional title, salary, working experience of staff, to electronize all those works that are previously completed by customers, a new business exploring new needs in old industries.

For the intelligent transportation, with building transportation data channels and the intelligent application of Big Data as its main concerns, Jiangsu Changtian Zhiyuan Transportation Technology Company Limited made full use of urban passenger transport data, highways transport data, waterborne transport data and transport monitoring videos from the transportation industry, so as to establish a transportation monitoring and alerting system with three functions namely “transportation monitoring and alert, public service and support to decisions-making”. In addition, it undertook several important projects, such as the data collection and service system project of national road network traffic conditions survey in Ningxia Hui Autonomous Region (寧夏回族自治區國家公路網交通情況調查數據採集與服務系統工程), the electromechanical construction project of Taizhou toll station of the expansion project of section JG-JD-1 of the Jiangdu to Guangling highway section in Jiangsu Province (江蘇省江都至廣陵高速公路改擴建工程泰州收費站機電施工項目 JG-JD-1 標段), the section XM-91 of electromechanical construction project of toll, monitoring and communication system of the Jiangsu section of the Xuzhou to Mingguang highway (徐州至明光高速公路江蘇段收費、監控、通信系統機電工程施工項目 XM-91 標段) and the perceptual highway project for the diversion and expansion construction of the Jiangyan section of the 229 Provincial Highway (229 省道姜堰段改擴建工程感知公路項目).

During the Year, Jiangsu NandaSoft Medical Science Co., Ltd\* (江蘇南大蘇富特醫療科技有限公司), in which part of its capital is contributed by the Company, was established officially. The electrical monitoring equipment at medical grade was put into use in Jiangsu Province Hospital and Sir Run Run Hospital of Nanjing Medical University of Jiangsu Province. At the same time, it reached in-depth cooperation with Jiangsu Province Hospital in terms of coronary heart disease telemedicine system, demonstrating that the development of telemedicine system of the Company has entered into a new stage.

### FUTURE PROSPECTS

Looking forward, the Company will seize the opportunities offered by the transformation of national development strategy from factor-driven toward innovation-driven, rely on the scientific strength of Nanjing University, fully utilize its strength of technology and talents, consolidate and ascend the market positions in traditional strong business of companies in terms of government, education, energy, intelligent transportation, finance and medical care, achieve permanent innovation, and strive to establish the Company to become a sustainable development enterprise with focused business lines and sound efficiency in three years’ time.

**Zhu Yong Ning**

*Chairman*

Nanjing, PRC

24 March, 2017



# 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 2016.

## 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 2016 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 177.

The directors do not recommend the payment of a final dividend for the year (2015: nil).

## INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the "Individual Income Tax Law of the People's Republic of China", the "Enterprise Income Tax Law of the People's Republic of China", and relevant administrative rules, governmental regulations and guiding documents. Please refer to the announcement published by the Company on the HKExnews website of the Hong Kong Exchanges and Clearing Limited on 22 July 2011 for the information on income tax in respect of the dividend distributed to H Share shareholders.

## 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 178.

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

## 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 30 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.

# Report of the Directors

## 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 54 and 55.

## DISTRIBUTABLE RESERVES

At 31 December 2016, the Company's reserves available for distribution amounted to approximately RMB-210,258,758.

## 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.

## 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 SUBSEQUENT TO THE END OF THE YEAR

Save as disclosed in this annual report, subsequent to the end of the year, our Group did not undertake material investment commitment, 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 2016, the Group's total assets amounted to RMB1,173,273,966. Total liabilities amounted to RMB961,200,459. Gearing ratio was 81.92%. The total operating income amounted to RMB443,364,648. The total profit amounted to RMB-103,951,340. The net profit amounted to -106,258,978. The return on total assets was -8.54%. The return on shareholders' equity was -44.06%.

## 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.

## 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).

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 15.39% of the total sales for the year and sales to the largest customer included therein amounted to 5.46%.

Purchases from the major suppliers accounted for the following percentage:

The largest supplier	43.54%
The five largest suppliers	55.04%

## 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.



# Report of the Directors

## EQUITY LINE OF CREDIT AGREEMENT

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

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.

## 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*)

Mr. Qiao Ruo Gu (*Chief Executive Officer*) (*resigned on 9 November 2016*)

Mr. Liu Jian (alias, Liu Jian Bang)

### Non-Executive Directors:

Mr. Wong Wa Tak

Mr. Gao Peng (*resigned on 20 January 2016*)

Mr. Yin Shou Rong (*appointed on 6 May 2016*)

### Independent Non-executive Directors:

Dr. Daxi Li

Ms. Xie Hong

Mr. Xie Man Lin

Mr. Shi Zhong Hua (*appointed on 10 February 2017*)

Ms. Xu Xiao Qin (*appointed on 10 February 2017*)

### Supervisors:

Mr. Yao Gen Yuan (*appointed on 6 May 2016*)

Ms. Chen Jian Hong

Ms. Gu Yin Ping

Mr. Dong Liang (*resigned on 9 November 2016*)

Mr. Ngai Kei Ho (*resigned on 1 March 2017*)

Mr. Liang Run Bao

Ms. Huang Jing Jing (*appointed on 10 February 2017*)

Mr. Qiao Ruo Gu and Mr. Gao Peng wish to devote more time on pursuing their other business commitments and have tendered their resignation as directors on 9 November 2016 and 20 January 2016, respectively. Mr. Dong Liang and Mr. Ngai Kei Ho wish to devote more time on pursuing their other business commitments and have tendered their resignation as supervisors on 9 November 2016 and 1 March 2017, 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 32 to 36 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 the 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) 6 of the financial statement.

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

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

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

At 31 December 2016, the interests and short positions of the directors and supervisors, chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register that are required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions:

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

#### Notes:

- (1) As of 31 December 2016, the Company issued 982,800,000 domestic shares, 421,000,000 H shares, i.e. 1,403,800,000 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 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 shareholders of the Company to be issued on 10 April 2015; and the relevant verification process and securities registration were completed on 29 June 2016.

Save as disclosed above, as at 31 December 2016, none of the directors, supervisors or chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 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

As at 31 December 2016, the following interests and short positions of 5% or more of the share capital and relevant shares of the Company (excluding directors, supervisors and chief executive of the Company) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Shareholder	Type of interest	Number of domestic shares	Percentage of domestic shares (Note 1)	Number of H shares (Note 1)	Percentage of H shares (Note 1)	Number of domestic shares and H shares	Percentage of domestic shares and H shares
Nanjing Vegetables & Subsidiary Food Co., Ltd. (南京市蔬菜副食品集團有限公司)	Beneficial Owner	263,661,016	26.83%			263,661,016	18.78%
Jiangsu Keneng Electricity Technology Co., Ltd. (Note 1)	Beneficial Owner	178,800,000	18.19%			178,800,000	12.74%
Nanjing University Asset Administration Company Limited	Beneficial Owner	127,848,097	13.01%			127,848,097	9.11%
Zhong Chuang BaoYing (Beijing) Investment Fund Management Co., Ltd	Beneficial Owner	121,000,000	12.31%			121,000,000	8.62%
Jiangsu Education Development Company Limited	Beneficial Owner	84,159,944	8.56%			84,159,944	6.00%
Shanghai Shiyuen Network Technology Company Limited	Beneficial Owner	55,000,000	5.60%			55,000,000	3.92%

#### Notes:

- (1) 178,800,000 domestic shares were owned by Jiangsu Keneng Electricity Technology Co., Ltd (“Jiangsu Keneng Electricity”) and Mr. Zhu Yong Ning held 90% shareholdings of Jiangsu Keneng Electricity. Pursuant to Section XV of the SFO, Mr. Zhu Yong Ning was deemed as holding the above interests of shares.

Save as disclosed above, as at 31 December 2016, no person, other than the directors, supervisors and chief executive of the Company, whose interests are set out in the section “Directors’, supervisors’ and chief executive’s interests, short positions in shares, underlying shares and debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

# Report of the Directors

## SIGNIFICANT CONTRACTS

No significant contract had been entered into between the Company or its subsidiaries with controlling shareholders (as defined in GEM Listing Rules) or its subsidiaries for any significant contracts in relation to the provision of services by controlling shareholders or its subsidiaries to the Company or its subsidiaries at any time 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 11 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 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 had purchased, sold or redeemed any of the Company's listed securities during the year under review.

## AUDITORS

On 6 May 2016, the Shareholders of the Company passed the ordinary resolution approving the re-appointment of ShineWing Certified Public Accountants as the auditors of the Company's Financial Report for the year 2016.

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

Nanjing, the PRC  
24 March 2017



# 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”), save for the deviation from CG Code provision A2.1. The Board has adopted the CG Code, ensuring greater transparency and quality of disclosure as well as more effective risk control. We believe our commitment to the highest standards of governance will translate into long-term value and ultimately maximise returns to shareholders and stakeholders.

## SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding directors’ and supervisors’ securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all directors and supervisors of the Company confirmed that they have complied with the required standard of dealings and the required code of conduct regarding securities transactions by directors and supervisors adopted by the Company throughout the year ended 31 December 2016.

## 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 among members of the Board, including financial, business, family or other significant/relevant relationship.

At 31 December 2016, the Board comprises seven Directors, among whom two are Executive Directors, two are Non-Executive Directors and three are 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 non-executive directors are considered to be independent.

## 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. The Executive Director, Mr. Zhu Yong Ning, is appointed as the Chairman of the Group. 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 (“Mr. Qiao”) prior to his resignation as Executive Director on 9 November 2016 was the CEO and he was 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.

After the resignation of Mr. Qiao as a director of the Company, Mr. Zhu Yong Ning takes up the position of both the Chairman and Chief Executive Officer of the Company. In the opinion of the Directors, this does not affect the accountability and making independent decision based on the following reasons:

- The Audit Committee is composed only of Independent Non-Executive Directors;
- Independent directors may seek immediate advice from the Company’s external auditors and independent professional advice at any time and as if necessary.

In addition, the Chairman, Mr. Zhu Yong Ning, is a substantial shareholder of the Company and has experienced industry experience which enables to make contributions to the growth and profitability of the Group. The Board understands that the roles of the Chairman and the Chief Executive Officer shall be independent to ensure that the powers and authorities are distributed in a balanced manner and that the authorities are not focused solely on single person. Hence, the Group will recruit a suitable person who has an extensive understanding of the Group’s business as soon as possible to manage the day-to-day business.

For the year ended 31 December 2016, the Company has conducted 4 regular board meetings, 4 audit committee meetings, 1 nomination committee meeting, 1 remuneration committee meeting and 1 general meeting. For the year ended 31 December 2016, the composition of the Board and the attendance record of each Director at the meetings are set out below:

Name of Directors	Title	Board Meeting	No. of attendance/No. of meeting			General Meeting
			Nomination Committee	Remuneration Committee	Audit Committee	
Mr. Zhu Yong Ning	Chairman and Executive Director	4/4	1/1	1/1		1/1
Mr. Qiao Ruo Gu	Executive Director (resigned on 9 November 2016)	4/4				0/1
Mr. Liu Jian (alias, Liu Jian Bang)	Executive Director	3/4				1/1
Mr. Wong Wa Tak	Non-Executive Director	3/4				1/1
Ms. Gao Peng	Non-Executive Director (resigned on 20 January 2016)					
Mr. Yin Shou Rong	Non-Executive Director (appointed on 6 May 2016)	3/3				0/1
Dr. Li Da Xi	Independent Non-Executive Director	0/4	0/1	0/1	0/4	0/1
Ms. Xie Hong	Independent Non-Executive Director	4/4	1/1	1/1	4/4	0/1
Mr. Xie Man Lin	Independent Non-Executive Director	3/4	1/1	1/1	4/4	0/1

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 risk management and internal controls of the Company and for reviewing its effectiveness.

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

## NON-EXECUTIVE DIRECTORS

Mr. Yin Shou Rong was appointed on 6 May 2016, for a term from 6 May 2016 to 5 May 2019.

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

Dr. Li Da Xi was appointed on 7 November 2014, for a term from 7 November 2014 to 6 November 2017.

Ms. Xie Hong and Mr. Xie Man Lin were appointed on 30 December 2014, for a term from 30 December 2014 to 29 December 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.

## 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. Zhu Yong Ning 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 composition of the Board 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. Zhu Yong Ning, one Non-Executive Director, namely Mr. Yin Shou Rong 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. Mr. Yin Shou Rong was appointed as the member of Remuneration Committee on 6 May 2016. 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 all 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 salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group while determining any specific remuneration package;
- (4) review and approve management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (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; and
- (8) organise the performance assessment to the Directors and senior management and to review the duty fulfillment and annual performance of such directors and senior management against the operational target fulfillment of the Company.

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.

# Corporate Governance Report

## AUDIT COMMITTEE

The Company established an audit committee on 8 December 2000, As at 31 December 2016, it comprises three Independent Non-Executive Directors, Dr. Daxi Li, Ms. Xie Hong and Mr. Xie Man Lin. The primary duties of the audit committee are to review and provide supervision over the financial reporting and risk management and internal control system of the Group. The audit committee has reviewed the annual result announcement, annual report and the independent auditors' report for the year ended 31 December 2016 and concluded the meeting with agreement to the contents of the annual result announcement and annual report.

All members of the Audit Committee are Independent Non-Executive Directors. During the year 2016, 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 2015, the 2015 Annual Report, 2016 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. Leung Wing Han Sharon ("Ms. Leung") was resigned the position as the company secretary of the Company with effect from 7 July 2016. Thereafter, Mr. Shum Shing Kei ("Mr. Shum") was appointed as the company secretary of the Company. Mr. Shum has confirmed that he 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.

## 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 2016 is summarized below:

Name of Directors	Attending seminar(s)/programme(s)/ conference(s)/internal briefing(s) relevant to the business or Directors' duties
Mr. Zhu Yong Ning	✓
Mr. Qiao Ruo Gu (resigned on 9 November 2016)	✓
Mr. Liu Jian (alias, Lin Jian Bang)	✓
Mr. Wong Wa Tak	✓
Mr. Gao Peng (resigned on 20 January 2016)	✓
Mr. Yin Shou Rong (appointed on 6 May 2016)	✓
Dr. Li Da Xi	✓
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

During the year under review, no amendments were added to the Articles.

## 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 14/F, St. John's Building, 33 Garden Road, Central, 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.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the system of risk management and 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 risk management and internal control system which is also indispensable for mitigating the Group's risk exposures. A sound and effective risk management and 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 risk management and 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 reviewing the risk management and internal control systems annually. During the year under review, such department has assessed the effectiveness of the internal risk management and control system of the Group including financial, operational and compliance controls, risk management functions and the 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. The Board is satisfied with the effectiveness and adequacy of the Company's existing risk management and internal control system.

## 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.

## 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 2016 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 (2) 6 (2) to the financial statements.

## AUDITORS' REMUNERATION

Shine Wing Certified Public Accountants LLP ("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 6 May 2016. 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 2016, 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 2016, the Directors have selected suitable accounting policies and applied them consistently and made judgments 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 37-40 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 2016, 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

**Yao Gen Yuan**

*Chairman of the Supervisory Committee*

Nanjing, the PRC  
24 March 2017



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. Zhu Yong Ning**, (朱永寧), aged 49, 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. Liu Jian (alias Liu Jian Bang)**, (劉建·又名劉建邦), aged 62, 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.

### Non-Executive Directors

**Mr. Wong Wa Tak**, (黃華德), aged 53, 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.

**Mr. Yin Shou Rong**, (印壽榮), aged 57, is currently the Deputy Chief Executive Officer of 南京大學科技實業(集團)公司 and the Deputy General Manager of Nanjing University Capital Management Co., Ltd. (南京大學資產經營有限公司). Mr. Yin focuses on property management business and application of developed technologies. As a graduate from the Nanjing University, Mr. Yin spent years at his alma mater as a deputy researcher, and later he became the Head of the Department of Technology Development at the Nanjing University. Mr. Yin had the experience of being the Deputy Mayor of Dafeng District, Yancheng, Jiangsu Province, China. Mr. Yin has extensive knowledge about law and capital market affairs, and has played a key role in the research and development of technologies as well as asset management in the Nanjing University. Mr. Yin was appointed as a Non-Executive Director of the Company on 6 May 2016.

### Independent Non-Executive Directors

**Dr. Daxi Li, (李大西)**, aged 66, 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 49, 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 Accountarty 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 53, 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".

**Mr. Shi Zhonghua, (施中華)**, aged 46, is an accountant and China Chartered Financial Analyst. He graduated from Nanjing Audit University with a degree in Economics and Management, and has extensive experience in fund raising, management and capital operations. Since 1990, Mr. Shi had worked in the Nanjing Branch of the Agricultural Bank of China, where he served as Head of Sub-branch and Department Head of Branch. He also served as the General Manager of each of the Real Estate Fund Management Department of the Fund Management Committee of Yurun Holding Group (雨潤控股集團), Anhui Jinrun Pawn Co., Limited (安徽金潤典當有限公司) and Jiangsu Xinrun Finance Leasing Co., Limited (江蘇鑫潤融資租賃有限公司). In April 2015, Mr. Shi was appointed as Executive Vice-President of the Fund Management Committee and as Head of the Debt Restructuring Team of Yurun Holding Group (雨潤控股集團). Mr. Shi was appointed as an Independent Non-Executive Director of the Company on 10 February 2017.

## Directors, Supervisors and Senior Management

**Ms. Xu Xiaoqin**, (徐小琴), aged 61, is a senior accountant with a postgraduate degree and extensive experience in finance and corporate management. She is currently the Chairman of Nanjing Ningma Expressway Company Limited (南京寧馬高速公路有限責任公司). Ms. Xu had served as Deputy Manager of the third branch of 南京市大件起重運輸公司 and Deputy Finance Director, Assistant to General Manager and Vice General Manager of the Headquarters of the same company, Deputy General Manager of Nanjing Jingang Education Training Centre (南京金港教育培訓中心), and Deputy General Manager of Nanjing Jianghai Group (南京江海集團). She had also served as Deputy Director, Assistant to the Head of Department and Deputy Head of Department of the Finance Department of 南京市港務管理處. Additionally, she acted as the Deputy General Manager, General Manager, and Party Branch Secretary of Nanjing Highway Development (Group) Co., Ltd. (南京公路發展(集團)有限公司). Further, she was the Deputy Chief Accountant, Chief Accountant, member of the Party Committee and Representative Director of Nanjing Communications Group (南京市交通集團). Ms. Xu was appointed as an Independent Non-Executive Director of the Company on 10 February 2017.

### MEMBERS OF SUPERVISORY COMMITTEE

**Mr. Yao Gen Yuan**, (姚根元), aged 54, is currently the Deputy General Manager of Nanjing University Capital Management Co., Ltd. (南京大學資產經營有限公司). As a graduate with a history degree from the Nanjing University, Mr. Yao spent years at his alma mater as a deputy researcher. Since 1985, Mr. Yao has had the experience of being the Lecturer in Politics at the Nanjing University, the Secretary to the General Manager of 南京大學科技實業(集團)公司, Head of Corporate Management in both 南京大學產業辦公室 and 南京大學科技實業(集團)公司, Head of the Real Estate and Asset Management Office of the Nanjing University, Deputy Officer of the Scientific Technology and Industry Office of the Nanjing University, and Secretary to the Board of Directors of Nanjing University Capital Management Co., Ltd. (南京大學資產經營有限公司).

