



南京三寶科技股份有限公司
NANJING SAMPLE TECHNOLOGY CO.,LTD.*
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock code : 1708



2016 Annual Report

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Hanhui
Mr. Geng Nai Fan
Mr. Shum Shing Kei

SUPERVISORS

Mr. Qiu Xiang Yang
Mr. Dai Jian Jun
Mr. Zou Tao

COMPANY SECRETARY

Ms. Wong Lai Yuk

AUDIT COMMITTEE

Mr. Shum Shing Kei (Chairman)
Mr. Hu Hanhui
Mr. Geng Nai Fan

REMUNERATION COMMITTEE

Mr. Hu Hanhui (Chairman)
Mr. Zhu Xiang
Mr. Shum Shing Kei

NOMINATION COMMITTEE

Mr. Hu Hanhui (Chairman)
Mr. Geng Nai Fan
Mr. Chang Yong

AUTHORISED REPRESENTATIVES

Mr. Zhu Xiang
Ms. Wong Lai Yuk

AUDITOR

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the People's Republic of China

PRINCIPAL BANKERS

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

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STOCK CODE

1708

Chairman's Statement



▶ Mr. Sha Min *Chairman*

“

*To all Shareholders,
On behalf of the board of directors (the
“Board”) of Nanjing Sample Technology
Company Limited (the “Company”), I hereby
present the annual report of the Company
(together with its subsidiaries referred
to as the “Group”) for the year ended 31
December 2016 (the “period under review”)
for your review and consideration.*

”

Chairman's Statement

RESULTS

Total operating income of the Group and the profit attributable to owners of the parent for the 2016 financial year amounted to approximately RMB1,569,750,558.83 and RMB191,025,395.61 respectively (for the year ended 31 December 2015: RMB1,226,308,424 and RMB164,468,923, respectively), representing an increase of 28.01% and 16.15%, respectively. The increase in total operating income was mainly attributable to the rapid growth of income from cross-border trading and service business as compared with the same period last year. The increase in net profit attributable to owners of the parent was mainly due to the increase in operating income of the Group during the period under review, and the increase of operating profit as compared with the corresponding period last year.

DIVIDEND

During the period under review, the Board recommended the payment of a final dividend of RMB0.15 per share for the year ended 31 December 2016.

BUSINESS AND OPERATION REVIEW

Business and Operation Review

According to the Group's strategy, it identified its strategic goal for 2016 as to focus on intelligent logistics, intelligent transportation, cross-border e-commerce and other IOT applications to build intelligent city, public management and service ecosystem. Based on the existing Radio Frequency Identification Device (RFID), visual identification and other core techniques of IOT, it consolidated internal and external operating resources and rapidly gained advantage on core businesses. On the basis of core businesses, the Group explored the downstream application of IOT technologies in security protection, environmental protection, city management as well as production and manufacturing, consistently expanded the IOT related business of the Group, further improved and extended operating service to clients in transportation, logistics regulation and other industries, foreign trade enterprises and IOT end users to build a healthy and vigorous industrial ecosystem and provide clients with high-quality services. Focusing on the above strategic targets and under the leadership of the Board, in 2016, the Company actively expanded IOT information service business, continuously improved the technology innovation ability and improved the clients' satisfaction. The intelligent transportation, customs logistics, technical services and other businesses made outstanding results.

Focusing on core businesses and building intelligent city ecosystem

Intelligent city refers to the use of information and communication technologies to sense, analyze and consolidate all key information in core system to make intelligent response to all demands in city traffic, environmental protection, security protection and public services. Substantially, it is to use advanced information technology to achieve intelligent city management and operation and create a better life for urban residents to promote the harmonious and sustainable development of cities.

During the period under review, the Group focused on the construction of expressway intelligent traffic and city intelligent transportation and regulation informationalization at customs based on the Radio Frequency Identification Device (RFID), visual identification and other core techniques of IOT.