**Mr. Dong Liang**, (董梁), aged 48, a PhD graduate, is currently the deputy general manager of Jiangsu High Technology Investment Group Limited (江蘇高科技投資集團). 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; and tendered his resignation as supervisor on 9 November 2016.

**Ms. Chen Jian Hong**, (陳建紅), aged 48, 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 35, 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.

## Directors, Supervisors and Senior Management

**Mr. Ngai Ji Hao**, (魏基豪), aged 40, 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, and tendered his resignation as supervisor on 1 March 2017.

**Mr. Liang Run Bao**, (梁潤寶), aged 42, 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.

**Ms. Huang Jing Jing**, (黃晶晶), aged 33, is currently the Manager of the Investment Management Department of Jiangsu High-Tech Investment Group Co., Ltd. (江蘇高科技投資集團有限公司). She graduated from the University of Adelaide, South Australia with a master's degree in accounting and finance. Ms. Huang has previously served as Assistant Finance Manager of Shanghai KIRTUN Electrical Equipment Group (上海華東電器集團), and Jiangsu High-Tech Investment Group Co., Ltd. (江蘇高科技投資集團有限公司) respectively.

### SENIOR MANAGEMENT

**Mr. Qiao Ruo Gu**, (喬若谷), aged 41, 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. Qiao tendered his resignation as the Chief Executive Officer of the Company on 9 November 2016.

**Mr. Pu Liang**, (浦良), aged 53, 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 (江蘇省計算器技術服務公司) and Jiangsu Province YiDi Computer Software Co., Ltd. (江蘇省依迪計算器軟件公司) 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.

## Directors, Supervisors and Senior Management

**Mr. Xu Zhi Huai**, (許志懷), aged 59, 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 vicepresident 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. Mr. Xu tendered his resignation as the Vice President of the Company on 31 December 2016.

**Mr. Gao Jie**, (高杰), aged 51, 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**, (吳崢嶸), aged 40, 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**, (秦鈞鈞), aged 45, 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.

**Mr. Shun Shing Kei**, (沈成基), aged 45. Mr. Shum has over 10 years of experience in finance, accounting and company secretarial matters. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

# INDEPENDENT AUDITORS' REPORT

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

## I. QUALIFIED OPINION

We have audited the financial statements of Jiangsu NandaSoft Technology Company Limited ("NandaSoft"), which comprise the consolidated and parent balance sheet as at 31 December 2016, 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 2016 and notes to the financial statements.

In our opinion, except for the possible impact of the events stated in "Basis for Qualified Opinions", the enclosed financial statements give a fair view of the consolidated and parent financial position of NandaSoft as of 31 December 2016 and of its consolidated and parent operating results and cash flow for the year 2016 and have been prepared in accordance with the Accounting Standards for Business Enterprises in all material respects.

## II. BASIS FOR 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 RMB185.13 million. Since there is uncertainty as to whether the Building Sale and Purchase Contract entered into between NandaSoft and the related party will continue to be fulfilled, we fail to obtain sufficient and appropriate audit evidence to judge the impact 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 NandaSoft Company has been recognized by NandaSoft as investment properties as to RMB144.54 million and fixed assets as to RMB8.03 million. Since we are not allowed to contact the related tenant, and NandaSoft is unable to provide any information relating to such kind of assets which was occupied by the related tenant without consideration, hence, we are unable to judge the impact of such event in the financial statements.
- (3) As stated in note 12.1(5) to the financial statements, since NandaSoft's litigation against NandaSoft Intelligent Technology (Shanghai) Co., Ltd. is pending and NandaSoft is unable to provide us with the investment information and financial information relating to NandaSoft Intelligent Technology (Shanghai) Co., Ltd., we are unable to make any judgment regarding such investment amount as presented and the recoverability of the receivables involved.
- (4) As stated in note 6.9 to the financial statement, since NandaSoft could not provide relevant financial information about Promed Medical Technology (Suzhou) Company Limited, we are unable to make any judgment regarding such investment amount as presented.

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe the audit evidences obtained by us are sufficient and appropriate and provide basis for our audit opinions.

### III. SIGNIFICANT UNCERTAINTY RELATING TO CONTINUING OPERATIONS

We hereby remind the readers of this report that as stated in note 3.2 to the financial statements, as of 31 December 2016, the current liabilities of NandaSoft are high than its current assets by RMB334,008,375. Such situation shows that there may be a material uncertainty which cast significant doubt upon NandaSoft's ability to continue as a going concern. The measures taken by NandaSoft to improve the current working capital position include but not limited to raising working capital by means of issuing shares, depositing of equity, bank loans and financial support from shareholders. Such issue does not affect the audit opinions presented.

### IV. KEY AUDIT MATTERS

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Apart from the events stated in "Basis for Qualified Opinions" and "Significant Uncertainty Relating to Continuing Operations", the key audit matters communicated in our audit report are as follows:

#### Matters on investment properties at fair value

##### Key Audit Matter

As of 31 December 2016, the balance of investment properties at fair value showed in the notes to the consolidated financial statement of Nandasoft was RMB538 million, which was a material asset of Nandasoft with a relatively large amount. Therefore, we considered the measurement of investment properties as the key audit matter.

According to Nandasoft's accounting policies, investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at fair value, and the changes of fair value are recognized in the profit or loss for the current period.

As investment properties of Nandasoft have no direct reference prices in the active market, so Nandasoft uses valuation technique to identify the fair value of investment properties (see details stated in note 6.10 "Investment Properties").

##### Application for auditing

Concerning the fair value of such investment properties, we conducted audit procedures including:

Evaluate Nandasoft's relevant controls over such investment properties; understand and evaluate the valuation techniques on such investment properties; and discuss with the valuation experts regarding their application of these specific valuation techniques; and consider and evaluate the parameters and discounted rates used for the valuation.

## V. OTHER INFORMATION

The management of NandaSoft is responsible for other information, which includes the information included in 2016 Annual Report of NandaSoft but excludes the financial statements and our auditors' report.

Our opinion on the financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and in the process, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, if we conclude that there is a material misstatement therein, we should report the fact. In this respect, we are not required to report other matters.

## VI. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## VII. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent Auditors' Report

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NandaSoft's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw the attention of the readers in our auditor's report regarding the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause NandaSoft to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Shine Wing Certified Public Accountants  
(Special General Partnership)

Chinese Certified Public Accountant: (Audit Partner) Shao Lixin  
Chinese Certified Public Accountant: Wu Xiaorui

Beijing, China

24 March 2017



# CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2016

		RMB	
Item	Notes	2016	2015
<b>Current assets:</b>			
Cash and bank balances	6, 1	49,652,041	90,723,555
Clearing settlement funds			
Placements with banks			
Financial assets with change in fair value through profit or loss	6, 2	10,000,000	
Bills receivable			
Accounts receivables	6, 3	180,068,219	262,069,200
Prepayments	6, 4	4,736,069	22,483,393
Premiums receivable			
Receivables from reinsurers			
Deposits receivable from reinsurance treaty			
Interest receivable			
Dividends receivable			
Other receivables	6, 5	93,462,938	126,149,946
Financial assets purchased for resale			
Inventories	6, 6	80,773,744	77,699,106
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	6, 7	388,079	63,128
<b>Total current assets</b>		<b>419,081,090</b>	579,188,328
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	6, 8	8,219,110	8,219,110
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	6, 9	81,480,567	79,429,411
Investment properties	6, 10	537,898,537	529,730,893
Fixed assets	6, 11	83,160,428	86,775,630
Construction in progress			
Construction supplies			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	6, 12	5,717,075	6,269,505
Development expenses			
Goodwill	6, 13	23,408,369	23,408,369
Long-term deferred expenses	6, 14	790,760	371,518
Deferred income tax assets	6, 15	2,967,770	1,573,955
Other non-current assets	6, 16	10,550,260	476,430
<b>Total non-current assets</b>		<b>754,192,876</b>	736,254,821
<b>Total assets</b>		<b>1,173,273,966</b>	1,315,443,149

# Consolidated Balance Sheet

For the year ended 31 December 2016

RMB

Item	Notes	2016	2015
<b>Current liabilities:</b>			
Short-term loans	6, 17	<b>132,109,583</b>	164,471,000
Borrowings from PBOC			
Absorbing deposit and interbank deposit			
Capital borrowed			
Financial liabilities with change in fair value through profit or loss			
Bills payable	6, 18	<b>1,090,000</b>	12,500,000
Accounts payables	6, 19	<b>216,083,687</b>	251,271,180
Advances from customers	6, 20	<b>35,261,568</b>	64,975,916
Proceeds from disposal of repurchased financial assets			
Commission charge and commission payable			
Salaries payable	6, 21	<b>3,175,569</b>	2,206,840
Taxes payable	6, 22	<b>16,612,745</b>	22,867,188
Interest payable	6, 23	<b>19,837,615</b>	9,055,684
Dividends payable	6, 24	<b>6,003,968</b>	6,003,968
Other payables	6, 25	<b>299,179,231</b>	328,301,347
Payables to reinsurers			
Reserves for insurance contracts			
Client money received for acting as securities trading agent			
Client money received for acting as securities underwriter			
Liabilities classified as held for sale			
Non-current liabilities due within one year	6, 26	<b>12,000,000</b>	11,200,000
Other current liabilities	6, 27	<b>11,735,499</b>	10,881,977
<b>Total current liabilities</b>		<b>753,089,465</b>	883,735,100
<b>Non-current liabilities:</b>			
Long-term loans	6, 28	<b>21,600,000</b>	33,600,000
Bonds payable			
Including: Preference shares			
Perpetual debts			
Long-term payables	6, 29	<b>127,442,399</b>	72,914,886
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	6, 15	<b>59,068,595</b>	54,923,564
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>208,110,994</b>	161,438,450
<b>Total liabilities</b>		<b>961,200,459</b>	1,045,173,500

## Consolidated Balance Sheet

*For the year ended 31 December 2016*

		RMB	
Item	Notes	2016	2015
<b>Shareholders' equity:</b>			
Share capital	6, 30	<b>140,380,000</b>	124,000,000
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	6, 31	<b>121,718,414</b>	93,873,332
Less: treasury stock			
Other comprehensive income	6, 32	<b>84,239,841</b>	82,280,708
Special reserve			
Surplus reserve	6, 33	<b>19,962,462</b>	19,962,462
General risk reserve			
Undistributed profits	6, 34	<b>-210,258,758</b>	-100,649,435
<b>Total owners' equity attributable to the parent company</b>		<b>156,041,959</b>	219,467,067
<b>Minority interests</b>	6, 35	<b>56,031,548</b>	50,802,532
<b>Total shareholders' equity</b>		<b>212,073,507</b>	270,269,599
<b>Total liabilities and shareholders' equity</b>		<b>1,173,273,966</b>	1,315,443,149

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

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>Current assets:</b>			
Cash and bank balances	16, 1	7,622,913	8,199,885
Financial assets at fair value through profit or loss			
Bills receivable			
Accounts receivables	16, 2	68,037,707	83,018,902
Prepayments	16, 3	6,642,663	11,701,874
Interest receivable			
Dividends receivable		3,601,466	3,601,466
Other receivables	16, 4	101,062,828	138,946,714
Inventories	16, 5	11,915,872	17,472,767
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>198,883,449</b>	262,941,608
<b>Non-current assets:</b>			
Available-for-sale financial assets	16, 6	7,050,000	7,050,000
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	16, 7	133,580,894	149,172,479
Investment properties	16, 8	533,395,137	525,398,893
Fixed assets	16, 9	80,486,371	84,090,876
Construction in progress			
Clearance of fixed asset			
Biological assets for production			
Fuel assets			
Intangible assets	16, 10	5,250,650	5,710,869
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	16, 11		
Other non-current assets	16, 12	10,550,261	476,429
<b>Total non-current assets</b>		<b>770,313,313</b>	771,899,546
<b>Total assets</b>		<b>969,196,762</b>	1,034,841,154

# Balance Sheet of the Parent Company

31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>Current liabilities:</b>			
Short-term loan	16, 12	<b>134,049,584</b>	145,971,000
Financial liabilities at fair value through profit or loss			
Bills payable			
Accounts payables	16, 13	<b>81,016,832</b>	90,544,067
Advances from customers	16, 14	<b>22,502,546</b>	27,162,842
Salaries payable		<b>1,607,724</b>	1,673,913
Taxes payable		<b>3,038,280</b>	3,308,033
Interest payable		<b>23,001,011</b>	9,055,684
Dividends payable		<b>6,003,968</b>	6,003,968
Other payables	16, 15	<b>359,270,509</b>	380,475,365
Liabilities classified as held for sale			
Non-current liabilities due within one year		<b>12,000,000</b>	11,200,000
Other current liabilities		<b>11,435,499</b>	10,881,977
<b>Total current liabilities</b>		<b>653,925,953</b>	686,276,849
<b>Non-current liabilities:</b>			
Long-term loans		<b>21,600,000</b>	33,600,000
Debentures payable			
Including: Premium			
Perpetual			
Long-term payable	16, 16	<b>127,442,399</b>	72,914,886
Long-term payroll payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities	16, 11	<b>58,463,001</b>	54,055,586
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>207,505,400</b>	160,570,472
<b>Total liabilities</b>		<b>861,431,353</b>	846,847,321

# Balance Sheet of the Parent Company

31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>Shareholders' equity:</b>			
Share capital		<b>140,380,000</b>	124,000,000
Other equity instruments			
Including: Premium			
Perpetual			
Capital reserve		<b>121,718,414</b>	92,234,414
Less: treasury stock			
Other comprehensive income		<b>81,862,413</b>	81,862,413
Special reserve			
Surplus reserve		<b>20,469,819</b>	20,469,819
Undistributed profits		<b>-256,665,237</b>	-130,572,813
<b>Total shareholders' equity</b>		<b>107,765,409</b>	187,993,833
<b>Total liabilities and shareholders' equity</b>		<b>969,196,762</b>	1,034,841,154

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

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

Unit: RMB

Item	Notes	2016	2015
<b>I. Total operating income</b>		<b>443,364,648</b>	513,130,153
Including: Operating income	6, 39	<b>443,364,648</b>	513,130,153
Interest income			
Premiums earned			
Fee and commission income			
<b>II. Total operating costs</b>		<b>487,927,860</b>	555,773,840
Including: Operating costs	6, 39	<b>384,321,856</b>	445,081,222
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	6, 40	<b>1,986,367</b>	3,634,616
Selling expenses	6, 41	<b>13,433,994</b>	16,039,565
Administrative expenses	6, 42	<b>51,946,988</b>	56,013,389
Financial expenses	6, 43	<b>36,238,655</b>	35,005,048
Loss on assets impairment	6, 44	<b>53,287,583</b>	45,468,938
Add: Gain from change in fair value (losses are represented by “-”)	6, 45	<b>8,167,644</b>	-17,698,469
Investment income (losses are represented by “-”)	6, 46	<b>4,273,549</b>	7,491,285
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>-85,409,602</b>	-98,319,808
Add: Non-operating income	6, 47	<b>2,455,553</b>	4,864,749
Including: Profit from disposal of non-current assets		<b>4,430</b>	174,278
Less: Non-operating expenses	6, 48	<b>20,997,291</b>	51,188,820
Including: Loss from disposal of non-current assets		<b>926</b>	17,801
<b>IV. Total profit (losses are represented by “-”)</b>		<b>-103,951,340</b>	-144,643,880
Less: Income tax expenses	6, 49	<b>2,307,638</b>	4,917,730
<b>V. Net Profit (losses are represented by “-”)</b>		<b>-106,258,978</b>	-149,561,610
Net profit attributable to equity holders of parent company		<b>-109,609,323</b>	-160,392,827
Minority interests		<b>3,350,345</b>	10,831,217



# Consolidated Income Statement

For the year ended 31 December 2016

Item	Notes	2016	2015
<b>VI. Other comprehensive income, net of tax</b>		<b>1,959,133</b>	8,705,673
Other comprehensive income attributable to owners of parent company, net of tax		<b>1,959,133</b>	8,705,673
(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>1,959,133</b>	8,705,673
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, 54	<b>1,959,133</b>	2,371,312
6. Others	6, 54		6,334,361
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VII. Total comprehensive income</b>		<b>-104,299,845</b>	-140,855,937
Total comprehensive income attributable to the shareholders of parent company		<b>-107,650,190</b>	-151,687,154
Total comprehensive income attributable to minority shareholders		<b>3,350,345</b>	10,831,217
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.083</b>	-0.129
(2) Diluted earnings per share		<b>-0.083</b>	-0.129

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

# INCOME STATEMENT OF THE PARENT COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>I. Operating income</b>	16, 17	<b>32,612,705</b>	76,342,732
Including: Operating cost	16, 17	<b>24,071,427</b>	73,200,284
Taxes and surcharges	16, 18	<b>670,434</b>	73,388
Selling expenses	16, 19	<b>3,543,930</b>	4,889,195
Administrative expenses	16, 20	<b>25,899,385</b>	33,060,673
Financial expenses	16, 21	<b>39,942,628</b>	34,419,022
Loss on assets impairment	16, 22	<b>40,485,842</b>	35,208,380
Add: Gain from change in fair value (losses are represented by "-")	16, 23	<b>7,996,244</b>	-16,530,469
Investment income (losses are represented by "-")	16, 24	<b>-9,233,179</b>	1,009,083
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>-103,237,876</b>	-120,029,596
Add: Non-operating income	16, 25	<b>1,722,051</b>	4,676,782
Including: Profit from the disposal of non-current assets			148,088
Less: Non-operating expenses	16, 26	<b>20,760,217</b>	44,962,348
Including: Loss from the disposal of non-current assets		<b>678</b>	16,739
<b>III. Total profit (losses are represented by "-")</b>		<b>-122,276,042</b>	-160,315,162
Less: Income tax expenses	16, 27	<b>3,816,382</b>	7,338,658
<b>IV. Net Profit (losses are represented by "-")</b>		<b>-126,092,424</b>	-167,653,820
<b>V. Other comprehensive income, net of tax</b>			6,334,361
(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			6,334,361
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			6,334,361
<b>VI. Total comprehensive income</b>		<b>-126,092,424</b>	-161,319,459
<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

For the year ended 31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>540,263,014</b>	556,579,749
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			
Cash received relating to other operating activities		<b>16,910,558</b>	42,588,910
<b>Sub-total of cash inflows from operating activities</b>		<b>557,173,572</b>	599,168,659
Cash paid for goods and services		<b>488,162,036</b>	473,814,238
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>37,431,175</b>	39,869,874
Payments of tax charges		<b>11,192,342</b>	7,604,937
Cash paid relating to other operating activities		<b>29,728,989</b>	83,519,861
<b>Sub-total of cash outflows from operating activities</b>		<b>566,514,542</b>	604,808,910
<b>Net cash flows from operating activities</b>		<b>-9,340,970</b>	-5,640,251