Chairman's Statement

During the period under review, the Group actively provided intelligent terminals, on-the-track monitoring (intelligent locks), parks informationalization, logistics monitoring platforms, station operation and other diversified services based on the research and development of RFID technologies to customs at Shanghai Freed Trade Zone, Nanjing, Wuhan and Guangzhou to enrich and consolidate the technologies and data basis of Sample Technology Intelligent Logistics Ecosystem. In March 2016, with the land transportation business of the customs surveillance area at Suzhou Industrial Park as the pilot and the customs intelligent terminals system and the custom clearance information and public information service platform provided by the Group as technical supports, Nanjing Customs successfully introduced the QR code clearance application service based on the "Nanjing Customs e-Clearance" Wechat service platform, which was gradually expanded to the whole custom district of Nanjing Customs and sea transportation, air transportation and other businesses, which significantly improved the operation efficiency of the whole station. Meanwhile, it marks the success in the try on the first integration of IOT technologies and the customs IOT systems in customs across the nation and the intelligent management of customs logistics was significantly improved. Meanwhile, the Group was awarded the tender for the Project of Management System of Properties Involved in Customs' Cases of the Second Phase of Gold Gate Customs of the General Administration of Customs with RFID Site Collection and Control System (海關總署金關工程二期海關涉案財物管理系統RFID現場採集控制系統項目). It will assist the General Administration of Customs in building an intelligent management and regulation system for properties involved in cases for 42 customs offices directly under the General Administration of Customs across the nation with IOT technical means with the RFID technology as the core.

During the period under review, Shenzhen Guangming New Area adopted the video management solution of the Group for intelligent cities and achieved the integrated consolidation and management of all monitors for city transportation, public security, city management and other purposes. Meanwhile, the database of all departments achieved integrated consolidation and can effectively solve and handle relevant issues on cities in time. The platform achieved the perfect integration of geographical Information and audio and video data, which greatly improved the efficiency and reduced repeated investments in construction. Through the centralized and unified management model, it established and operated an integrated consolidation link with the IOT, cloud system and mobile terminals. With the sharing of relevant information and images, it established a real-time dynamic information service system, which improved the management efficiency and quick response ability and achieved the blueprint on the prevention and control for intelligent city.

During the period under review, the Group successfully acquired Jiangsu Siruide IOT Technology Co., Ltd. (hereafter referred to as "Siruide" for short), which strengthened the technical strength of Sample Technology in intelligent logistics industry. The acquisition enriched the product category of the Company in intelligent logistics. With the exclusive technologies of Siruide and based on the use frequency of an update and positioning every 30 seconds, it can improve the endurance of intelligent electronic customs locks to over 20 days, which will greatly consolidate the leading position of the Group in the supervision on logistics safety.

Promoting strategic transformation of the Company and achieving sustainable development of business

During the period under review, the Group consolidated various resources and actively conducted the research and development and industrial application of new technologies on the IOT industry based on the Radio Frequency Identification Device (RFID), visual identification and other core techniques of IOT.

Chairman's Statement

During the period under review, the “Modern Logistics Sensing System Based on RFID and Sensor Network and Key Equipment Industrialization Project”, the special fund for technical results transformation project in Jiangsu Province undertaken by the Group, successfully passed the acceptance. The project established a general data service platform based on the PAAS design with cloud computing technologies. It made breakthroughs in the design technology for EEPROM storage and chips with extra low power consumption and achieved the miniaturization of safe and intelligent locks and the efficient and safe operation of logistics containers; completed the research and development of cloud test platforms and established a cloud platform and software system for coordinated and automatic testing; established a safety mechanism for RFID electronic labels and chips with the integration of RSA and AES and solved the anti-collision technology for RFID based on code division multiple access, which is used on intelligent locks and reading and writing devices; expanded the depth and width of information sensed by the sensor network and better achieved the real-time monitoring and positioning of changes in the quality of products.

During the period under review, the Group tried to explore businesses related to the big data industry based on its advantages in its own core IOT technologies. Jiangsu Intellitrans Co., Ltd (江蘇智運科技發展有限公司), the wholly-owned subsidiary of the Company, won the bidding for the system integration project of the cloud computing big data industry pilot demonstration base in Sichuan Province, with contract sum of approximately RMB185,000,000. The successful bid for the project realises the first cooperation in the cloud computing big data industry between Sample Technology and China Huawei. Both parties will jointly contribute to the construction of intelligent city in Luzhou City.