# Consolidated Cash Flow Statement

For the year ended 31 December 2016

Item	Note	2016	2015
<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		8,500	3,379,006
Net cash received from disposal of subsidiaries and other operating entities		12,450,000	8,580,759
Cash received relating to other investing activities		57,098,000	15,000,000
<b>Sub-total of cash inflows from investing activities</b>		<b>69,556,500</b>	<b>26,959,765</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,928,009	3,895,769
Cash paid to acquire investments		10,000,000	
Net increase of pledged loans		-	
Net cash paid to acquire subsidiaries and other operating entities		5,000,000	9,256,623
Cash paid relating to other investing activities		57,000,000	
<b>Sub-total of cash outflows from investing activities</b>		<b>73,928,009</b>	<b>13,152,392</b>
<b>Net cash flows from investing activities</b>		<b>-4,371,509</b>	<b>13,807,373</b>
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Including: Cash received from minority shareholders investment by subsidiary			
Cash received from borrowings		366,449,584	171,971,000
Cash received from issuing of bonds		-	
Cash received from other financing activities		70,000,000	45,864,000
<b>Sub-total of cash inflows from financing activities</b>		<b>436,449,584</b>	<b>217,835,000</b>
Cash repayments of borrowings		410,011,000	184,000,000
Cash payments for distribution of dividends or profits and interest expenses		23,003,699	27,126,693
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries			
Cash paid to other financing activities		30,419,333	
<b>Sub-total of cash outflows from financing activities</b>		<b>463,434,032</b>	<b>211,126,693</b>
<b>Net cash flows from financing activities</b>		<b>-26,984,448</b>	<b>6,708,307</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>4,638</b>	<b>13,975</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>-40,692,289</b>	<b>14,889,404</b>
Add: Cash and cash equivalents at beginning of period		<b>75,579,403</b>	<b>60,689,999</b>
<b>VI. Cash and cash equivalent at end of period</b>		<b>34,887,114</b>	<b>75,579,403</b>

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

# CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year ended 31 December 2016

Unit: RMB

Item	Note	2016	2015
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		<b>34,235,502</b>	60,020,775
Refund of taxes and surcharges		—	
Cash received relating to other operating activities		<b>4,137,157</b>	12,917,421
Sub-total of cash inflows from operating activities		<b>38,372,659</b>	72,938,196
Cash paid for goods and services		<b>9,093,013</b>	56,458,200
Cash paid to and on behalf of employees		<b>9,071,586</b>	12,820,120
Payments of tax charges		<b>2,466,870</b>	1,444,075
Cash paid relating to other operating activities		<b>22,519,592</b>	33,907,825
<b>Sub-total of cash outflows from operating activities</b>		<b>43,151,061</b>	104,630,220
<b>Net cash flows from operating activities</b>		<b>-4,778,402</b>	-31,692,024
<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			3,364,006
Net cash received from disposal of subsidiaries and other operating entities		<b>12,450,000</b>	8,580,759
Cash received relating to other investing activities			15,000,000
<b>Sub-total of cash inflows from investing activities</b>		<b>12,450,000</b>	26,944,765
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>1,042,507</b>	1,054,191
Cash paid to acquire investments			
Net cash paid to acquire subsidiaries and other operating entities		<b>5,000,000</b>	17,808,316
Cash paid relating to other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		<b>6,042,507</b>	18,862,507
<b>Net cash flows from investing activities</b>		<b>6,407,493</b>	8,082,258

## Cash Flow Statement of the Parent Company

*For the year ended 31 December 2016*

Item	Note	2016	2015
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			146,471,000
Cash received from borrowings		<b>359,949,584</b>	
Cash received from issuing of bonds			45,864,000
Cash received from other financing activities		<b>70,000,000</b>	
<b>Sub-total of cash inflows from financing activities</b>		<b>429,949,584</b>	192,335,000
Cash repayments of borrowings		<b>383,071,000</b>	140,000,000
Cash payments for distribution of dividends or profits and interest expenses		<b>22,676,355</b>	25,832,117
Cash paid to other financing activities		<b>28,839,334</b>	
<b>Sub-total of cash outflows from financing activities</b>		<b>434,586,689</b>	165,832,117
<b>Net cash flows from financing activities</b>		<b>-4,637,105</b>	26,502,883
<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>-3,008,014</b>	2,893,117
Add: Cash and cash equivalents at beginning of period		<b>3,098,434</b>	205,317
<b>VI. Cash and cash equivalent at end of period</b>		<b>90,420</b>	3,098,434

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Unit: RMB

Items	2016												
	Equity attributable to shareholders of the Parent Company											Total shareholder's equity	
	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	-	-	-	93,873,332	-	82,280,708	-	19,962,462	-	-100,649,435	50,802,532	270,269,599
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	-	-	-	93,873,332	-	82,280,708	-	19,962,462	-	-100,649,435	50,802,532	270,269,599
<b>III. Change through current year</b>													
<b>(“-” for losses)</b>	16,380,000	-	-	-	27,845,082	-	1,959,133	-	-	-	-109,609,323	5,229,016	-58,196,092
(1) Total comprehensive income							1,959,133				-109,609,323	3,350,345	-104,299,845
(2) Contribution and withdrawal of capital by shareholders	16,380,000	-	-	-	29,484,000	-	-	-	-	-	-	-	45,864,000
1. Ordinary shares contributed by shareholders	16,380,000												16,380,000
2. Capital contributed by other equity instruments holders													-
3. Amounts of share-based payments recognized in shareholder's equity					29,484,000								29,484,000
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					-1,638,918							1,878,671	239,753
<b>IV. Ending balance of current year</b>	140,380,000	-	-	-	121,718,414	-	84,239,841	-	19,962,462	-	-210,258,758	56,031,548	212,073,507

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Unit: RMB

Items	2015												
	Equity attributable to shareholders of the Parent Company											Total shareholder's equity	
	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
<b>I. Ending balance of previous year</b>	124,000,000	-	-	-	92,234,414	-	74,215,190	-	19,962,462	-	59,743,392	39,441,835	409,597,293
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	-	-	-	92,234,414	-	74,215,190	-	19,962,462	-	59,743,392	39,441,835	409,597,293
<b>III. Change through current year ("-" for losses)</b>	-	-	-	-	1,638,918	-	8,065,518	-	-	-	-160,392,827	11,360,697	-139,327,694
(1) Total comprehensive income							8,065,518				-160,392,827	10,831,217	-140,855,937
(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					1,638,918		-640,155					529,480	1,528,243
<b>IV. Ending balance of current year</b>	124,000,000	-	-	-	93,873,332	-	82,280,708	-	19,962,462	-	-100,649,435	50,802,532	270,269,599

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

For the year ended 31 December 2016

Unit: RMB

Item	2016										
	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	Unallocated profit	Total shareholder's equity
Preferred shares		Preferred shares	Others								
<b>I. Ending balance of previous year</b>	124,000,000	-	-	-	92,234,414	-	81,862,413	-	20,469,819	-130,572,813	187,993,833
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	124,000,000	-	-	-	92,234,414	-	81,862,413	-	20,469,819	-130,572,813	187,993,833
<b>III. Change through current year ("-" for losses)</b>	16,380,000	-	-	-	29,484,000	-	-	-	-	-126,092,424	-80,228,424
(1) Total comprehensive income										-126,092,424	-126,092,424
(2) Contribution and withdrawal of capital by shareholders	16,380,000	-	-	-	29,484,000	-	-	-	-	-	45,864,000
1. Ordinary shares contributed by shareholders	16,380,000										16,380,000
2. Capital contributed by other equity instruments holders											-
3. Amounts of share-based payments recognized in shareholder's equity					29,484,000						29,484,000
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>	140,380,000	-	-	-	121,718,414	-	81,862,413	-	20,469,819	-256,665,237	107,765,409

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

For the year ended 31 December 2016

Unit: RMB

Item	2015										
	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	Unallocated profit	Total shareholder's equity
Preferred shares		Preferred shares	Others								
<b>I. Ending balance of previous year</b>	124,000,000	-	-	-	92,234,414	-	75,528,052	-	20,469,819	37,081,007	349,313,292
Add: changes in accounting policies											-
Correction of prior period errors											-
Others											-
<b>II. Beginning balance of current year</b>	124,000,000	-	-	-	92,234,414	-	75,528,052	-	20,469,819	37,081,007	349,313,292
<b>III. Change through current year ("-" for losses)</b>	-	-	-	-	-	-	6,334,361	-	-	-167,653,820	-161,319,459
(1) Total comprehensive income							6,334,361			-167,653,820	-161,319,459
(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	-	-	-	92,234,414	-	81,862,413	-	20,469,819	-130,572,813	187,993,833

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

# NOTES TO THE FINANCIAL STATEMENTS

1 January 2016 to 31 December 2016

## 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 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 RMB110.4 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.

On 2 June 2016, the Company received the investment funds amounted to RMB45.86 million from Jiangsu Keneng Electricity Technology Co., Ltd., of which RMB16.38 million was additional share capital and RMB29.48 million was additional capital reserve. This capital increase was audited by Jiangsu Huajia Certified Public Accountant Co., Ltd. (江蘇華嘉會計師事務所有限公司) and the Capital Verification Report, Hua Jia Yan Zi [2016] No.006, was issued on 2 June 2016. By the end of 31 December 2016, the total equity of the Company was RMB140.38 million representing the total number of 1,403.8 million shares which include 982.8 million unlisted shares, representing 70.01% of the equity, and 421 million outstanding public H shares, representing 20.99% of the equity.

The registered address of the Company: 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 was changed to 14th Floor, St. John’s Building, 33 Garden Road, Central, 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 16 companies, which are Jiangsu NandaSoft Computer Equipment Co., Ltd., 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, NandaSoft Technology Investment Development (Wuxi) Company Limited was disposal and it was removed from the scope.

For the details of changes in the scope of consolidation during the reporting period, please refer to "7. Changes in Scope of Consolidation" and "8. Interests in Other Entities".

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 at 31 December 2016, the current liabilities of the Group is higher than the current assets of RMB334,008,375. 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, 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.



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

### 2. Accounting year

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

### 3. Operating cycle

The operating cycle that the Group operates business is shorter. The Group treats the 12-month as the criteria for the classification of the liquidity of assets and liabilities.

### 4. 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 are translated according to the translation method in Note 4, 8(2).

### 5. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 6. Preparation of consolidated financial statements

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

The consolidated scope of consolidated financial statements is determined based on control. Control is the power the investor(s) has over the investee(s), that the investor(s) enjoys variable return on investment by taking part in the investee's operating activities, and is able to affect the amount of return by using such power. The Company shall re-evaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

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.

When preparing consolidated financial statements, all significant internal transactions, balances and un-realized 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 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 the shareholding of the investee under common control that was obtained by different transactions in stages and become business combination finally, such equity shall be adjusted in the preparation of consolidated financial statements as if they might have existed as the current state from the time when final controlling party takes the control. When preparing comparative statements, relevant assets and liabilities of the acquiree are included in the comparative statements of consolidated financial statements of the Company according to the restriction that the time above shall be no earlier than the time when the Company and the acquiree are under the common control of final controlling party. Moreover, increased net assets resulting from the combination are adjusted as relevant items under owners' equity in comparative statements. In order to avoid repeated calculation of value of net assets of the acquiree, the long-term equity investment held by the Company before the combination is achieved, the changes in relevant profits or losses, other comprehensive incomes and other net asset that have been recognized in the period from the later date when the original equity is acquired and when the Company and the acquiree are under the final control of the same party to the combination date, shall respectively be applied to write off the opening retained earnings or current profits or losses during the period of comparative statement.

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

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

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.

For the shareholding of the investee not under common control which was obtained by different transactions in stages and become business combination finally, the equity of the acquiree obtained before the purchase date shall be measured again as per the fair value of the equity on the purchase date when preparing the consolidated financial statements, with the difference between the fair value and its book value be accounted for into the investment income for the current period. If the equity of the acquiree held before the purchase date involves other comprehensive income calculated under the equity method and other change of the owner's equity except net profits and incomes, other comprehensive income and profit distribution, the relevant other comprehensive income and other change of owners' equity shall be transferred into current investment profit or loss on the purchase date, except other comprehensive income arising out from that the investee measures again the change of the net liabilities or net assets of the set benefit plan.

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.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 7. 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.

### 8. 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)

### 9. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

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

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

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

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

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.

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

### 9. 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 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.

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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 9. 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)

### 10. 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

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 10. 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)

### 10. 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

### 11. 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.

### 12. 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.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 12. 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 longterm 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)

### 12. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 12. 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.

### 13. 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)

### 13. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 14. 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.

### 15. 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)

### 16. 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.

### 17. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 17. 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.

### 18. 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.

### 19. 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)

### 20. 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.

### 21. 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.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 22. 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)

### 23. 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.

### 24. 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 25. 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.

### 26. OTHER SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### (1) Segment information

The Group determines the operating segments according to the internal organizational structure, management requirements and internal reporting system. An operating segment is a component of the Company that satisfies all of the following conditions:

- (a) The component is able to generate revenues and incur expenses from its ordinary activities;
- (b) Its operating results are regularly reviewed by the Group's management for making decisions regarding resources to be allocated to the segment and assess its performance; and
- (c) The Group is able to inspect the information of the financial position, operating results and cash flow of the segment.

The Group determines the reporting segments based on operating segments. Inter-segment revenue is measured on the basis of actual transaction price for such transactions.

### 27. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### (1) CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

Nil.

#### (2) CHANGE IN ACCOUNTING ESTIMATES

Nil.



## 5. TAXATION

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

Category	Tax base	Tax rate
Value-Added Tax	Revenue from sales of goods and provision of technical services	17%/6%
	Revenue from lease and installation	5%/3%
Business Tax ( <i>Note</i> )	Revenue 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%
	On rental value	12.00%
Corporate income tax	Taxable income	25.00%

*Note:* Pursuant to the requirements of the Circular regarding the Comprehensive Roll-out of the Pilot Program for the Transformation from Business Tax to Value-Added Tax (Cai Shui (2016) No. 36) promulgated by Ministry of Finance and State Administration of Taxation, all taxpayers of business tax in the construction, real estate, finance and consumer services industries are involved in the pilot program and liable to pay VAT instead of business tax from 1 May 2016.

#### (1) Corporate income tax

##### ■ The Company

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 2016 is 15%.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 5. TAXATION (Continued)

### 1. Main categories of tax and tax rate (Continued)

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

##### ■ Domestic subsidiaries of the Company

On January 2017, Jiangsu Changtian Zhiyuan Transportation 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. GR201632000879) 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) (Issue date: 30 November 2016), 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 2016 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 2016.

#### (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 2016.

Subsidiaries of the Company, to which the preferential VAT policies applied in 2016, are Jiangsu Changtian Zhiyuan Transportation Technology Company Limited and Jiangxi NandaSoft Technology Co., Ltd.

## 6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial statement data disclosed below, unless specifically indicated, “Beginning Balance” refers to January 1, 2016; and “Ending Balance” refers to December 31, 2016. “Current Year” refers to the period from January 1, 2016 to December 31, 2016; and “Last Year” refers to the period from January 1, 2015 to December 31, 2015. The currency is in RMB.

### 1. Cash and cash equivalents

Items	Ending Balance	Beginning Balance
Cash	19,166	2,850,000
Bank deposits	36,447,948	72,729,403
Other currency funds	13,184,927	15,144,152
<b>Total</b>	<b>49,652,041</b>	90,723,555
Including: total amount deposited overseas	205,775	444,425

*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 operating volume of the Company.

*Note 2:* The fixed-term deposit of the Company was RMB1,580,000 (31 December 2015: nil).

*Note 3:* Among other monetary fund of the Company: RMB7,519,673 (31 December 2015: RMB5,088,631) was frozen due to litigation (please see notes 12.1. Pending Litigation for details of litigation); RMB654,000.00 was the deposit for bank acceptance bill (31 December 2015: RMB7,500,000.); RMB5,011,254 was the deposit for contract fulfillment (31 December 2015: 2,168,199); the tender deposit was nil (31 December 2015: RMB387,322).

### 2. Financial assets at fair value through profit or loss

#### (1) Categories of trading assets

Category	Ending Balance	Beginning Balance
Financial assets designated at fair value through profit or loss for the period of the changes	10,000,000	
<b>Total</b>	<b>10,000,000</b>	

*Note:* A subsidiary of the Company Jiangsu Changtian Zhiyuan Transportation Technology Company Limited acquired CMB Cash A-Fund of China Merchants Bank Co., Ltd., Nanjing Branch at an investment cost of RMB1 per unit and held 10,000,000 units.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 3. Accounts receivable

Items	Ending Balance	Beginning Balance
Accounts receivable	<b>259,196,393</b>	310,800,962
Less: provision for bad debts	<b>79,128,174</b>	48,731,762
Net amount	<b>180,068,219</b>	262,069,200

Note: The decrease in the ending balance of accounts receivable as compared with the beginning balance was mainly due to the decrease in revenue volume of the Group.

#### (1) Aging analysis

Aging	Ending Balance	Opening Balance
3 months (inclusive)	<b>72,980,146</b>	187,252,970
3 months to 6 months (inclusive)	<b>5,288,332</b>	12,009,484
7 months to 12 months (inclusive)	<b>21,110,149</b>	8,295,373
Over 1 year	<b>80,689,592</b>	54,511,373
Net	<b>180,068,219</b>	262,069,200

#### (2) Classification by risks

Items	Ending Balance				Book balance	Beginning Balance				Book value
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	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>259,196,393</b>	<b>100.00</b>	<b>79,128,174</b>	<b>30.53</b>	<b>180,068,219</b>	310,800,962	100.00	48,731,762	15.68	262,069,200
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>259,196,393</b>	<b>100.00</b>	<b>79,128,174</b>	<b>30.53</b>	<b>180,068,219</b>	310,800,962	100.00	48,731,762	15.68	262,069,200

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

### 3. Accounts receivable (Continued)

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

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

Ageing	Ending Balance Accounts receivable	Ending Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	72,980,146		
3 to 6 months (inclusive)	5,508,679	220,347	4.00
7 to 12 months (inclusive)	22,945,814	1,835,665	8.00
Over 1 year	157,761,754	77,072,162	48.85
<b>Total</b>	<b>259,196,393</b>	<b>79,128,174</b>	<b>30.53</b>

Ageing	Accounts receivable	Beginning Balance Provision for bad debts	Ratio (%)
Within 3 months (inclusive)	187,252,970		
3 to 6 months (inclusive)	12,509,879	500,395	4.00
7 to 12 months (inclusive)	9,016,710	721,337	8.00
Over 1 year	102,021,403	47,510,030	46.57
<b>Total</b>	<b>310,800,962</b>	<b>48,731,762</b>	<b>15.68</b>

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

Company name	Ending Balance	Ageing	Proportion of ending balance of accounts receivables in total (%)	Ending balance of bad debts provision
No.1	17,335,100	Within 3 years	6.69	5,507,020
No.2	15,889,853	1 to 2 years	6.13	3,177,971
No.3	8,225,307	Over 0 to 3 years	3.17	321,546
No.4	6,688,215	Over 0 to 3 years	2.58	2,970,821
No.5	6,408,473	1 to 2 years	2.47	1,281,695
<b>Total</b>	<b>54,546,948</b>		<b>21.04</b>	<b>13,259,053</b>



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 4. Prepayments

#### (1) Aging analysis

Items	Ending Balance		Beginning Balance	
	Amount	Percent (%)	Amount	Percent (%)
Within 1 year	998,485	21.08	3,009,334	13.38
1-2 years	1,801,908	38.05	12,501,669	55.60
2-3 years	1,935,676	40.87	5,880,400	26.15
3 years or above			1,091,990	4.86
<b>Total</b>	<b>4,736,069</b>	<b>100.00</b>	22,483,393	100.00

Note: The decrease in the ending balance of prepayments as compared with the beginning balance was mainly due to the increase in the provision for bad debts of the Group as compared with last year.

#### (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	4,477,699	Over 3 years	4,477,699	
No.2	3,000,000	Over 3 years	3,000,000	
No.3	2,092,160	Over 3 years	2,092,160	
No.4	1,607,492	Over 1 to 3 years	1,406,821	4.24
No.5	1,000,000	Over 3 years	1,000,000	
<b>Total</b>	<b>12,177,351</b>		11,976,680	4.24

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

### 5. Other receivables

Items	Ending Balance	Beginning Balance
Other receivables	<b>194,805,419</b>	208,824,575
Less: provision for bad debts	<b>101,342,481</b>	82,674,629
Net amount	<b>93,462,938</b>	126,149,946

#### (1) Classification of other receivables

Items	Ending Balance					Beginning Balance				
	Book balance		Bad debt provision		Book balance	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>194,805,419</b>	<b>100.00</b>	<b>101,342,481</b>	<b>52.02</b>	<b>93,462,938</b>	208,824,575	100.00	82,674,629	39.59	126,149,946
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>194,805,419</b>	<b>100.00</b>	<b>101,342,481</b>	<b>52.02</b>	<b>93,462,938</b>	208,824,575	100.00	82,674,629	39.59	126,149,946

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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	3,851,238		
Within 6 months (inclusive)	9,914,428	396,577	4.00
7 months – 1 years (inclusive)	6,561,689	524,935	8.00
Over 1 year	174,478,064	100,420,969	57.56
<b>Total</b>	<b>194,805,419</b>	<b>101,342,481</b>	<b>52.02</b>

#### (2) Other receivables by nature

Nature	Book balance at the end of the year	Book balance at the beginning of the year
Security deposit, imprest and cash pledge	34,485,217	34,356,834
Current accounts	160,320,202	174,467,741
<b>Total</b>	<b>194,805,419</b>	<b>208,824,575</b>

## 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 accounts receivables in total (%)	Ending balance of bad debts provision
No.1	Current accounts	32,668,475	Over 3 years	16.77	32,668,475
No.2	Current accounts	23,789,900	Over 2 to 3 years	12.21	20,998,700
No.3	Current accounts	13,763,440	Over 1 to 3 years	7.07	
No.4	Current accounts	6,454,679	Over 2 to 3 years	3.31	4,117,916
No.5	Current accounts	5,933,919	Over 1 to 3 years	3.05	5,928,569
<b>Total</b>		<b>82,610,413</b>		<b>42.41</b>	<b>63,713,660</b>

### 6. Inventories

#### (1) Classification

Items	Ending Balance Inventory			Beginning Balance Inventory		
	Book balance	impairment	Book value	Book balance	impairment	Book value
Merchandise inventories	20,974,985	4,192,364	16,782,621	46,488,682	4,192,364	42,296,318
Goods in transit	25,710,599		25,710,599	12,784,170		12,784,170
Engineering construction	38,280,524		38,280,524	22,618,618		22,618,618
<b>Total</b>	<b>84,966,108</b>	<b>4,192,364</b>	<b>80,773,744</b>	<b>81,891,470</b>	<b>4,192,364</b>	<b>77,699,106</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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	4,192,364				4,192,364
<b>Total</b>	4,192,364				4,192,364

#### (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		44,000
Unamortized expense – others	388,079	19,128
<b>Total</b>	388,079	63,128

## 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 Measured at cost	8,967,082	747,972	8,219,110	8,967,082	747,972	8,219,110
<b>Total</b>	<b>8,967,082</b>	<b>747,972</b>	<b>8,219,110</b>	<b>8,967,082</b>	<b>747,972</b>	<b>8,219,110</b>

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	8,219,110
<b>Total</b>	<b>8,219,110</b>	<b>8,219,110</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 in 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			2,500,000					12.50%	
Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd.	2,000,000			2,000,000					4.35%	
Nanjing IOT Application Research Institute Limited	1,600,000				1,600,000				16.00%	
Nanjing Changtian Shuangjin Software Limited	979,110			979,110					40.80%	
Jiangsu NanadaSoft Investment Co., Ltd.	950,000			950,000					19.00%	
Jiangsu Nandasoft Education Information Technology Limited	736,000			736,000	736,000			736,000	18.40%	
Nanjing Nandasoft Electronic Technology Limited	11,972			11,972	11,972			11,972	19.00%	
Nanjing Fineweb Import and Export Trade Limited	190,000			190,000					19.00%	
Nanjing Feitianhongyi Network Technology Company Limited									1.00%	
<b>Total</b>	<b>8,967,082</b>			<b>8,967,082</b>	<b>747,972</b>			<b>-</b>		<b>747,972</b>

Note: The Company invested in 江蘇南大蘇富特醫療科技有限公司 (Jiangsu Nandasoft Medical Science Co., Ltd.\*) in 2016, which has yet to make any capital contribution.

### 9. Long-term equity investment

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

Items	Ending Balance	Beginning Balance
Under equity method	81,480,567	79,429,411
Total of long-term equity investment	81,480,567	79,429,411
Less: provision for impairment		
Value of long-term equity investment	81,480,567	79,429,411

## 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					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 cash dividends or profit	Provision for impairment		
Shenzhen Nanda Research Institute Company Limited	42,991,798			4,024,450						47,016,248
Promed Medical Technology (Suzhou) Company Limited	17,270,615			449,169						17,719,784
Yantai Blue Innovation Co., Ltd.	8,329,499			-1,311,496						7,018,003
Nada pharmaceutical (HK) Limited	5,691,856			-5,691,856						
Soft Intelligent Technology (Shanghai) Co., Ltd. (Note 1)	2,454,997									2,454,997
Jiangsu Fu Min Investment Limited	1,994,827			-730,734						1,264,093
Changshu Fu Man Services Training Centre (Note 3)	380,233		-380,233							
Nanjing Furuwei Medical Technologies Co., Ltd	315,586									315,586
Jiangsu Sheng Feng Medical Company Limited (Note 1)				5,691,856						5,691,856
<b>Subtotal</b>	<b>79,429,411</b>		<b>-380,233</b>	<b>2,431,389</b>						<b>81,480,567</b>

Note 1: For details, please refer to 7.3 and 12.1(5).

Note 2: The Company is unable to provide the relevant financial information of Promed Medical Technology (Suzhou) Company Limited.

Note 3: In March 2016, Jiangsu Fu Man Investment Limited transferred its 70% equity interests in Changshu Fu Man Services Training Centre to Jiangsu NandaSoft Xin Yi Technology Company Limited.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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>		529,730,893	529,730,893
In which: Cost		344,175,152	344,175,152
In which: Changes in fair value		185,555,741	185,555,741
<b>II. Changes for the current year</b>			
Add: Changes in fair value		8,167,644	8,167,644
<b>III. Ending Balance</b>		537,898,537	537,898,537
In which: Cost		344,175,152	344,175,152
In which: Changes in fair value		193,723,385	193,723,385

*Note 1:* In conducting the sell and lease back transaction between the Company (“Lessee”) and 蘇興金融租賃股份有限公司 (Suxing Financial Leasing Co., Ltd.) (“Lessor”), regarding the payments for finance leases at RMB70,000,000 which were generated by leasing back after the disposal of the subject matter. The subject matter includes elevators, air conditioning system, electricity engineering work, constituting the components of the investment properties. The “Finance Leases Contract” and “Transfer Agreement” were entered into between the Lessee and the Lessor, which agreed that: the principal amount of the rent would be RMB70,000,000; the lease term for finance leases would be by 12 installments; the principal amount of the rent from the first to twelve installments would be RMB6,367,735 (inclusive of taxation and interests). As at the end of the leasing term, the lessee should purchase the subject matter at a hire purchase price of RMB1,000.

*Note 2:* Investment properties of the Group were located in Nanjing, China. Investment properties were re-evaluated by an independent professionally qualified valuers on 31 December 2016.

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>537,898,537</b>	529,730,893
Outside China		
<b>Total</b>	<b>537,898,537</b>	529,730,893

## 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 2015	85,562,952	15,229,801	5,876,397	106,669,150
2. Increase for the period		758,696	147,629	906,325
(1) Purchase		753,088	147,629	900,717
(2) Exchange effect		5,608		5,608
3. Decrease for the period		10,060	81,395	91,455
(1) Disposal or scrapped		10,060	81,395	91,455
4. Balance as at 31 December 2016	85,562,952	15,978,437	5,942,631	107,484,020
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2015	9,633,404	6,345,011	3,915,105	19,893,520
2. Increase for the period	1,898,131	2,045,315	567,540	4,510,986
(1) Provision	1,898,131	2,030,237	567,540	4,495,908
(2) Exchange effect		15,078		15,078
3. Decrease for the period		3,589	77,325	80,914
(1) Disposal or scrapped		3,589	77,325	80,914
4. Balance as at 31 December 2016	11,531,535	8,386,737	4,405,320	24,323,592
<b>(III) Impairment provision</b>				
1. Balance as at 31 December 2015				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2016				
<b>(IV) Book value</b>				
1. Book value as at 31 December 2015	75,929,548	8,884,790	1,961,292	86,775,630
2. Book value as at 31 December 2016	74,031,417	7,591,700	1,537,311	83,160,428

Note 1: For details of sell and lease back, please refer to notes 6.10.

Note 2: The property ownership certificates of all properties of the Group have been obtained.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 11. Fixed assets (Continued)

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

Items	Original Book value	Accumulated depreciation	Provision for impairment	Carrying amount
Electronic equipment	4,432,865	2,269,343		2,163,522
<b>Total</b>	<b>4,432,865</b>	<b>2,269,343</b>		<b>2,163,522</b>

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

Items	Ending Balance	Beginning Balance
Mainland China Mid-term (10 – 50 years)	<b>74,031,417</b>	75,929,548
Outside China		
<b>Total</b>	<b>74,031,417</b>	<b>75,929,548</b>

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

### 12. Intangible assets

#### (1) Breakdown of intangible assets

Items	Land use right	Software	Total
<b>(I) Original book value</b>			
1. Beginning Balance	5,120,090	3,594,808	8,714,898
2. Increase for the year		188,679	188,679
(1) Purchase		188,679	188,679
3. Decrease for the year			
(1) Transferred into investment properties			
4. Ending Balance	5,120,090	3,783,487	8,903,577
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	363,816	2,081,576	2,445,392
2. Increase for the year	111,760	629,350	741,110
(1) Provision	111,760	629,350	741,110
3. Decrease for the year			
(1) Transferred into investment properties			
4. Ending Balance	475,576	2,710,926	3,186,502
<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	4,644,514	1,072,561	5,717,075
2. Beginning book value	4,756,274	1,513,231	6,269,505

#### (2) Land use right analyzed by regions where they located and year

Items	Ending Balance	Beginning Balance
Mainland China		
Mid-term (10 – 50 years)	4,644,514	4,756,274
Outside China		
<b>Total</b>	<b>4,644,514</b>	4,756,274

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 13. Goodwill

Name of investee	Beginning Balance	Increase	Decrease	Ending Balance	Provision of impairment at end of the year
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	22,877,035			<b>22,877,035</b>	
SMARTFUL VENTURE HOLDINGS LIMITED	531,334			<b>531,334</b>	
<b>Total</b>	23,408,369			<b>23,408,369</b>	

The collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Technology Company Limited 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>20%</b>	25%
Growth rate	<b>15%</b>	15%
Discount rate	<b>14.34%</b>	14.34%

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 Technology Company Limited. The above assumption is used for the analysis on the collectable amount of IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Technology Company Limited.

As at 31 December 2016, as the gross profit margin and growth rate for the IT system integration service business of Jiangsu Changtian Zhiyuan Transportation Technology Company Limited were expected to increase and bringing about a higher collectable amount, the impairment of goodwill has not been provided for.



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

### 14. Long-term deferred expenses

Items	Beginning Balance	Increase	Amortized	Ending Balance
Improvements of lease assets	371,518	533,980	114,738	<b>790,760</b>
<b>Total</b>	371,518	533,980	114,738	<b>790,760</b>

### 15. 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>18,166,710</b>	<b>2,967,770</b>	9,950,506	1,573,955
<b>Total</b>	<b>18,166,710</b>	<b>2,967,770</b>	9,950,506	1,573,955

#### (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>236,274,382</b>	<b>59,068,595</b>	219,694,255	54,923,564
<b>Total</b>	<b>236,274,382</b>	<b>59,068,595</b>	219,694,255	54,923,564

#### (3) Breakdown of unrecognized deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary difference	<b>201,233,825</b>	155,930,797
Deductible loss	<b>161,494,804</b>	141,247,010
<b>Total</b>	<b>362,728,629</b>	297,177,807

Note: There were deductible losses and deductible temporary difference which have been recognised as deferred tax assets since it is not certain that sufficient taxable income will be acquired in future.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 16. Other Non-Current Assets

Items	Ending Balance	Beginning Balance
Finance lease deposit	7,000,000	
Unrealized profit and loss of leasing back after sale (finance leases)	125,054	196,032
Unrecognized financial charges	3,425,206	280,398
<b>Total</b>	<b>10,550,260</b>	476,430

Note 1: Details of unrealized profit and loss of leasing back after sale (finance leases) and unrecognized financial charges, please refer to Note VI.10 and Notes VI.29.

### 17. Short-term borrowings

#### (1) Classification of short-term borrowings

Category	Ending balance		Beginning Balance	
	Interest rate %	Amount	Interest rate %	Amount
<b>Bank Loans</b>				
Secured borrowings	4.35	1,500,000	7.30	10,000,000
Guaranteed borrowings	5.655-7.1	12,560,000	5.52	3,500,000
<b>Other Loans</b>				
Non-banking financial institutions	15	6,000,000	15	8,000,000
Others	6.36-15	112,049,583	15	142,971,000
<b>Total</b>		<b>132,109,583</b>		164,471,000



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

### 17. Short-term borrowings (Continued)

#### (2) Short-term borrowings overdue and outstanding

Total short-term borrowings overdue and outstanding at the end of the year were RMB6,000,000.00, including the following significant short-term borrowings overdue and outstanding:

Borrower	Ending balance	Borrowing rates	Overdue date	Overdue rate
Nanjing Reinsurance Technological Micro-lending Co., Ltd.	5,000,000.00	15%	2016-5-24	19.50%
	1,000,000	15%	2016-5-25	19.50%
<b>Total</b>	<b>6,000,000</b>			

#### Note 1: Bank loans

Secured borrowings of RMB1.5 million were pledged by the time deposit of RMB1.58 million.

Among the guaranteed borrowings, RMB3.56 million with an interest rate of 7.1% was jointly guaranteed by Qin Jun Jun; RMB4 million with an interest rate of 5.655% and was jointly guaranteed by Zhu Yong Ning; RMB5 million with an interest rate of 5.87% and was guaranteed by Jiangsu Keneng Electricity Technology Co., Ltd.

#### Note 2: Other loans

Guaranteed borrowings of RMB6 million were provided by 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.), a non-banking financial institution, at an interest rate of 15%.

Other loans of RMB112,049,583.59 were provided by non-banking financial institutions to the Group at the interest rates ranging from 6.36%-15%. The decrease in ending balance as compared with the beginning balance was due to the repayment of borrowings from related parties.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 18. Notes payable

Types of bills	Ending Balance	Beginning Balance
Bank acceptance bill	1,090,000	12,500,000
<b>Total</b>	<b>1,090,000</b>	12,500,000

As at the end of the year, the total notes payable due and not yet paid amounted to RMB1,090,000.

Pledge details: as at the end of the year, bank acceptance bill of RMB1,090,000 was granted with the Group's other monetary capital of RMB654,000 as the pledge.

### 19. Accounts payable

#### (1) Accounts payable

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>216,083,687</b>	251,271,180
In which: over 1 year	103,955,150	57,386,305

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

An aged analysis of accounts payable as at 31 December 2016, based on the invoice date, is as follows:

Items	Ending Balance	Beginning Balance
Within one year	112,128,537	193,884,875
Beyond one year	103,955,150	57,386,305
<b>Total</b>	<b>216,083,687</b>	251,271,180

### 20. Advances from customers

#### (1) Advances from customers

Items	Ending Balance	Beginning Balance
<b>Total</b>	<b>35,261,568</b>	64,975,916

*Note:* The decrease in ending balance of advances from customers as compared with the beginning balance was mainly due to recognition of advances from customers of the Group received last year as sales for the year.



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

### 21. Employee benefit

#### (1) Classification of employee benefit

Items	Beginning Balance	Current year Increase	Current year Decrease	Ending Balance
Short-term payroll	2,132,809	34,917,650	33,945,211	3,105,248
Post-employment benefits – Defined contribution plan	74,031	3,482,254	3,485,964	70,321
<b>Total</b>	<b>2,206,840</b>	<b>38,399,904</b>	<b>37,431,175</b>	<b>3,175,569</b>

#### (2) Short-term payroll

Items	Beginning Balance	Current year Increase	Current year Decrease	Ending Balance
Wages (including bonuses, allowances and subsidies)	1,163,890	30,441,149	29,603,952	2,001,087
Staff welfare		1,310,273	1,310,273	–
Social insurance	110,521	1,337,706	1,420,227	28,000
Including: Medical insurance	101,373	1,234,567	1,310,273	25,667
Work-related injury insurance	7,016	48,144	53,993	1,167
Maternity insurance	2,132	54,995	55,961	1,166
Housing fund	116,720	1,541,136	1,569,209	88,647
Others	741,678	287,386	41,550	987,514
<b>Total</b>	<b>2,132,809</b>	<b>34,917,650</b>	<b>33,945,211</b>	<b>3,105,248</b>

#### (3) Defined contribution plan

Items	Beginning Balance	Current year Increase	Current year Decrease	Ending Balance
Basic pension insurance	12,816	3,326,731	3,273,893	65,654
Unemployment insurance	61,215	155,523	212,071	4,667
<b>Total</b>	<b>74,031</b>	<b>3,482,254</b>	<b>3,485,964</b>	<b>70,321</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 22. Taxes payable

Items	Ending Balance	Beginning Balance
Value-Added Tax	13,312,831	16,556,334
Corporate Income Tax	2,114,473	4,713,660
Including: domestic	2,114,473	4,713,660
Individual Income Tax	18,048	69,268
City Maintenance and Construction Tax	64,499	152,943
Education Surcharge	46,070	98,202
Others	1,056,824	1,276,781
<b>Total</b>	<b>16,612,745</b>	22,867,188

### 23. Interests Payable

Items	Ending Balance	Beginning Balance
Interests Payable	19,837,615	9,055,684
<b>Total</b>	<b>19,837,615</b>	9,055,684

*Note:* The increase in ending balance of interest payable as compared with the beginning balance was mainly due to the interests of borrowings from related parties were not yet settled.