Promoting external exchange and cooperation and further strengthening brand influence

During the period under review, the “joint research on the planning design, optimization and application demonstration of city public delivery network”, an international technology cooperation program jointly undertaken by the Group and Massachusetts Institute of Technology (hereafter referred to as the “MIT”), was successfully initiated and will officially conduct detailed implementation. The program is based on the existing demands in the express logistics industry in Nanjing. Through the intelligent and optimized logistics delivery simulation platform, it proposes planning and optimization methods on the distributed city logistics delivery network based on the national conditions of China. It also designs the planning of branches at all levels, the equipping of carrying resources, the guidance on driving routes and other strategic advices for logistics operators to achieve the best allocation of overall resources and efficiency at the municipal level, solve the logistic problems in the last kilometer and provide theoretical and demonstration reference in the effective decision-making in city planning. In the future, the Group will apply the advanced logistic models of the MIT into demonstration projects to achieve the transfer and implementation of advanced technologies of the top university in the world, improve the technical levels in the industrial planning of the logistics industry in China and achieve demonstration application.

Chairman's Statement

During the period under review, the Group introduced new logo and brand claims based on the establishment and integration of its own industrial ecosystem. The logo will better reflect the business development status and future development direction of the Company, it is also matched with the Company's new "transformation and innovative" corporate image. The new logo inspired the whole company for the exploration of intelligent innovation and the pursuit of a better life which is in line with the Company's new brand proposition – the intelligence makes quality life. During the period under review, the words and image of the "SAMPLE" and "raifu" trademarks of the Group were recognized as China Well-known Trademark by the State Administration for Industry & Commerce of the PRC. As the highest honour in the brand and trademark industry in China, China Well-known Trademark is the only trademark and logo of China under the protection of international laws across the world. The recognition as China Well-known Trademark means that the brand recognition of Sample Technology is recognized by clients and consumers in the industry across the country. It is also a symbol of mature and steady products and reputation and a business card of Sample Technology to develop in China and advance to the world.

During the period under review, the Group was rewarded 2016 Annual Golden Ant Award – Outstanding Achievement Award for State Gold Card Project, 2016 China Smart City Solution Innovation Award, 2016-2017 Key Software Enterprise under Provincial Planning Layout (With Scale), Intelligent Logistics Demonstration Enterprise of Jiangsu Province, 2016 World Internet of Things Expo New Technology and New Products Prize (Golden Prize), 2016 Science and Technology Prize (Second Prize) of China Institute of Communications, 2016 Jiangsu Province Five-star Honest Enterprise, 2016 Jiangsu Province Science and Technology (Third Prize) and 2016 Nanjing City Science and Technology Prize (Third Prize).

Prospects

In the future, the Company will further develop other intelligent city businesses on the basis of city intelligent transportation. The IOT is a basic element and modular unit in the structure of an intelligent city and has become a key infrastructure and an important support to achieve automatic sensing, quick response and scientific decision-making for intelligent cities. The "13th Five-year" Plan of China also explicitly proposes to "strengthen the construction of modern information infrastructure, promote the development of big data and IOT and build intelligent cities". For the application of the IOT, it will increase the use of IOT technologies in urban transportation, urban power consumption balance management, fire-fighting facilities management, underground pipeline network monitoring, dangerous items management, energy-saving, environmental protection and other key industries to achieve automatic sensing and elaborate management. For city management, the installment of sensing facilities will significantly improve the ability in urban operation surveillance. On the one hand, it will help form a unified sensing equipment management platform and the data collection and information sharing at the municipal level. On the other hand, it will meet the inherent demands for quick response in city management and become an intelligence source for scientific decision-making. By vigorously promoting the application of IOT technologies in intelligent city industries, it will promote the deep construction and development of intelligent cities in China.

Chairman's Statement

Continue to promote intelligent cities construction based on core IOT technologies

In such a revolutionary era, the Group will inject continuous vitality and power to the future growth of the Company. It will gradually transform from an IOT intelligent system integration supplier into an IOT intelligent system integration supplier plus big data services provider, devote itself to the investment, construction and operation management of intelligent cities and strengthen the operation and maintenance services for intelligent cities. In 2017, the Group will adhere to the development concept of the intelligence makes quality life and devote to the establishment of intelligent transportation and intelligent logistics, the two industrial ecosystems, with the value concept of linking, openness and sharing. Based on the intelligent information collection terminals of Sample Technology, it will provide urban residents with high-quality life services with the big data collected through the "IOT plus mobile Internet".