### 24. Dividends payable

Items	Ending Balance	Beginning Balance
Amounts payable to the shareholders	6,003,968	6,003,968
<b>Total</b>	<b>6,003,968</b>	6,003,968



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

### 25. Other payables

#### (1) Other payables by nature

Nature	Ending Balance	Beginning Balance
Construction Fee	134,527,550	130,731,147
Estimated expenses	11,630,050	5,434,050
Compensation for construction stoppage or slowdown with overdue interests	56,019,657	39,582,507
Investment from shareholders received in advance		45,864,000
Others	97,001,974	106,689,643
<b>Total</b>	<b>299,179,231</b>	328,301,347

*Note 1:* 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 Sukung Investment Project Management Limited.

As at 31 December 2016, the increase in ending balance as compared with the beginning balance was mainly because the Company did not pay the predetermined amount according to the mediation letter and charged interests at an interest rate of 6% from January to June and 12% from July to December 2016 respectively.

*Note 2:* The decrease in other payables – investment from shareholders received in advance for the year was mainly due to the reclassification of investment from shareholders to share capital and capital reserve after capital verification.

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

Items	Ending Balance	Beginning Balance
Long-term loans due within one year	12,000,000	11,200,000
<b>Total</b>	<b>12,000,000</b>	11,200,000

*Note:* Please refer to Note VI. 28 for details.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 27. Other current liabilities

Items	Ending Balance	Beginning Balance
Government subsidy	11,735,499	10,881,977
<b>Total</b>	<b>11,735,499</b>	<b>10,881,977</b>

Items of government subsidy

Types of government subsidy	Beginning Balance	Additional subsidy during the year	Included in non-operating income during the year	Other changes	Ending Balance	Related to assets/related to income
The Company						
Software and Cloud computation Research and development and industrialization of information security management platform based on intelligent analysis	3,018,677		639,278		2,379,399	Related to income
Nanjing introduction of high-quality talents program fund	1,791,300				1,791,300	Related to income
Information industry transformation capital	6,072,000	2,400,000	607,200	300,000	5,464,800	Related to income
					2,100,000	Related to income
<b>Total</b>	<b>10,881,977</b>	<b>2,400,000</b>	<b>1,546,478</b>		<b>11,735,499</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: "Industry transformation capital" was secured according to "Measures on Administration of Jiangsu Provincial Industry and Information Industry Transformation Upgrade Specialized Fund" (《江蘇省省級工業和信息產業轉型升級專項資金管理辦法》) and "Notice Regarding the Organization Reporting for 2016 Provincial Industry and Information Industry Transformation Upgrade Specialized Fund Project Issued by Provincial Economic and Information Technology Commission and Provincial Department of Finance" (《省經濟和信息化委省財政廳關於組織2016年度省級工業和信息產業轉型升級專項資金項目申報的通知》).

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

### 28. Long-term borrowings

Items	Ending Balance	Beginning Balance
Pledged borrowings	33,600,000	44,800,000
Less: amounts due with one year	12,000,000	11,200,000
<b>Total</b>	<b>21,600,000</b>	33,600,000

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 2016, RMB46,400,000 has been repaid.

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

Items	Ending Balance	Beginning Balance
One to two years	12,000,000	12,000,000
Two to five years	9,600,000	21,600,000
<b>Total</b>	<b>21,600,000</b>	33,600,000

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 29. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	12,175,435	13,623,117
Payments for buildings	56,289,325	56,289,325
Payments for finance leases	58,977,639	3,002,444
<b>Total</b>	<b>127,442,399</b>	72,914,886

Note 1: Payments for equity transfer were paid by the Company in agreed installments for the purchase of equity interests in Jiangsu Changtian Zhiyuan Transportation Technology 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: Finance lease represents

- (1) Payments for finance leases was generated by leasing back after the disposal of a subject matter of the Company ("Lessee") at RMB4,432,865 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 RMB4,432,865, RMB484,315, RMB82,333, respectively; lease term for the finance leases would be 12 quarters; the first installment of the finance leases would be RMB1,329,860, and the principle amount of the rent, interests and tax for the second to twelve installment would be RMB282,091, RMB44,029, RMB7,485 respectively. At the end of the leasing term, lessee should purchase the subject matter at a hire purchases price of RMB100. As at 31 December 2016, the aggregate amount of rent paid was RMB3,331,489.
- (2) The Company ("Lessee") signed a sell and lease back agreement of a subject matter at RMB70,000,000 with 蘇興金融租賃股份有限公司 (Suxing Financial Leasing Co., Ltd.) ("Lessor"). The "Finance Leases Contract" and "Transfer Agreement" were entered into between the Lessee and the Lessor, which agreed that: the principal amount of the rent would be RMB70,000,000; the lease term for finance leases would be by 12 installments; the principal amount of the rent from the first to twelve installments would be RMB6,367,735 (inclusive of taxation and interests). As at the end of the leasing term, the lessee should purchase the subject matter at a hire purchase price of RMB1,000. As at 31 December 2016, the amount of rent paid was RMB19,103,205.



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

### 30. 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	Issue of new shares	Changes during the year (+,-)			Subtotal	Ending Balance
			Stock dividends	Converted from public reserve	Others		
Total shares	124,000,000	16,380,000			16,380,000	<b>140,380,000</b>	
Domestic shares	81,900,000	16,380,000			16,380,000	<b>98,280,000</b>	
Overseas listed foreign shares	42,100,000					<b>42,100,000</b>	

*Note 1:* During the year, the increase was due to the investment funds of RMB45.86 million received from Jiangsu Keneng Electricity Technology Co., Ltd., of which RMB16.38 million was additional share capital and RMB29.484 million was additional capital reserve. This capital increase was audited by Jiangsu Huajia Certified Public Accountant Co., Ltd. (江蘇華嘉會計師事務所有限公司) and a Capital Verification Report, Hua Jia Yan Zi (2016) No.006, was issued on 2 June 2016.

*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.

### 31. Capital reserves

Items	Beginning Balance	Increase	Decrease	Ending Balance
Share capital premium	92,234,414	29,484,000		<b>121,718,414</b>
Other	1,638,918		1,638,918	<b>-</b>
<b>Total</b>	<b>93,873,332</b>	<b>29,484,000</b>	<b>1,638,918</b>	<b>121,718,414</b>

*Note 1:* During the year, the increase was due to the investment funds of RMB45.86 million received from Jiangsu Keneng Electricity Technology Co., Ltd., of which RMB16.38 million was additional share capital and RMB29.484 million was additional capital reserve. This capital increase was audited by Jiangsu Huajia Certified Public Accountant Co., Ltd. (江蘇華嘉會計師事務所有限公司) and a Capital Verification Report, Hua Jia Yan Zi (2016) No.006, was issued on 2 June 2016.

*Note 2:* The decrease during the year was due to the disposal of the equity interests of NandaSoft Technology Investment Development (Wuxi) Company Limited.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 32. Other comprehensive income

Items	Beginning Balance	Amount before income tax for the year	Amount for the year		Attributable to parent company after tax	Attributable to minority shareholders after tax	Ending Balance
			Less: Transferred from other comprehensive income in previous year to current profit and loss	Less: income tax expense			
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	81,862,413						81,862,413
Foreign currency translation difference	418,295	1,959,133			1,959,133		2,377,428
<b>Total</b>	<b>82,280,708</b>	<b>1,959,133</b>			<b>1,959,133</b>		<b>84,239,841</b>

### 33. Surplus reserves

Items	Beginning Balance	Current Year Increase	Current Year Decrease	Ending Balance
Statutory surplus reserves	19,962,462			19,962,462
<b>Total</b>	<b>19,962,462</b>			<b>19,962,462</b>

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

### 34. Undistributed profits

Items	Current Year	Last year
Beginning balance for current year	-100,649,435	59,743,392
Add: Net profit attributable to owners of the parent company for current Year	-109,609,323	-160,392,827
Less: Provision of statutory surplus reserve Ordinary share dividend payable		
Ending balance for current year	-210,258,758	-100,649,435

As at 31 December 2016, the Group's undistributed profits attributable to the parent company included the surplus reserve of RMB1,488,232 withdrawn by the subsidiary of the Company.

### 35. Minority shareholders' interest

Name of subsidiaries	Proportion of minority shareholders' interests (%)	Ending Balance
Jiangsu NandaSoft Computer Equipment Company Limited	49	7,909,311
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	49	46,544,672
Jiangxi NandaSoft Technology Co., Ltd	30	-1,292,888
Jiangxi NandaSoft Service Outsourcing Company Limited	30	1,478,232
Smartful Ventures Holdings Limited	40	-1,495,867
Jiangsu Zhiya Online Education Technology Co., Ltd	30	2,888,088
<b>Total</b>		<b>56,031,548</b>

### 36. Net current assets

Items	Ending Balance	Beginning Balance
Current assets	419,081,090	579,188,328
Less: current liabilities	753,089,465	883,735,100
Net current assets	-334,008,375	-304,546,772

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 37. Total assets less current liabilities

Items	Ending Balance	Beginning Balance
Total assets	<b>1,173,273,966</b>	1,315,443,149
Less: current liabilities	<b>753,089,465</b>	883,735,100
Total assets less current liabilities	<b>420,184,501</b>	431,708,049

### 38. Loans

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

Items	Ending Balance	Beginning Balance
Short-term borrowings	<b>132,109,583</b>	164,471,000
Bank borrowings	<b>14,060,000</b>	13,500,000
Non-banking financial institution	<b>6,000,000</b>	8,000,000
Others	<b>112,049,583</b>	142,971,000
Long-term bank borrowings	<b>33,600,000</b>	44,800,000
<b>Total</b>	<b>165,709,583</b>	209,271,000

#### (1) Analysis of loans

Items	Ending Balance	Beginning Balance
Bank loans		
– due within 1 year	<b>26,060,000</b>	24,700,000
– due after 1 year	<b>21,600,000</b>	33,600,000
Subtotal	<b>47,660,000</b>	58,300,000
Other loans		
– due within 1 year	<b>118,049,583</b>	150,971,000
– due after 1 year		
Subtotal	<b>118,049,583</b>	150,971,000
<b>Total</b>	<b>165,709,583</b>	209,271,000

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

### 38. Loans (Continued)

#### (2) Loans due date analysis

Items	Ending Balance	Beginning Balance
On demand or within 1 year	<b>26,060,000</b>	24,700,000
1-2 years	<b>12,000,000</b>	12,000,000
2-5 years	<b>9,600,000</b>	21,600,000
Over 5 years		
<b>Total</b>	<b>47,660,000</b>	58,300,000

Other loans:

Items	Ending Balance	Beginning Balance
On demand or within 1 year	<b>118,049,583</b>	150,971,000
<b>Total</b>	<b>118,049,583</b>	150,971,000

### 39. Operating income & Operating cost

Items	Current year		Last year	
	Income	Cost	Income	Cost
Main operation	<b>431,177,736</b>	<b>382,384,830</b>	499,761,123	442,207,756
Other operation	<b>12,186,912</b>	<b>1,937,026</b>	13,369,030	2,873,466
<b>Total</b>	<b>443,364,648</b>	<b>384,321,856</b>	513,130,153	445,081,222

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

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 39. Operating income & Operating cost (Continued)

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

Items	Current year		Last year	
	Income	Cost	Income	Cost
Computer hardware and software products	379,682,094	344,977,035	424,494,302	384,568,583
Provision of system integration service	51,495,642	37,407,795	75,266,821	57,639,173
<b>Total</b>	<b>431,177,736</b>	<b>382,384,830</b>	499,761,123	442,207,756

### 40. Business tax and surcharges

Items	Current year	Last year
Business Tax	564,739	3,114,804
City Maintenance and Construction Tax	305,399	303,065
Education Surcharge	213,275	199,152
Local Education Surcharge	21,529	17,595
Real Estate Tax	641,566	
Land Tax	99,521	
Stamp Duty	137,938	
Others	2,400	
<b>Total</b>	<b>1,986,367</b>	3,634,616

Note: The "Regulations for the Accounting Treatment of VAT" (Cai Kuai (2016) No. 22) was promulgated on 3 December 2016 and are applicable for the relevant business occurred since 1 May 2016. For the transactions occurred between 1 January to 30 April 2016, no corresponding adjustments were made to the financial statements of the comparable periods in the 2016 financial statements.

### 41. Sales Expense

Items	Current year	Last year
Total	13,433,994	16,039,565
In which: Personnel expenses	7,973,919	9,019,775
Sales business expenses	1,062,920	820,600
Sales operational fees	320,307	238,496
Service charges	1,450,382	2,660,953
Logistics fees	626,841	1,289,223
Others	1,999,625	2,010,518



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

### 42. Administration Expense

Items	Current year	Last year
Total	<b>51,946,988</b>	56,013,389
In which: Research and development expenditure	<b>2,288,246</b>	6,048,092
Personnel expenses	<b>20,639,694</b>	20,272,858
Business charges	<b>929,851</b>	1,058,338
Office expenses	<b>771,348</b>	1,629,753
Others	<b>27,317,849</b>	27,004,348

*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.

### 43. Financial Expenses

#### (1) Breakdown of financial Expenses

Items	Current Year	Last Year
Interest expense	<b>38,449,025</b>	36,165,427
Less: Interest income	<b>3,644,171</b>	1,299,694
Add: Exchange loss	<b>-557,642</b>	-202,071
Add: Other expenditure	<b>1,991,443</b>	341,386
<b>Total</b>	<b>36,238,655</b>	35,005,048

*Note 1:* The increase in interest income as compared with that of the previous year was mainly due to the borrowings made by a subsidiary of the Company, to Jiangsu Guotai Yihe Property Investment Co., Ltd. at an interest rate of 15%.

*Note 2:* The increase in other expenditure incurred during the year as compared with that of the previous year was mainly due to the commission charge of RMB1,401,709.40 arising from the finance lease of the Company.

#### (2) Breakdown of interest expenses

Items	Current Year	Last Year
Interests from bank loans	<b>36,172,191</b>	36,165,427
Unrecognised finance charges	<b>2,276,834</b>	
Sub-total	<b>38,449,025</b>	36,165,427
Less: Capitalized interest		
<b>Total</b>	<b>38,449,025</b>	36,165,427

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 43. Financial Expenses (Continued)

#### (3) Breakdown of interest income

Items	Current Year	Last Year
Interest income from bank deposit	382,775	1,299,694
Interest income provided at effective interest rates	3,261,396	
<b>Total</b>	<b>3,644,171</b>	1,299,694

### 44. Assets impairment losses

Items	Current year	Last year
Bad debts loss	53,287,583	45,437,421
Loss from inventory devaluation		31,010
Loss from impairment of other asset		507
<b>Total</b>	<b>53,287,583</b>	45,468,938

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

Items	Current year	Last year
Investment properties measured at fair value	8,167,644	-17,698,469
<b>Total</b>	<b>8,167,644</b>	-17,698,469

### 46. Investment income

Items	Current year	Last year
From disposal of long-term equity investment	1,842,160	7,956,444
From disposal of available-for-sale financial assets		160,171
From long-term equity investment under equity method	2,431,389	-625,330
<b>Total</b>	<b>4,273,549</b>	7,491,285

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

### 47. 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	4,430	174,278	4,430
In which: gain on disposal of fixed assets	4,430	174,278	4,430
Government grants	1,897,134	4,598,694	1,897,134
Others	553,989	91,777	553,989
<b>Total</b>	<b>2,455,553</b>	<b>4,864,749</b>	<b>2,455,553</b>

#### (2) Breakdown of government grants

Item	Current Year	Related with assets/income
Stabilizing employment subsidy	150,656	Related with income
Onshore business incentive for servicing outsourcing enterprises	200,000	Related with income
Transfer of deferred income		
Nanjing introduction of high-quality talents program fund	607,200	Related with income
Information Industry Transformation Capital	300,000	Related with income
Software and Cloud computation	639,278	Related with income
<b>Total</b>	<b>1,897,134</b>	

### 48. Non-operating expense

Items	Current year	Last year	Amount included in non-recurring profit and loss for the year
Loss on disposal of non-current assets	926	17,801	926
Including: Loss on disposal of fixed assets	926	17,801	926
Penalty	277,331		277,331
Others	20,719,034	51,171,019	20,719,034
<b>Total</b>	<b>20,997,291</b>	<b>51,188,820</b>	<b>20,997,291</b>

Note: Since the Company did not make any payment 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, provision for interest was made according to the interest rates stipulated in the agreement (for details, please see note 12.1(1)).



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 49. Income tax expenses

Items	Current year	Last year
Income tax for the year	-443,578	-1,825,603
Deferred income tax	2,751,216	6,743,333
<b>Total</b>	<b>2,307,638</b>	4,917,730

### 50. Audit fees

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

### 51. Depreciation and amortization

The depreciation/amortization recognized in the income statement for the current year was RMB5,237,018 (Last Year: RMB5,607,427).

### 52. Rental income

Rental income from land and buildings during the current year is RMB6,961,578 (Last Year: RMB8,440,778).