Change view and idea to fully promote appreciation of enterprise value

In 2017, the Group will strive to consider indicators as targets and turn pressure into power, change views and ideas and focus on partnership and coordination platforms for programs. It will implement the management requirements on effective authorization, active empowerment and all activation in specific methods to gather all partners together. While enriching the two ecosystems, it will promote the establishment of the employees sharing mechanism, focus on stimulus and authorization and return the operation rights of the Company to operation partners and employees. It will consider the development of two ecosystems from the perspectives of the integration of industry and finance, vitalizing assets, activating funds and making good use of capitals and focus on three major funds, namely innovation funds, M&A funds and industry and finance integration funds, to promote the appreciation of enterprise value.

Stock to customer orientation and promote sustainable development of the Company

In 2017, the Group will adhere to the customer orientation, focus on intelligent transportation and intelligent logistics and support the industry to transform towards users. The Group will always keep excellent service awareness, keep the service awareness in mind and understand the expectation of clients. It will link ecological partners with services, share its successful experiences and promote the common growth of all parties in the industry. It will love all, work hard for employees and service providers in the industry and love family, working and life. Meanwhile, the Group will build an ecological culture of core clients plus platforms and encourage employees to conduct innovation and brave in undertaking responsibilities. It requires all employees being business partners of Sample Technology and the strongest power to the development of the Company.

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

By Order of the Board

Sha Min

Chairman

Nanjing, China

31 March 2017

Management Discussion and Analysis

FINANCIAL REVIEW

Total Operating Income

Total operating income of the Group for the year ended 31 December 2016 was approximately RMB1,569,750,558.83, representing an increase of approximately 28.01% over last year. The increase was mainly due to the rapid growth of income from the cross-border trade and service business as compared to that of last year.

Gross Profit

Gross profit margin of the Group for the year ended 31 December 2016 was approximately 25.85%, representing a decrease of approximately 1.74% over last year. The decrease was mainly due to the increase in the proportion of cross-border trade and services business with low gross margin in the total operating income.

Selling and Distribution Costs

Selling and distribution costs of the Group for the year ended 31 December 2016 was approximately RMB44,743,761.05, representing an increase of approximately 41.95% over last year. The increase was mainly attributable to the active expansion of cross-border trade and services business by the Group and the increase of remuneration for the relevant sales staff during the Period.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2016 was approximately RMB116,889,889.29, representing an increase of approximately 14.05% over last year. The increase was mainly attributable to the increases of investment on research and development and the remuneration for the relevant management staff during the Review Period.

Net Profit Attributable to Owners of the Parent Company

For the year ended 31 December 2016, the Group recorded a net profit attributable to the owners of the Parent Company of approximately RMB191,025,395.61, representing an increase of 16.15% over last year. The increase was mainly attributable to the increase in operating income and the corresponding increase in operating profit of the Group during the Review Period.

Construction in Progress

As at 31 December 2016, the Group's construction in progress amounted to RMB1,271,607.11 which recorded a decrease of 94.98% as compared with that of the same period last year. The decrease was mainly due to the completion and acceptance of the Company's IOT Engineering Center modification project.

Management Discussion and Analysis

Other Non-current Assets and Non-current Assets due within one year

As at 31 December 2016, the Group has transferred the accounting entry in relation to the assets management plan respectively taken by the Company and Jiangsu Ruifu Intelligent Tech. Co., Limited, a wholly-owned subsidiary of the Company, from other non-current assets to non-current assets due within one year. Details of which can be referred to the announcement dated 21 May 2015.

FINANCIAL RESOURCES AND LIQUIDITY

For the year ended 31 December 2016, the shareholders' equity of the Group was approximately RMB1,768,266,749.37. Current assets were approximately RMB2,871,897,710.97, comprising cash and bank balances of approximately RMB1,227,426,333.37. Non-current liabilities were approximately RMB128,466,304.81. Current liabilities were approximately RMB1,491,581,580.68, mainly comprising trade and other payables and advances from customers, short-term borrowings and tax payable. As at 31 December 2016, net assets per share of the Group was approximately RMB5.58 (31 December 2015: RMB5.27). The short-term borrowings of the Group were RMB611,644,210.96.