### 53. Earnings per share

#### (1) Basic earnings per share

Items	Current year	Last year
Net consolidated profit attributable to ordinary shareholders of Parent Company	-109,609,323	-160,392,827
Net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	-102,576,248	-108,370,216
Weighted average number of ordinary shares in issue of the Parent Company	1,321,900,000	1,240,000,000
Basic EPS (RMB/share)	-0.083	-0.129
Basic EPS (RMB/share)(after deducting extraordinary items)	-0.078	-0.087



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

### 53. Earnings per share (Continued)

#### (1) Basic earnings per share (Continued)

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	1,240,000,000	1,240,000,000
Issue for the current year	163,800,000	
Numbers of ordinary shares in issue at end of the year	1,403,800,000	1,240,000,000

#### (2) Diluted EPS

Items	Current year	Last year
Adjusted net consolidated profit attributable to ordinary shareholders of Parent Company	-109,609,323	-160,392,827
Adjusted net consolidated profit after deducting extraordinary items attributable to ordinary shareholders of Parent Company	-102,576,248	-108,370,216
Adjusted weighted average number of ordinary shares in issue of the Company	1,321,900,000	1,240,000,000
Diluted EPS (RMB/share)	-0.083	-0.129
Diluted EPS (RMB/share)(after deducting extraordinary items)	-0.078	-0.087

### 54. Other comprehensive income

For details, please refer to the “6. 32. Other Comprehensive Income” in this Note.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 55. 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	-106,258,978	-149,561,610
Add: Provision for assets impairment	53,287,583	45,468,938
Fixed assets depreciation	4,495,908	4,339,153
Intangible assets amortization	741,110	1,268,274
Amortization of long-term deferred expense	114,738	288,224
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain marked as "-")	-3,504	-156,477
Loss from scrapped of fixed assets (gain marked as "-")		
Profit or loss on changes in fair value (gain marked as "-")	-8,167,644	17,698,469
Finance costs (gain marked as "-")	34,189,339	35,005,048
Investment loss (gain marked as "-")	-4,273,549	-7,491,285
Decrease in deferred tax assets (increase marked as "-")	-1,393,815	5,293,058
Increase in deferred tax liabilities (decrease marked as "-")	4,145,031	1,388,655
Decrease in Inventories (increase marked as "-")	-3,074,638	20,376,440
Decrease in operating receivables (increase marked as "-")	110,987,283	-13,434,494
Increase in operating payables (decrease marked as "-")	-94,129,834	33,877,356
Others		
Net cash flow from operating activities	-9,340,970	-5,640,251
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	34,887,114	75,579,403
Less: Beginning balance	75,579,403	60,689,999
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-40,692,289	14,889,404



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

### 55. 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	6,400,000
2. Cash and cash equivalents received from disposal of subsidiaries or other operating units	6,400,000
Less: cash and cash equivalents held by subsidiaries and other operating units	540
3. Net cash received from disposal of subsidiaries or other operating units	6,399,460
4. Net assets of the subsidiaries disposed of	6,144,860
Current asset	9,600,741
Non-current asset	2,185
Current liability	3,458,066
Non-current liability	

#### (3) Cash and Cash Equivalents

Items	Current year	Last year
Cash	34,887,114	75,579,403
Including: Cash at hand	19,166	2,850,000
Bank deposit available-for-use	34,867,948	72,729,403
Other cash fund available-for-use		
Ending Balance of Cash and Cash Equivalents	34,887,114	75,579,403
Including: Restricted Cash and Cash Equivalents available-for-use to Parent Company or Subsidiaries		

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 56. Assets with restricted ownerships or right to use

Items	Ending carrying value	Reasons for restriction
Monetary funds	7,519,673	Bank deposits frozen due to lawsuit
Monetary funds	654,000	Security deposit for bank acceptance bill
Monetary funds	1,580,000	Performance guarantees
Monetary funds	5,011,254	Tender deposit
Available-for-sale financial assets	950,000	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	2,454,997	
Investment properties (cost)	344,175,152	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 the assets of the Company of RMB150,000,000
Fixed assets	68,620,760	
Intangible assets	4,644,514	
Available-for-sale financial assets	6,100,000	The equity interests of Nanjing IOT Application Research Institute Limited, Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd and Jiangsu Unisource Technology Industry Co., Ltd. were frozen. (For details, please refer to Notes 11.1(1))



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

### 57. Foreign currency items

#### (1) Foreign currency items

Items	Ending foreign currency balance	Exchange rate	Ending RMB balance
Monetary fund			
Including: HKD	73,774	0.89451	65,991
USD	20,807	7.3068	152,032
Accounts receivable			
Including: HKD	662,050	0.89451	592,210
Prepayments			
Including: HKD	330,345	0.89451	295,497
Other receivables			
Including: HKD	6,151,268	0.89451	5,502,371
Accounts payable			
Including: HKD	459,800	0.89451	411,296
Other payables			
Including: HKD	3,486,406	0.89451	3,118,625

#### (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

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 7. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Disposal of holding subsidiary

In October 2016, the Company entered into a transfer agreement with Jiangsu Haihao Restaurant Management Co., Ltd. The 80% equity interests of NandaSoft Technology Investment Development (Wuxi) Company Limited held by the Company was transferred at the price of RMB6.40 million. As at 31 December 2016, the Company had completed the industrial and commercial registration for the change and received the equity transfer payment of RMB6.40 million.

### 2. Establishment of subsidiaries

On 27 June 2016, the Company established Taizhou Nandasoft Information Technology Co., Ltd\* (泰州南大蘇富特信息科技有限公司) with a registered capital of RMB100,000,000. The time of making capital contribution will be 30 June 2045. Its Unicode of Social Credit was 91321291MA1MNQDJ3D and is located at Room 201, No.8 Building (Block 1), 1 Yaocheng Avenue, Taizhou City and the legal representative is Li Jun. The operation scope included research, development, production, sales of computer software and hardware, network communications equipment, multi-media, electronic products, and technical services, transfer, training and consultancy in relation to computer system integration (projects need upon approval by law or operating activities need upon approval by related department).

In December 2016, the Company entered into a transfer agreement with Suzhou Chenghu Junan Property Co., Ltd.\* (蘇州澄湖君安房地產有限公司). The 100% equity interests of Taizhou Nandasoft Information Technology Co., Ltd \* (泰州南大蘇富特信息科技有限公司) held by the Company was transferred at the price of RMB1 (registered capital has yet to be contributed). As at 31 December 2016, the Company has completed the industrial and commercial registration for the change.

### 3. Acquisition of Subsidiaries

On 31 August 2016, according to the equity transfer agreement, the 100% equity interests of Jiangsu Shengfeng Pharmaceutical Technology Company Limited held by Nanda Pharmaceutical Technology (Hong Kong) Company Limited\* (南大醫藥科技(香港)有限公司) was transferred to Taizhou Nandasoft Information Technology Co., Ltd\* (泰州南大蘇富特信息科技有限公司) at the price consideration of RMB20 million.

On 23 December 2016, according to equity transfer agreement, the 30% equity interests of Jiangsu Shengfeng Pharmaceutical Technology Company Limited \* (江蘇盛豐醫療科技有限公司) held by Taizhou Nandasoft Information Technology Co., Ltd \* (泰州南大蘇富特信息科技有限公司) was transferred to Nanda Pharmaceutical Technology (Hong Kong) Company Limited\* (南大醫藥科技(香港)有限公司) at the price consideration of RMB6 million.



## 7. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

### 3. Acquisition of Subsidiaries (Continued)

According to the resolution of the board of directors of Taizhou Nandasoft Information Technology Co., Ltd\* (泰州南大蘇富特信息科技有限公司) on 16 August 2016, it was agreed to transfer the 100% equity interests of Jiangsu Shengfeng Pharmaceutical Technology Company Limited\* (江蘇盛豐醫療科技有限公司) held by Nanda Pharmaceutical Technology (Hong Kong) Company Limited\* (南大醫藥科技(香港)有限公司), of which 30% equity interests was held on behalf of Nandasoft, and the transfer it to Nandasoft should be as soon as possible; and the 70% equity interest of which was held on behalf of Suzhou Chenghu Junan Property Co., Ltd.\* (蘇州澄湖君安房地產有限公司) and should transfer to Suzhou Chenghu Junan Property Co., Ltd.\* (蘇州澄湖君安房地產有限公司) as soon as possible. The Company will not participate in any experience decision of Jiangsu Shengfeng Pharmaceutical Technology Company Limited\* (江蘇盛豐醫療科技有限公司) during holding the shares on their behalf.

As Taizhou Nandasoft Information Technology Co., Ltd\* (泰州南大蘇富特信息科技有限公司) only held the shares on behalf of others, thus, it cannot consolidate Nandasoft even when holding the 100% equity interests of Jiangsu Shengfeng Pharmaceutical Technology Company Limited\* (江蘇盛豐醫療科技有限公司).



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 8. INTERESTS IN OTHER ENTITIES

### 1. Group companies forming the Group

#### (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 property	51		set up
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	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. Group companies forming the Group (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 Technology Company Limited	49	3,697,995		46,544,672
Equipment Company Limited	49	86,969		7,909,311

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

Name of subsidiaries	Current assets	Ending Balance		Current liabilities	No-current liabilities	Total liabilities
		Non-current assets	Total assets			
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	249,618,462	17,663,371	267,281,833	172,292,707		172,292,707
Jiangsu NandaSoft Computer Equipment Company Limited	66,707,262	917,642	67,624,904	51,483,454		51,483,454

Name of subsidiaries	Beginning Balance		Current liabilities	No-current liabilities	Total liabilities
	Current assets	Non-current assets			
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	251,057,479	7,170,069	170,785,350		170,785,350
Jiangsu NandaSoft Computer Equipment Company Limited	103,898,610	735,356	88,670,004		88,670,004

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 8. INTERESTS IN OTHER ENTITIES (Continued)

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

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

Name of subsidiaries	Amount for this year				Amount for last year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Jiangsu Changtian Zhiyuan Transportation Technology Company Limited	159,271,156	7,546,929	7,546,929	-3,236,724	187,857,870	24,738,681	24,738,681	32,327,947
Jiangsu NandaSoft Computer Equipment Company Limited	247,812,840	177,488	177,488	5,734,196	218,563,161	620,140	620,140	23,171,508

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

The use of RMB14,764,927 in the balance of monetary capitals of the Group at end of the year was subject to restriction, of which RMB654,000 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 RMB17,464,630 and RMB4,644,515 respectively.

The use of ending balance of the Group's long-term assets amounted to RMB412,795,912 was restricted, of which, RMB344,175,152 was investment properties and RMB68,620,760 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 RMB150,000,000 (for details, please refer to Notes 11.1(1))



## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or 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
Promed Medical Technology (Suzhou) Company Limited	Suzhou	Suzhou	Development of cardiovascular stent	18.09		17,719,784
Yantai Blue Innovation Co., Ltd.	Yantai	Yantai	Development of system integration services	20.00		10,000,000

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

*Note 1:* Texwell Investment Limited, 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).

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

#### (2) Summarised financial information of associates

	Ending balance/ amount for the year	Opening balance/ amount for the year
Total carrying amount of investments	81,480,567	79,429,411
Total assets	564,964,675	570,167,845
Total liabilities	265,229,186	238,929,475
Net assets	299,735,489	331,238,370
Revenue	10,704,450	11,202,522
Net profit	-3,991,284	-4,417,473
Combined total of the followings (according to shareholdings)		
– Net profit	2,431,389	-549,925
– Other comprehensive income		
– Total comprehensive income	2,431,389	-549,925

## 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 6. 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, 2016, 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 2016	31 December 2015
Monetary fund – USD		
Monetary fund – HKD	<b>65,991</b>	270,931
Monetary fund – EUR	<b>152,032</b>	183,938
Accounts receivable – HKD	<b>592,210</b>	554,652
Prepayments – HKD	<b>295,497</b>	553,512
Other receivables – HKD	<b>5,502,371</b>	4,056,981
Accounts payable – HKD	<b>411,296</b>	385,211
Other payables – HKD	<b>3,118,625</b>	4,988,859

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, 2016, most of the interest-bearing debts are borrowings contracts with fixed rates in RMB with total amount of RMB165,709,584 (December 31, 2015: RMB209,271,000).

##### 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

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

#### (2) Credit risk

As at December 31, 2016, 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. The accounts receivables due but not impaired are related to many independent customers who have good records with the Group. According to past experience, the directors of the Company considered that no provision for impairment is necessary to be made for these balances since there was no material changes in credit quality, and these balances were still deemed as fully received. 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 RMB54,546,948.

#### (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, 2016, 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 2016:

Items	Within 1 year	1 to 2 years	2 to 3 years	3 years or above	Total
<b>Financial assets</b>					
Monetary funds	49,652,041				49,652,041
Accounts receivable	101,434,639	76,270,062	24,951,272	56,540,420	259,196,393
Other receivables	20,327,355	26,069,673	40,392,014	108,016,377	194,805,419
Prepayments	998,485	1,801,908	1,935,676		4,736,069
<b>Financial liabilities</b>					
Short-term borrowing	132,109,583				132,109,583
Notes payable	1,090,000				1,090,000
Accounts payable	112,128,537	63,259,089	19,489,300	21,206,761	216,083,687
Other payables	104,769,680	148,861,469	22,924,277	22,623,805	299,179,231
Tax payable	16,612,745				16,612,745
Employee benefits	3,175,569				3,175,569
Non-current liabilities due within one year	12,000,000				12,000,000
Long-term loans		12,000,000	9,600,000		21,600,000



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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	2016	2015	Effect on Net profit	Effect on owner's equity
		Effect on Net profit	Effect on owner's equity		
Borrowings	Increase 1%	-1,854,018	-1,854,018	-2,099,000	-2,099,000
	Decrease 1%	1,854,018	1,854,018	2,099,000	2,099,000

## 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 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Continual fair value measurement				
(1) Investment properties				
1. Land use rights for rent		4,503,400	533,395,137	537,898,537
2. Buildings for rent				
Total financial assets continually measured in fair value		4,503,400	533,395,137	537,898,537

## 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	4,503,400	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	533,395,137	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

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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:

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Jiangsu NandaSoft Service Outsourcing Talent indirectly Training Institute Company	40% of its equity rights was 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	18.11% of its equity rights was indirectly held by the Company

## 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 9.11% 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 6.00% 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 Jun Jun	A minority shareholder of Jiangsu NandaSoft Computer Equipment Company Limited, the subsidiary of the Company
Ye Hua	Spouse of Qin Jun Jun
Xie Man Lin	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
Nanjing Jianying Hongyi Technology Development Co., Ltd.	Related senior management
Jiangsu Keneng Electricity Technology Co., Ltd.	A shareholder of the Company holding 12.74% voting rights
Jiangsu Haihao Restaurant Management Co., Ltd	Related senior management
Jiangsu Changtian Fuyun Information Technology Co., Ltd.	Related senior management
Jiangsu Jinda Technology Industry Development 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 last year
Nanjing University	Sales of hardware and software		1,584,866
Jiangsu Co-Creation Education Development Company Limited	Sales of hardware and software		577,564
Jiangsu Keneng Electricity Technology Co., Ltd.	Sales of computer hardware and software	1,085,000	
<b>Total</b>		<b>1,085,000</b>	<b>2,162,430</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 Service Outsourcing Talent Training Institute	Property services and technical services	443,524	765,702
Jiangsu NandaSoft Information Industry Company Limited	Property services	82,961	17,228
Jiangsu Guotai Yihe Property Investment Co., Ltd.	Leasing services	300,000	500,000
Nanjing University	System integration services	110,000	2,029,327
Jiangsu Keneng Electively Technology Co., Ltd.	Property management service rental service	463,764	
<b>Total</b>		<b>1,400,249</b>	<b>3,312,257</b>

#### 3. Related transaction of receipt of services

Borrower	Lender	Balance of borrowings at the beginning of the year	Amounts borrowed during the year	Amounts repaid during this year	Borrowing amount as at the end of the year	Interest rates/year
The Company	Jiangsu Hongxin Trading Development Co., Ltd.	93,500,000	254,259,584	253,710,000	94,049,584	15%
	Jiangsu Guotai Yihe Property Investment Co., Ltd.	32,100,000	19,040,000	51,140,000		
	Jiangsu Phoenix Palace Electricity Industry Co., Ltd.	1,871,000	10,150,000	12,021,000		
	Nanjing Jianying Hongyi Technology Development Co., Ltd.		1,000,000	1,000,000		
Jiangsu Guotai Yihe Property Investment Co., Ltd.	Jiangsu Changtian Zhiyuan Transportation Technology Company Limited		57,000,000	57,000,000		15%
<b>Total</b>		<b>127,471,000</b>	<b>341,449,584</b>	<b>374,871,000</b>	<b>94,049,584</b>	



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

### 2. Related party transactions (Continued)

#### 4. Related-party guarantee

Guarantor	Guaranteed party	Amount guaranteed	Commencement date of guarantee	Expiration date of guarantee	Guarantee Fully performed or not
Qin Junjun	Jiangsu NandaSoft Computer Equipment Co., Ltd	3,560,000	2016-3-4	2019-3-3	No
Zhu Yong Ning, Jiangsu Keneng Electricity Technology Co., Ltd.		4,000,000	2016-6-28	2019-6-27	No
Zhu Yong Ning, Jiangsu Jinda Technology Industry Development Co., Ltd* (江蘇金大科技產業發展有限公司)	The Company	70,000,000	2016-3-25	2021-3-25	No
The Company, Jiangsu NandaSoft Communication Company Limited,	The Company	1,000,000	2016-5-27	2018-5-26	No
Nanjing NandaSoft System Integration Company Limited, Nanjing Botong Technology Company Limited, Nandasoft (Jiangsu) Health Technology Limited, Nanjing Nanda Pharmaceutical Company Limited, Vascore Medtech Company Limited and land mortgage	Nanjing NandaSoft System Integration Company Limited	5,000,000	2016-5-27	2018-5-26	No
Jiangsu Keneng Electricity Technology Co., Ltd.	Nanjing NandaSoft System Integration Company Limited	5,000,000	2016-1-19	2019-1-18	No

#### 5. Share Transfer

In October 2016, the Company entered into a transfer agreement with Jiangsu Haihao Restaurant Management Co., Ltd. The 80% equity interests of NandaSoft Technology Investment Development (Wuxi) Company Limited held by the Company was transferred at the price of RMB6.40 million. As at 31 December 2016, the Company has completed the industrial and commercial registration for the change and received the equity transfer payment of RMB6.40 million.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 2. Related party transactions (Continued)

#### 6. 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 Da Xi	79,992			79,992
Xie Hong	79,992			79,992
Xie Man Lin	79,992			79,992
<b>Subtotal</b>	<b>239,976</b>			<b>239,976</b>
<b>Executive directors</b>				
Zhu Yong Ning		503,186		503,186
Liu Jian	79,992			79,992
Qiao Ruo Gu (resigned on 9 November 2016)		210,661		210,661
<b>Subtotal</b>	<b>79,992</b>	<b>713,847</b>		<b>793,839</b>
<b>Non-executive directors</b>				
Wong Wa Tak	79,992			79,992
Yin Shou Rong (appointed on 6 May 2016)				
Gao Peng (resigned on 20 January 2016)				
<b>Subtotal</b>	<b>79,992</b>			<b>79,992</b>
<b>Directors total</b>	<b>399,960</b>	<b>713,847</b>		<b>1,113,807</b>
<b>Supervisors</b>				
Gu Yin Ping		174,124		174,124
Liang Run Bao	49,992			49,992
Chen Jian Hong		187,344		187,344
Dong Liang (resigned on 9 November 2017)	41,660			41,660
Ngai Kei Ho (resigned on 1 March 2017)	49,992			49,992
Yao Gen Yuan (appointed on 6 May 2016)				
<b>Subtotal</b>	<b>141,644</b>	<b>361,468</b>		<b>503,112</b>

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.