PLEDGE OF ASSETS

As at 31 December 2016, bank deposits of RMB46,148,367.38 were pledged to the bank for projects in progress (2015: RMB24,435,812).

GEARING RATIO

For the year ended 31 December 2016, gearing ratio (being bank loan and long-term loan less cash and cash equivalents divided by equity) of the Group was approximately zero (2015: zero). This was attributable to the sufficient cash and cash equivalents of the Group for the repayment of bank loans.

FOREIGN CURRENCY EXPOSURE

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

SUBSTANTIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

The Company has issued an announcement on 16 February 2017 which announced a discloseable and connected transaction regarding a proposed disposal of 82.61% equity interest in Jiangsu Cross-border, a non-wholly owned subsidiary of the Company, by the Company to Sample Group. The consideration of the Disposal is RMB59,000,000. The Disposal is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Disposal can be referred to the Company's announcement dated 16 February 2017.

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

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 31 December 2016, the Group did not have any material capital commitment.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, total employees' remuneration of the Group was approximately RMB65,755,498.05 (2015: RMB52,802,000) and the number of employees was 477 (2015: 442). The Group remunerated its staffs based on individual performance, educational background and experience and with reference to market price. The Group would grant discretionary bonus to the staffs based on individual performance as recognition of their contribution. Other benefits included contributions to the retirement scheme, medical scheme, unemployment insurance and housing allowances.

BUSINESS REVIEW

Business development

In the expressway intelligent transportation business domain, while the Group continuously consolidated the improvement of the existing business, it continued to promote refined management in all phases of projects. At the same time it developed new business projects in all aspects by active participation in bidding major projects, proactive commencement of strategic cooperation within the industry, it successfully won some major projects, expanded the clientele of the industry, secured both the increases in business revenue and client satisfaction of the sector. During the period under review, the Group successfully entered into the followings projects: the mechanical and electrical engineering project of the reconstruction and expansion of the Li Cheng (Ji Jin border) to Chang Zhi Expressway, Shanxi province, the mechanical and electrical engineering project of Huashixia to Jiu Zhi (provincial border) expressway, Qinghai province, the mechanical and electrical engineering project of Minhe (Gan Qing border) to Xiaoxia (Ping An) expressway tunnel and the Phase 2 project of high definition monitoring "Skynet Project" of Pukou police station, Nanjing etc, these significantly enhanced the depth and breath of the market in the expressway intelligent transportation business domain. Meanwhile, the Group implemented the concept of intelligent transport in all business stages, actively explored the construction business for the intelligent service area along expressways to achieve further breakthrough in project management.

In the city intelligent transport business domain, the Group used intelligent transportation as its core, continued to consolidate the total solutions including the sourcing of goods over the internet-of-things and the informationalization of management platform, so as to construct the public management and service ecological system for intelligent city. During the period under review, the Group comprehensively explored the PPP projects, actively promoted the progress of public transportation functional integrated PPP projects for Xuzhou city north coach station (phase 1), the first and last stops of the bus line Xingshanzi-Jiuli. On the other hand, the Group actively started the implementation of the subsidiary project of Xuzhou West Third Ring, and completed the inspection of the supervision, lighting and bus stops. Also, it actively promoted the implementation of the modern logistics service hub project of Huaihai Economic Zone and the distributive layer photovoltaic power generation project of XCMG Group.

Management Discussion and Analysis

In the customs logistics business domain, the Group focused on the promotion of the after-sale service and the sales in eastern China and southern China, it also actively explored the sales of new projects in the central and western region, eastern China and Bohai Bay area. During the period under review, the Group successfully won the bid of the integrated information project of Huanghua Comprehensive Bond Zone, further expanding the integrated information domain. It also won the application project of nationwide supervision of penalty and goods confiscation of the General Administration of Customs, and such project involved 42 direct customs areas across China. On the other hand, the Group further improved the transformation and upgrade of the business model, it maintained the large scale of integrated project and developed innovative business, it achieved innovation in mobile internet passage model through the launching of mobile logistics application services, solved some barriers in the customs clearance logistics, obtained wide reporting in different media at different levels, the market response was vigorous. At the same time, it realized a technological breakthrough in the Cloud Toll-Gate system, it achieved centralized and visible treatment with the use of big data treatment, and obtained a high degree of stability and maintainability.

In the cross border trade and service domain, the Group used the integrated services of cross border foreign trade as the starting point, continued to provide integrated services including customs clearance, inspection, payment and refund of tax, settlement of foreign exchange and trade certification etc. During the period under review, while the Group provided quality foreign trade integrated services to small and medium enterprises, it also devoted efforts to study the development of new business activities in foreign trade.

Research and development

During the period under review, the Group effectively promoted the implementation of the “Cooperation R&D of Sensor of Granule from Final Gas Exhaustion Suitable for Diesel Vehicle OBD Monitoring” project together with the Finnish company Pegasor which was a Jiangsu provincial policy guidance planning (international technology cooperation) project. The Finnish company Pegasor is the cooperation party of that project, it possesses international advanced motor vehicle granule emission online real time detection techniques. Through cooperation and digestion of the techniques introduced, the Group has studied and made an OBD monitoring granule sensor suitable for Chinese diesel vehicles, which can carry out real time monitoring of granules emitted by diesel vehicles. When the emission of the last gas exhaust exceeds the limit, the sensor can rapidly and accurately determine the defective part, and make real time alert via the intelligent transportation information network, so that the administration department can make the corresponding measures, and thus effectively avoid excessive H₂O emission of motor vehicles. The achievement obtained from the sino-Finnish cooperation project was recognized by all the R&D experts of the related department.

During the period under review, the Group joined the work of the national internet-of-things standard working group led by the Standardization Institute of the Ministry of Industrial Information. The Group took part in the drafting of the national standard “Internet-of-things Information Sharing and Exchange Part 1: Overall Structure” and “Internet-of-things Information Sharing and Exchange Part 2: Universal Technical Requirements” and an official announcement was made to invite opinion on the drafts, this obtained a historic breakthrough. It is also actively participating in the compilation of the national standard “Internet-of-things for Intelligent City Application Guide”. During the period under review, the Group joined the completion of the 2016 “Appraisal of Coordination Innovation Centre of Technology and Application of Internet of Things of Jiangsu Province” (江蘇省物聯網技術與應用協同創新中心) led by Nanjing Post and Telephone University and the compilation and submission of the comprehensive inspection documentation of that centre, at present that centre already passed the inspection of the Education Bureau of Jiangsu province.

Management Discussion and Analysis

During the period under review, the Group completed the acceptance inspection of one provincial industrial information industry transformation (software) project and the “863 Plan” project. It also actively promoted and establish the implementation of several government projects including the provincial prospective industrial academic research joint project, provincial policy guidance planning (international technology cooperation), provincial industrial information industry transformation fund project, municipal software and information service sector fund project, municipal e-commerce fund project etc. During the period under review, the Group completed most of the technical R&D work of Guo Biao UHF readers, and started the preparation work for the inspection by third party on the consistency and functionality of Guo Biao reader protocol; it participated in the formulation and promotion of the proposals, such as Shenzhou Express Rail Cooperation Project and Ping An Bank Note Management project, etc.

During the period under review, the Group and Fudan University etc jointly organized the 24th Session China Japan Korea Automatic Identification Technique Conference in Zhuhai, and delivered the speech about the main theme in the conference; it actively prepared and joined the World Internet-of-things Expo (Wuxi), and was awarded the new technology and new product achievement golden prize announced by the organizing committee.

BUSINESS OUTLOOK

Future business development plan

In 2017, the Group will concentrate efforts in the two core industries of intelligent transportation and intelligent logistics, centralize the resources of the Group, use the internet-of-things information techniques as its core to build the ecological system of an intelligent city, and promote the transformation of the business model of the Company.