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

### 2. Related party transactions (Continued)

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

(2) Five highest paid employees

The five highest paid employees during the year included two (2015: two) directors, the remaining three (2015: three) highest paid employees are as follows:

Items	Amount for the current year	Amount for last year
Emoluments for Directors and Supervisors Salaries and allowances	734,382	714,545
<b>Total</b>	<b>734,382</b>	714,545

Their emoluments were within the following bands:

Items	Current year	Last year
Nil to RMB1,000,000	3	3

### 3. Account balance between related parties

#### 1. Receivable items

Item	Related parties	Book balance	Book balance
Prepayments	Soft Intelligent Technology (Shanghai) Co., Ltd.		5,653,552
	Nanjing University	1,000,000	1,000,000
Accounts receivables	Nanjing University	2,405,936	4,179,729
	Jiangsu Co-Creation Education Development Company Limited	30,000	30,000
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	470,135	
Other receivables	Jiangsu Fu Man Investment Limited	2,000,000	2,000,000
	Soft Interlligent Technology (Shanghai) Co., Ltd.	5,653,552	
	Nanjing Fineweb Import & Export Trade Co., Ltd.	145,000	145,000
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	2,380,262	2,760,262
	Jiangsu Sheng Feng Medical Company Limited	6,454,678	6,454,678
	Nanjing Nanda Pharmaceutical Company Limited	275,732	275,732



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

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

### 3. Account balance between related parties (Continued)

#### 2. Payable items

Item	Related parties	Ending Balance	Beginning Balance	
Other payables	Nanjing University Asset Administration Company Limited	9,900,000	9,725,249	
	Nanjing Fineweb Import & Export Trade Co., Ltd.	200,000	200,000	
	Nanjing Furuiwei Medical Technologies Co., Ltd	1,036,682	1,094,900	
	Jiangsu NandaSoft Information Industry Company Limited	12,100	12,100	
	Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd	100	100	
	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	117,191	100	
	Xie Manlin	1,600,000	1,600,000	
	Jiangsu Fu Man Investment Limited	100,000	100,000	
	Advance from customers	Jiangsu NandaSoft Service Outsourcing Talent Training Institute	4,500,000	4,505,278
		Jiangsu NandaSoft Information Industry Company Limited	129,951	89,323
Interests payables	Jiangsu Hongxin Trading Development Co., Ltd.	5,302,609	2,951,918	
	Jiangsu Phoenix Palace Electricity Industry Co., Ltd.	2,554,468	29,218	
	Jiangsu Guotai Yihe Property Investment Co., Ltd.	9,087,374	5,839,110	

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

### 4. Undertaking by related parties

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

On 24 March 2017, 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 LIABILITIES

### 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 the construction project. The payment was approximately RMB175,400,000 in total, payable for certain contracts entered into by the Company and the plaintiff for engaging the plaintiff (as a contractor) for the construction of Phase II of New NandaSoft Technology and Innovation Park. The court ruled to temporarily frozen the assets of the Company with a value of RMB150,000,000 and frozen the equity interests of Nanjing IOT Application Research Institute Limited, Jiangsu Cyberunion Information Industry Institute Union. Co., Ltd and Jiangsu Zhongsheng Zhiyuan Technology Development Co., Ltd. held by the Company.

The main reason for the delay in payment was that the audit on the related construction work is unable to complete by the agreed time and is still not completed yet. Therefore, the actual amount of construction payable by the Company is still uncertain.

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

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 12. CONTINGENT LIABILITIES

### 1. Pending Litigations (Continued)

#### (1) Litigation 1 (Continued)

As Phase II of New NandaSoft Technology and Innovation Park constructed by the Company was put into use since 2013, the time of conversion into fixed assets referred to the estimated price from the consultation of construction costs in the “report on the consultation of construction costs” issued by 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, loss on shutting down, and overdue interest payment amounted to RMB219.64 million (net of RMB37 million which had already paid by the Company). For the period of 1 January 2016 to the actual payment date, with the annual rate of 6%, the Company shall pay RMB182.64 million and related interest to the plaintiff on or before 30 June 2016. The plaintiff has the right to apply to the people’s court for enforcement on the condition that the Company fails to pay for the aforesaid payment on time. If the Company fails to perform the payment obligations within the period prescribed under the mediation letter, additional debt interest which is twice of the amount during the performance period will be levied on by the Company in accordance with Article 253 of the “PRC Civil Procedure Law”.

As at 31 December 2016, the Company’s bank deposit frozen amounted to RMB3,306,093; 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. As the aforesaid amount is still unpaid, provision for relevant interests on delay in debt settlement was made according to the mediation letter.

#### (2) Litigation 2

As at 4 November 2015, the Company received a civil complaint which was filed to Guangzhou City Tianhe District People’s Court (廣州市天河區人民法院) by 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 and total borrowing interest up to 10 October 2015 was RMB8,426,989. 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, the bank balance of the Company of RMB23,926,989 was frozen. The equity interest of Jiangsu NandaSoft Investment Company Limited and NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司) held by the Company was frozen.



## 12. CONTINGENT LIABILITIES (Continued)

### 1. Pending Litigations (Continued)

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

On 8 October 2016, Guangzhou City Tianhe District People's Court issued the Civil Ruling (2015) Sui Tian Fa Jin Min Chu Zi No.5504, which ruled that the Company should repay the borrowings of principal amount of RMB15.5 million and pay borrowing interests (interest before 9 July 2014 amounted to RMB4,197,400; interest from 10 July 2014 to 30 September 2014 amounted to RMB413,333; interest from 1 October 2014 to settlement date was calculated at an annual rate of 24% based on RMB15.5 million) to Aimin.

The Company objected the judgment of the first instance and filed an appeal to Guangzhou City Intermediate People's Court on 27 October 2016, claiming to offset against another debt of RMB6 million owed by Aimin to the Company, and by reason of the settlement of RMB5 million by an outsider instead, required amending the judgment of repayment of borrowings with the principal amount of RMB4.5 million and interest thereon to Aimin by the Company. On 1 November 2016, Guangzhou City Intermediate People's Court accepted the case, which is yet to be heard.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

As at 31 December 2016, the litigation was pending. A bank balance of the Company of RMB4,213,581 was frozen. The relevant amount frozen was net off against the bank deposit frozen pursuant to Litigation 1 above.

#### (3) Litigation 3

On 15 November 2016, 武漢金家公司 (Wuhan Jinjia Company) filed a litigation against the Company at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 11102, requesting the Company to repay three borrowings with total principal amount of RMB3,035,592 (interest is calculated up to 30 November 2016), namely: 1. the first borrowing with principal amount of RMB966,666 and interest of RMB1,008,555; 2. the second borrowing with principal amount of RMB42,667 and interest of RMB47,787; 3. the third borrowing with principal amount of RMB565,000 and interest of RMB404,917.

On 15 March 2017, according to the letter of civil mediation "(2016) Su 0106 Min Chu No. 11102" issued by Nanjing City Gulou District People's Court, if the Company repays the borrowing with principal amount and interest of RMB1.8 million in total to the plaintiff, 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) before 22 March 2017. 武漢金家房地產開發有限公司 (Wuhan Jinjia Property Development Co., Ltd.) will voluntarily abandon other litigation requests.

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 12. CONTINGENT LIABILITIES (Continued)

### 1. Pending Litigations (Continued)

#### (4) Litigation 4

On 24 November 2016, 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.) filed a litigation against seven companies, including the Company, at Nanjing City Jiangning District People's Court Case No.: (2016) Su 0115 Min No. 15397, requesting the Company to repay the borrowing with principal amount of RMB1 million and interest thereon and penalty interest of RMB11,541.66, pay default charges of RMB1,206,400 and undertake solicitor's fee of RMB20,000; requesting Nanjing Botong Technology Company Limited to repay the borrowing with principal amount of RMB4 million and interest thereon and penalty interest of RMB185,583, pay default charges of RMB862,400 and undertake solicitor's fee of RMB80,000; requesting Nanjing NandaSoft System Integration Co., Ltd to repay the borrowing of RMB5 million and interest thereon and penalty interest of RMB277,500, pay default charges of RMB724,800 and undertake solicitor's fee of RMB100,000; requesting the seven companies, including the Company, to assume the joint guaranty liabilities for the aforesaid liability; requesting that the reinsurance company shall be preferentially reimbursed with the proceeds from the auction, sale, discounted of properties and land at No. 25 Xingnan Road, Wuzhong Economic Development Zone, Suzhou City.

On 14 February 2017, Jiangning District People's Court delivered the judgment of the first instance that the Company should pay the borrowing with principal amount of RMB1 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB1 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 26 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB4 million from 26 May 2016 respectively, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

Nanjing NandaSoft System Integration Company Limited should pay the borrowing with principal amount of RMB5 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB5 million, compound interest is calculated based on the outstanding penalty interest, which are both calculated from 25 May 2016 to the actual payment date at an annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 26 May 2016 to actual payment date at an annual rate of 24%) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

Nanjing Botong Technology Company Limited should pay the borrowing with the principal amount of RMB4 million, and interest and compound interest (penalty interest is calculated based on the principal amount of RMB4 million, compound interest is calculated based on the outstanding penalty interest, which are both from 26 May 2016 to the actual payment date at the annual rate of 19.5%), default charges (calculated based on the principal amount of RMB5 million from 25 May 2016, and the principal amount of RMB1 million respectively from 26 May 2016, both at an annual rate of 24% until actual payment date) to 南京市再保科技小額貸款股份有限公司 (Nanjing Reinsurance Technological Micro-lending Co., Ltd.);

The directors of the Company, based on the advices from the Group's legal counsel, consider that it is necessary to make a provision for losses due to litigation.



## 12. CONTINGENT LIABILITIES (Continued)

### 1. Pending Litigations (Continued)

#### (5) Litigation 5

On 24 November 2016, the Company filed a litigation against NandaSoft Intelligent Technology (Shanghai) Co., Ltd. at Nanjing City Gulou District People's Court Case No.: (2016) Su 0106 Min Chu No. 10808, requesting NandaSoft Intelligent Technology (Shanghai) Co., Ltd. to repay the debt with principal amount of RMB24,335,362, pay interest thereon (calculated based on the amount of each loan at an annual rate of 10%, and the amount of RMB12,398,130 is temporarily calculated up to 3 November 2016); and had submitted an application to the court for property restriction of the 5/1 land use rights of Shanghai NandaSoft Company in Yingzhong village, Qingpu Town, Qingpu District, Shanghai.

On 19 January 2017, Nanjing City Gulou District People's Court first heard the case and was in the process of first instance trial.

As of the reporting date, as the case is in progress, the Company was unable to provide relevant investment information and financial information regarding NandaSoft Intelligence Technology (Shanghai) Company Limited (蘇富特智能科技(上海)有限公司).

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

The Group had contingent liabilities in respect of financial guarantees to the extent of RMB6,000,000 in total (2015: RMB13,000,000) 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 2016.

The Company had contingent liabilities in respect of financial guarantees to the extent of RMB7,440,000 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

### 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.

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 12. CONTINGENT LIABILITIES (Continued)

### 3. Sales and leases of the commercial properties of the Company in Gulou District, Nanjing (Continued)

#### (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 70,511 sq. meters, in which 20,801 sq. meters was entered into leasing contract, 15,286 sq. meters was entered into sales contract from 2009 to 2013 and approximately 14,982 sq.meters was not yet entered into leasing and sales contract but delivered part of it to the related parties from 2011 to 2013.

#### (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.

On 29 January 2016, Nanjing Government released the Notice on Supplement Opinion of Redevelopment of Low Efficient Use of Land in cities, Nanjing (Ning Zheng Ban Fa [2016] No. 20), which clearly defines that “upon land transfer and completion of properties, the government of each district and park management committee shall perform their responsibilities, strengthen land management after supplying, conduct strict identification of targets of the transfer and sale of properties in compliance with Ning Zheng Gui Zi [2013] No.1 requirements. The targets of transfer and sale should be the technology and R&D enterprises or institutions that fulfill the Ning Zheng Gui Zi [2013] No.1 requirements, and shall not transfer and sell to individuals. The relevant entities and persons under audit will be held responsible if there is a breach of conduct”.



## 12. CONTINGENT LIABILITIES (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 (Continued)*

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. Currently there are two main factors which directly affect the Company to perform the above sales and purchase contracts as follows: on one hand, it is related to the government administrative management with relatively low-level authority of corresponding normative documents, therefore, there were certain legal risks of failing to fulfill the above sales and purchase contracts and the Company may subject to the relevant obligations. On the other hand, the relevant properties have been seized for investigation due to the Company is involved in lawsuit. Therefore, before it is being released, we are unable to process the relevant equity transfer registration. During this period, the buyers are entitled to rescind the contracts and require Nandasoft to return the purchase amount and bear the liability for breach of contracts. As for natural persons who involved in such contracts, the Company could not transfer and sell the land use rights of the properties nor achieve the transfer of properties. As for other forms of subjects involved in contracts, the transfer and sale of land use rights of properties are restricted by the relevant administrative management factors. There is great uncertainty whether if we can achieve the transfer of properties. In addition, for the construction contract dispute case between the Company and China Nuclear Industry Huaxing Construction Company Limited, [No. (2014) Su Min Chu Zi No. 00015], the above properties are still being seized by Court at the moment, and no transfer can be made before the releasing.

#### (4) *Description of the commercial properties of the Company in Gulou District, Nanjing which was not entered into sales contract or leasing contract*

14,982 sq. meter of the commercial properties of the Company in Gulou District, Nanjing was delivered to the related parties for use 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 negotiation 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 2016, the occupier did not provide any economic benefit to the Company or other parties designated by the Company in respect of the unoccupied commercial properties. 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.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 12. CONTINGENT LIABILITIES (Continued)

### 4. Equity pledge by Jiangsu Changtian Zhiyuan Transportation Technology Company Limited, a subsidiary held by the Company

According to 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 Technology Company Limited 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 2017, the financial support was undertaken by Jiangsu Keneng Electricity Technology Co., Ltd. (a shareholder of the Company) to the Company: within a year from the undertaking, 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, it will provide to the Company unconditionally to assist the Company in resolving the short-term liabilities.

### 6. Restriction on important assets of the Company

For details, please refer to the Notes 12.1(1) Litigation 1.

### 7. As at 31 December 2016, the Group had no other major contingencies except for those mentioned above.



## 13. COMMITMENTS

### 1. Significant commitments

**(1) Large-amount contracts signed and currently being performed or prepared to be performed**

As at 31 December 2016, the Group still had large-amount contracts signed and currently being performed or prepared to be performed amounting to RMB199,072,150. The details are as follows:

Item	Contract amount	Paid amount	Unpaid amount	Estimated period
<b>Total</b>	236,072,150	37,000,000	199,072,150	

**(2) 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	7,250,593	6,470,142
2 to 5 years	7,810,504	3,540,057
<b>Total</b>	<b>15,061,097</b>	10,010,199

The Group as the lessee

On 31 December 2016, 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	957,050	364,000
2 to 5 years	2,804,228	233,880
<b>Total</b>	<b>3,761,278</b>	597,880

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 13. COMMITMENTS (Continued)

### 1. Significant commitments (Continued)

#### (2) 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	7,250,593	6,470,142
2 to 5 years	7,810,504	3,540,057
<b>Total</b>	<b>15,061,097</b>	10,010,199

2. Except for the commitments mentioned above, there's no other significant commitment within the Group at 31 December 2016.

## 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 2017: did not recommend any final dividends for the year ended 31 December 2016

### 2. Sales return

There were no material sales return occurred subsequent to the balance sheet date.

### 3. The mediation issue between the Company and Wuhan Jinjia Property Development Co., Ltd. (武漢金家房地產開發有限公司)

For details, please refer to the Notes 12.1(3) Litigation 3.

### 4. First instant judgment between the Company and Nanjing Zaibao Technology Micro Lending Co., Ltd\* (南京市再保科技小額貸款有限公司)

For details, please refer to the Notes 12.1(4) Litigation 4.

### 5. In February 2017, the Company transferred its 20% equity interests in Shandong Blue Innovation Co., Ltd. (山東藍海恆創科技開發有限公司) to Yantai Niu Hua Network Technology Company Limited (煙台市紐華網絡科技有限公司).

### 6. Save as the post balance sheet events disclosed above, the Group had no other material post balance sheet event.

## 15. OTHER SIGNIFICANT EVENTS

### 1. 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.

#### Reporting segments for 2016

Items	Computer hardware and software products segment	System integration service segment	IT-related products and equipment	Property investment	Offset	Undistributed portion	Total
Operating income	379,682,094	51,495,642		12,186,912			443,364,648
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				8,167,644			8,167,644
Operating costs	344,977,035	37,407,795		1,937,026			384,321,856
Sales tax and fees	13,578,705	1,841,657					15,420,362
Financing costs						38,449,025	38,449,025
Other costs (management asset impairment)						117,292,389	117,292,389
Segment total operating profit (total loss)	21,126,654	12,246,190		18,417,530		-155,741,414	-103,951,340
Total assets	392,672,562	240,751,593		541,664,824		-1,815,013	1,173,273,966
Total liabilities	424,953,323	231,147,918		201,344,120		103,755,098	961,200,459
Supplementary information							
Capital expenditure							1,928,009
Impairment loss recognized for the period							53,287,583
Depreciation and amortization expenses							5,237,018

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 1. Segment information (Continued)

#### Reporting segments for 2015

Items	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	75,266,821		13,369,030			513,130,153
Including: Income from external transactions							
Income from inter-segment transactions							
Other gains				-17,698,468		8,790,979	-8,907,489
Operating costs	384,568,583	57,639,172		2,873,467			445,081,222
Sales tax and fees	16,711,140	2,963,042					19,674,181
Financing costs						36,165,427	36,165,427
Other costs (management asset impairment)						101,621,642	101,621,642
Segment total operating profit (total loss)	23,214,579	14,664,606		-7,202,905		-128,996,090	-98,319,808
Total assets	362,861,513	322,526,368		535,418,498		94,636,764	1,315,443,143
Total liabilities	487,691,718	262,708,428		182,872,815		111,900,584	1,045,173,545
Supplementary information							3,895,769
Capital expenditure							45,468,938
Depreciation and amortization expenses							5,607,427

Note: Capital expenditure includes purchases such as buildings, transportation equipment and electronics equipments and others.



## 15. OTHER SIGNIFICANT EVENTS (Continued)

### 1. 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 for the year</b>	Amount for the previous year
Within China (except Hong Kong)	<b>443,364,648</b>	513,130,153
Hong Kong		
<b>Total</b>	<b>443,364,648</b>	513,130,153

  

<b>Total non-current assets</b>	<b>Ending Balance</b>	Beginning Balance
Within China (except Hong Kong)	<b>742,767,686</b>	725,503,906
Hong Kong	<b>11,425,191</b>	10,750,915
<b>Total</b>	<b>754,192,877</b>	736,254,821

2. 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>Ending Balance</b>	Beginning Balance
Cash	<b>1,896</b>	23,146
Bank deposits	<b>88,524</b>	3,075,288
Others monetary funds	<b>7,532,493</b>	5,101,451
<b>Total</b>	<b>7,622,913</b>	8,199,885

Note: Among other monetary funds, RMB7,519,673.11 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

1 January 2016 to 31 December 2016

## 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>118,388,041</b>	121,308,285
Less: provision for bad debts	<b>50,350,334</b>	38,289,383
Net amount	<b>68,037,707</b>	83,018,902

#### (1) Aging analysis

Aging	Ending Balance	Opening Balance
3 months (inclusive)	<b>18,404,586</b>	47,182,776
3 months to 6 months (inclusive)	<b>1,650,667</b>	76,919
7 months to 12 months (inclusive)	<b>10,780,346</b>	1,518,037
Over 1 year	<b>37,202,108</b>	34,241,170
Net	<b>68,037,707</b>	83,018,902

#### (2) Classification of account receivable

Items	Ending Balance				Beginning Balance					
	Book balance		Bad debt provision		Book balance	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>118,388,041</b>	<b>100.00</b>	<b>50,350,334</b>	<b>42.53</b>	<b>68,037,707</b>	121,308,285	100.00	38,289,383	31.56	83,018,902
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>118,388,041</b>	<b>100.00</b>	<b>50,350,334</b>	<b>42.53</b>	<b>68,037,707</b>	121,308,285	100.00	38,289,383	31.56	83,018,902

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 2. Accounts receivable (Continued)

#### (2) Classification of account 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)	18,404,586		
3 to 6 months (inclusive)	1,719,445	68,778	4.00
7 to 12 months (inclusive)	11,717,768	937,422	8.00
Over 1 year	86,546,242	49,344,134	57.01
<b>Total</b>	<b>118,388,041</b>	<b>50,350,334</b>	<b>42.53</b>

Aging	Beginning Balance		Ratio (%)
	Accounts receivable	Provision for bad debts	
Within 3 months (inclusive)	47,182,776		
3 to 6 months (inclusive)	80,124	3,205	4.00
7 to 12 months (inclusive)	1,650,040	132,003	8.00
Over 1 year	72,395,345	38,154,175	52.70
<b>Total</b>	<b>121,308,285</b>	<b>38,289,383</b>	<b>31.56</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	10,535,100	1 to 2 years	8.90	2,107,020
No.2	9,697,736	0 to 2 years	8.19	
No.3	6,825,576	Over 3 years	5.77	
No.4	6,688,215	Over 0 to 3 years	5.65	2,970,821
No.5	6,598,747	Over 0 to 3 years	5.57	321,546
<b>Total</b>	<b>40,345,374</b>		<b>34.08</b>	<b>5,399,387</b>



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 3. Prepayments

#### (1) Aging analysis

Items	31 December 2016	31 December 2015
<b>Total</b>	<b>6,642,663</b>	11,701,874

#### (2) Prepayments from the five largest suppliers as at 31 December 2016 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	4,573,117	Over 3 years	0	68.84
No.2	4,477,699	Over 3 years	4,477,699	
No.3	1,000,000	Over 3 years	1,000,000	
No.4	982,000	2 to 3 years	491,000	7.39
No.5	691,317	1 to 3 years	190,712	7.54
<b>Total</b>	<b>11,724,133</b>		<b>6,159,411</b>	<b>83.77</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				Book balance	Beginning Balance				Book value
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	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	167,918,316	100	66,855,488	41.20	101,062,828	0	100	39,317,426	22.06	138,946,714
Accounts receivable that are individually insignificant but are provided for bad debts on individual basis										
<b>Total</b>	<b>167,918,316</b>	<b>100</b>	<b>66,855,488</b>	<b>41.20</b>	<b>101,062,828</b>	<b>0</b>	<b>100</b>	<b>39,317,426</b>	<b>22.06</b>	<b>138,946,714</b>

#### (2) Other receivables by nature

Nature	Book balance at the end of the year	Book balance at the beginning of the year
Security deposit, imprest and cash pledge	4,872,445	6,882,387
Current accounts	163,045,871	171,381,753
<b>Total</b>	<b>162,918,316</b>	<b>178,264,140</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 accounts receivables in total (%)	Ending balance of bad debts provision
No.1	Current accounts	<b>37,608,933</b>	Over 0 to 3 years	22.40	
No.2	Current accounts	<b>23,789,900</b>	Over 2 to 3 years	14.17	20,998,700
No.3	Current accounts	<b>13,763,440</b>	Over 1 to 3 years	8.20	12,286,936
No.4	Current accounts	<b>6,454,678</b>	Over 2 to 3 years	3.84	4,117,916
No.5	Current accounts	<b>5,933,919</b>	Over 1 to 3 years	3.53	5,928,569
<b>Total</b>		<b>87,550,870</b>		52.14	43,332,121

### 5. Inventories

#### (1) Classification

Items	Ending Balance			Beginning Balance		
	Book balance	Inventory impairment	Book value	Book balance	Inventory impairment	Book value
Merchandise inventories	<b>4,161,354</b>	<b>4,161,354</b>		4,161,354	4,161,354	
Goods in transit	<b>8,744,229</b>		<b>8,744,229</b>	12,638,325		12,638,325
Engineering construction	<b>3,171,643</b>		<b>3,171,643</b>	4,834,442		4,834,442
<b>Total</b>	<b>16,077,226</b>	<b>4,161,354</b>	<b>11,915,872</b>	21,634,121	4,161,354	17,472,767



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 5. Inventories (Continued)

#### (2) Inventory impairment

Items	Beginning Balance	Increase during the year	Decrease during the year		Ending Balance
			Reversal	Transferred out	
Merchandise inventories	4,161,354				<b>4,161,354</b>
<b>Total</b>	4,161,354				<b>4,161,354</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 Measured at cost	7,797,972	747,972	7,050,000	7,797,972	747,972	7,050,000
<b>Total</b>	<b>7,797,972</b>	<b>747,972</b>	<b>7,050,000</b>	<b>7,797,972</b>	<b>747,972</b>	<b>7,050,000</b>

### 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	114,821,463		114,821,463	129,179,868		129,179,868
Investment in associates and joint ventures	18,759,431		18,759,431	19,992,611		19,992,611
<b>Total</b>	<b>133,580,894</b>		<b>133,580,894</b>	<b>149,172,479</b>		<b>149,172,479</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 Zhiyuan Transportation Technology Company Limited	51,592,987			51,592,987		
Jiangxi NandaSoft Service Outsourcing Company Limited	7,000,000			7,000,000		
Jiangsu NandaSoft (Hong Kong) Limited	3,361,843	41,595		3,403,438		
Jiangsu NandaSoft Computer Fixtures Company Limited	5,100,000			5,100,000		
Jiangxi NandaSoft Technology Company Limited	1,400,000			1,400,000		
Jiangsu Sheng Feng Investment Limited	10,000,000			10,000,000		
Nanjing NandaSoft System Integration Company Limited	20,000,000			20,000,000		
Jiangsu NandaSoft CRO Technology Co., Ltd.	5,225,038			5,225,038		
Nanjing NandaSoft Property Services Company Limited	500,000			500,000		
NandaSoft Technology Investment Development (Wuxi) Company Limited	14,400,000		14,400,000			
NandaSoft Technology (Shenzhen) Company Limited	3,600,000			3,600,000		
Jiangsu Zhiya online education technology Ltd.	7,000,000			7,000,000		
<b>Subtotal</b>	129,179,868	41,595	14,400,000	114,821,463		

## 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						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 cash dividends or profit	Provision for impairment	Others			
<b>Under equity method</b>												
Shenzhen Nanda Research Institute Company Limited	6,782,519			809,051							7,591,570	
Yantai Blue Innovation Co., Ltd.	8,329,499			-1,311,497							7,018,002	
Nanjing Qi Ming Financial Consultation Company Limited	430,769										430,769	
Jiangsu Fu Man Investment Limited	1,994,827			-730,734							1,264,093	
Soft Intelligent Technology (Shanghai) Co., Ltd.	2,454,997										2,454,997	
<b>Subtotal</b>	<b>19,992,611</b>			<b>-1,233,180</b>							<b>18,759,431</b>	

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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>		525,398,893	525,398,893
In which: Cost		340,891,227	340,891,227
In which: Changes in fair value		184,507,666	184,507,666
<b>II. Changes for the current year</b>			
Add: Changes in fair value		7,996,244	7,996,244
<b>III. Ending Balance</b>		533,395,137	533,395,137
In which: Cost		340,891,227	340,891,227
In which: Changes in fair value		192,503,910	192,503,910

*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 2016.

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

Items	Ending Balance	Beginning Balance
Mainland China		
Mid-term (10 – 50 years)	<b>533,395,137</b>	525,398,893
Outside China		
<b>Total</b>	<b>533,395,137</b>	525,398,893



## 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 2015	85,484,952	10,969,604	1,682,605	98,137,161
2. Increase for the period		17,728		17,728
(1) Purchase		17,728		17,728
3. Decrease for the period		10,060		10,060
(1) Disposal or scrapped		10,060		10,060
4. Balance as at 31 December 2016	85,484,952	10,977,272	1,682,605	98,144,829
<b>(II) Accumulated depreciation</b>				
1. Balance as at 31 December 2015	9,410,532	3,021,286	1,614,467	14,046,285
2. Increase for the period	1,898,131	1,717,631		3,615,762
(1) Provision	1,898,131	1,717,631		3,615,762
3. Decrease for the period		3,589		3,589
(1) Disposal or scrapped		3,589		3,589
4. Balance as at 31 December 2016	11,308,664	4,735,327	1,614,467	17,658,458
<b>(III) Impairment provision</b>				
1. Balance as at 31 December 2015				
2. Increase for the period				
3. Decrease for the period				
4. Balance as at 31 December 2016				
<b>(IV) Book value</b>				
1. Book value as at 31 December 2015	76,074,420	7,948,318	68,138	84,090,876
2. Book value as at 31 December 2016	74,176,289	6,241,944	68,138	80,486,371

Note 1: The property ownership certificates of all properties of the Group have been obtained.



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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	5,120,090	2,144,849	7,264,939
2. Increase for the year			
(1) Purchase			
3. Decrease for the year			
(1) Transferred into investment properties			
4. Ending Balance	5,120,090	2,144,849	7,264,939
<b>(II) Accumulated amortization</b>			
1. Beginning Balance	363,816	1,190,254	1,554,070
2. Increase for the year	111,760	348,459	460,219
(1) Provision	111,760	348,459	460,219
3. Decrease for the year			
(1) Transferred into investment properties			
4. Ending Balance	475,576	1,538,713	2,014,289
<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	4,644,514	606,136	5,250,650
2. Beginning book value	4,756,274	954,595	5,710,869



**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				
<b>Total</b>				

**(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	233,852,003	58,463,001	216,222,344	54,055,586
<b>Total</b>	<b>233,852,003</b>	<b>58,463,000</b>	216,222,344	54,055,586

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 12. Short-term borrowings

Category	Ending balance		Beginning Balance	
	Interest rate%	Amount	Interest rate%	Amount
Bank Loans				
Mortgage borrowings				
Other Loans				
Non-banking financial institutions	15.00	1,000,000	15	3,000,000
Others	6.36-15.00	133,049,584	15	142,971,000
<b>Total</b>		<b>134,049,584</b>		<b>145,971,000</b>

Note: Other loans

Other loans of RMB1 million were provided by the non-banking financial institute.

Others of RMB133.05 million were obtained from part of the company.

### 13. Accounts payable

Items	Ending Balance	Beginning Balance
Total	81,016,832	90,544,067
Over 1 year	38,224,754	32,467,871

### 14. Advances from customers

Items	Ending Balance	Beginning Balance
Total	22,502,546	27,162,842



## 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
Construction Fee	134,527,550	130,731,147
Estimated expenses		935,204
Compensation for construction stoppage or slowdown with overdue interests	56,019,657	39,582,508
Investment from shareholders received in advance		45,864,000
Others	168,723,302	163,362,506
<b>Total</b>	<b>359,270,509</b>	<b>380,475,365</b>

### 16. Long-term payable

Items	Ending Balance	Beginning Balance
Payments for equity transfer	12,175,435	13,623,117
Payments for buildings	56,289,325	56,289,325
Long-term Lease payable	58,977,639	3,002,444
<b>Total</b>	<b>127,442,399</b>	<b>72,914,886</b>

Please refer to note 6.29 for details

### 17. Operating income & Operating cost

Items	Current year		Last year	
	Income	Cost	Income	Cost
Main operation	25,762,390	23,631,304	68,001,954	71,700,727
Other operation	6,850,315	440,123	8,340,778	1,499,557
<b>Total</b>	<b>32,612,705</b>	<b>24,071,427</b>	<b>76,342,732</b>	<b>73,200,284</b>

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 18. Tax and surcharges

Items	Current year	Last year
Business Tax	1,351	65,183
City Maintenance and Construction Tax	10,970	4,694
Education Surcharge	9,484	3,511
Stamp tax	14,443	
Land use tax	98,118	
Real Estate Tax	536,068	
<b>Total</b>	<b>670,434</b>	73,388

Note: The “Regulations for the Accounting Treatment of VAT” (Cai Kuai (2016) No. 22) was promulgated on 3 December 2016 and are applicable for the relevant business occurred since 1 May 2016. For the transactions occurred between 1 January to 30 April 2016, no corresponding adjustments were made to the financial statements of the comparable periods in the 2016 financial statements.

### 19. Sales Expense

Items	Current year	Last year
Total	3,543,930	4,889,195
In which: Personnel expenses	2,013,000	3,290,076
Sales business expenses	255,337	548,462
Others	1,275,593	1,050,657

### 20. Administration Expense

Items	Current year	Last year
Total	25,899,385	33,060,673
In which: Research and development expenditure	2,288,246	6,048,092
Personnel expenses	5,333,506	6,135,470
Office expenses	347,878	869,421
Business charges	184,593	432,354
Others	17,745,162	19,575,336



## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 21. Financial Expenses

#### (1) Breakdown of financial Expenses

Items	Current Year	Last Year
Interest expense	38,121,682	34,870,851
Less: Interest income	10,447	525,879
Add: Exchange loss	309	57,915
Add: Other expenditure	1,831,084	16,135
<b>Total</b>	<b>39,942,628</b>	34,419,022

Note 1: The increase in other expenditure incurred during the year as compared with that of the previous year was mainly due to the commission charge of RMB1,401,709 arising from the finance lease of the Company.

#### (2) Breakdown of interest expenses

Items	Current Year	Last Year
Interests from bank loans	35,844,848	34,870,851
Unrecognized financial charges	2,276,834	
Sub-total	38,121,682	34,870,851
Less: Capitalized interest		
<b>Total</b>	<b>38,121,682</b>	34,870,851

#### (3) Breakdown of interest income

Items	Current Year	Last Year
Interest income from bank deposit	10,447	525,879
<b>Total</b>	<b>10,447</b>	525,879

# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 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 loss	40,485,842	35,207,873
Impairment loss on long-term assets		507
<b>Total</b>	<b>40,485,842</b>	<b>35,208,380</b>

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

Items	Current year	Last year
Investment properties measured at fair value	7,996,244	-16,530,469
<b>Total</b>	<b>7,996,244</b>	<b>-16,530,469</b>

### 24. Investment income

Items	Current year	Last year
From disposal of available-for-sale financial assets		160,171
From disposal of long-term equity investment	-7,999,999	
From long-term equity investment under equity method	-1,233,180	848,912
<b>Total</b>	<b>-9,233,179</b>	<b>1,009,083</b>

### 25. 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		148,088	
In which: gain on disposal of fixed assets		148,088	
Government grants	1,720,955	4,528,694	1,720,955
Others	1,096		1,096
<b>Total</b>	<b>1,722,051</b>	<b>4,676,782</b>	<b>1,722,051</b>

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

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

#### (2) Breakdown of government grants

Item	Current Year	Related with assets/income
Stabilizing employment subsidy	74,477	Related with income
Onshore business incentive for servicing outsourcing enterprises	200,000	Related with income
Nanjing introduction of high-quality talents program fund	200,000	Related with income
Information Industry Transformation Capital	607,200	Related with income
Software and Cloud computation	639,278	Related with income
<b>Total</b>	<b>1,720,955</b>	

### 26. Non-operating expense

Items	Current year	Last year	Amount included in non-recurring profit and loss for the year
Loss on disposal of non-current assets	678	16,739	678
Including: Loss on disposal of fixed assets	678	16,739	678
Others	20,759,539	44,945,609	20,759,539
<b>Total</b>	<b>20,760,217</b>	<b>44,962,348</b>	<b>20,760,217</b>

Note: Since the Company did not make any payment 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, provision for interest was made according to the interest rates stipulated in the agreement (for details, please see note 12.1(1)).

### 27. Income tax expenses

Items	Current year	Last year
Income tax for the year	-591,032	
Deferred income tax	4,407,414	7,338,658
<b>Total</b>	<b>3,816,382</b>	<b>7,338,658</b>



# Notes to the Financial Statements

1 January 2016 to 31 December 2016

## 16. NOTES TO THE MAJOR ITEMS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### 28. Audit fees

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

### 29. Depreciation and amortization

The depreciation/amortization recognized in the income statement for the current year was RMB4,075,981 (Last Year: RMB4,621,466).

### 30. Rental income

Rental income from land and buildings during the current year is RMB6,850,315 (Last Year: RMB8,340,778).

## 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 2017.



# SUPPLEMENTAL INFORMATION OF FINANCIAL STATEMENTS

## 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	2,225,898	
Casual tax rebate or tax exemption with ultra vires or without formal approval	1,897,133	
Government grants expensed	1,897,133	
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	3,261,396	
Gains and losses from commissioned investment or assets management	3,261,396	
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		
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	8,167,644	
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	-20,442,377	
Other non-operating profit and loss define	2,051,155	
Subtotal	-2,839,149	
Income tax impact	2,626,178	
Impact on non-controlling shareholder's equity (after-tax)	1,567,749	
Total	-7,033,076	

# FIVE YEAR FINANCIAL SUMMARY

31 December 2016

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.

	2016 RMB	2015 RMB	2014 RMB	2013 RMB	2012 RMB
<b>RESULTS</b>					
<b>CONTINUING OPERATIONS</b>					
REVENUE	<b>443,364,648</b>	513,130,153	524,321,832	602,525,445	643,001,427
Cost of sales	<b>(384,321,856)</b>	(445,081,222)	(457,641,890)	(503,311,385)	(523,156,836)
Gross profit	<b>59,042,792</b>	68,048,931	66,679,942	99,214,060	119,844,591
Other income and gains	<b>(6,100,545)</b>	(56,531,255)	46,768,272	71,975,401	17,135,272
Selling and distribution costs	<b>(15,420,361)</b>	(19,674,181)	(23,756,735)	(26,744,805)	(27,247,158)
Research and development costs	<b>(2,288,246)</b>	(6,048,092)	(24,788,705)	(9,596,083)	(5,222,011)
Administrative expenses	<b>(102,946,325)</b>	(95,434,235)	(104,784,200)	(96,371,427)	(57,421,602)
Finance costs	<b>(36,238,655)</b>	(35,005,048)	(26,197,351)	(13,477,524)	(10,586,360)
Share of profits/(losses) of associates				2,507,795	(1,200,930)
PROFIT BEFORE TAX	<b>(103,951,340)</b>	(144,643,880)	(66,078,777)	27,507,417	35,301,802
Income tax expense	<b>(2,307,638)</b>	(4,917,730)	(11,356,553)	(20,711,875)	(4,000,002)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	<b>(106,258,978)</b>	(149,561,610)	(77,435,330)	6,795,542	31,301,800
<b>DISCONTINUED OPERATION</b>					
Profit for the year from a discontinued operation					5,113,474
PROFIT FOR THE YEAR	<b>(106,258,978)</b>	(149,561,610)	(77,435,330)	6,795,542	36,415,274
Attributable to:					
Owners of the Company	<b>(109,609,323)</b>	(160,392,827)	(78,857,943)	2,176,371	28,089,862
Non-controlling interests	<b>3,350,345</b>	10,831,217	1,422,613	4,619,171	8,325,412
	<b>(106,258,978)</b>	(149,561,610)	(77,435,330)	6,795,542	36,415,274
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
TOTAL ASSETS	<b>1,173,273,966</b>	1,315,443,149	1,470,488,399	1,393,088,196	1,211,478,936
TOTAL LIABILITIES	<b>(961,200,459)</b>	(1,045,173,550)	(1,060,891,105)	(952,207,994)	(749,082,180)
NON-CONTROLLING INTERESTS	<b>(56,031,548)</b>	(50,802,532)	(39,441,835)	(38,922,719)	(45,782,426)
	<b>156,041,959</b>	219,467,067	370,155,459	401,957,483	416,614,330