In 2017, the Group will use intelligent transportation as its core, continue to consolidate the total solutions including the sourcing of goods over the internet-of-things, the informationalization of management platform and municipal and communal services, so as to proactively procure the construction of the public management and communal service ecological system for intelligent city. As for public transportation business, while maintaining a steady development, the Group will explore the feasibility of combining with the new business model of PPP, at the same time it will further make use of the advantages of team project management, build up excellent project management capability as preparation for the management of the ever-growing large projects. Regarding the customs logistics business, the Group will continue to consolidate its own strength, and increase market share, further increase its market share of the customs logistics business, lift the degree of satisfaction of customers. In the PPP business aspect, the Group will first further implement and determine the 2016 projects, at the same time it will actively explore new cooperation projects, including the construction of intelligent transportation platform at city level, construction and operation of PPP project of large parking in city, etc, and use them as new profit growth of the intelligent transportation ecosystem. In 2017, the Group will build an elite team with clear concepts, clear targets and high execution power to make good use of its strengths in management, and it will make the pattern the end products and the structure of data platform in the industry chain of the internet-of-things related to underground spaces.

Management Discussion and Analysis

Research and development strategies

In 2017, the Group will continue to rely on the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center, carry out prospective R&D related to the core industries, strengthen cooperation with the relevant companies, universities and colleges, R&D institutes, consolidate the R&D strengths of all parties, focus on the business development needs of the core industries of the Company, conduct R&D and introduce a group of new products to the market; make planning on the ecosystem of the Company, make good use of the industry status and influences of the national engineering centre, expand resource cooperation in the industries or related domains, supplement the businesses of the ecosystem through cooperation with external parties; enhance the competitiveness of the products and services of the Company, the barrier of competition of the industries and protect the development strategies of the internet-of-things industry of the Company through core technologies, accumulation of intellectual property rights and upgrade and repetitive computing of core products.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will expire on 31 December 2018 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

Save as the disclosed above, no Directors and Supervisors has a service contract with the Company's subsidiaries which is not terminable by the Company within one year without payment, other than statutory compensation.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

Biographical Details of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sha Min (沙敏), aged 52, received postgraduate education, is an executive Director and Chairman of the Company. He is responsible for devising the Group's overall strategies and policies. Mr. Sha obtained a master's degree in engineering from Southeast University in 1990. He joined the Company in December 1997 and was first appointed as an executive Director in December 1999. He is currently the president of China RFID Association, a committee member of the 11th Chinese People's Political Consultative Conference of Jiangsu Province, a standing committee member of Federation of Industry and Commerce of Jiangsu Province, secretary general of Internet of Things Alliance of Nanjing, Jiangsu Province, chairman of ITS Association of Nanjing City, vice-chairman of Federation of Industry and Commerce of Nanjing, vice president of Nanjing Software Industry Association and vice-chairman of Nanjing Enterprises Association. Mr. Sha also serves as the chairman and general manager of Nanjing Sample Technology Group Company Limited, a director of Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, the chairman of Jiangsu Cross-border e-Commerce Services Co., Ltd. and the chairman of Jiangsu Cyberunion Information Industry Institute Union Co., Ltd..

Mr. Chang Yong (常勇), aged 50, received postgraduate education, is an executive Director, vice chairman and general manager of the Company. He is responsible for implementing the Group's strategies and business plans. He obtained a master's degree in computer application studies from Harbin Institute of Technology in March 1990. Mr. Chang worked for the computer centre of the Nanjing Bureau of Finance from July 1990 to September 1992. He worked as a manager of Nanjing Kentucky Fried Chicken Company Limited from September 1992 to March 1993. Mr. Chang became vice general manager of Sample Group in June 1993 and was mainly responsible for the expansion, operation and management of Sample Group's business. Mr. Chang joined the Company and was first appointed as an executive director and president of the Company in December 1997, then became the vice-president of the Company on May 2014. Mr. Chang served as the chairman of 南京城市智慧交通有限公司 Nanjing City Intelligent Transportation Co., Ltd. from December 2011 to November 2015 and as the chairman of 南京城市智慧交通股份有限公司 from November 2015 till present. Mr. Chang also serves as a director of Nanjing Sample Technology Group Company Limited, the vice-chairman of Nanjing Sample Technology Company Limited, the chairman of Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, an executive director of Jiangsu Ruifu Intelligent Tech. Co., Limited, the chairman of Jiangsu Intellitrans Company Limited and an executive partner of 南京贊佳投資管理企業(有限合夥).

Mr. Zhu Xiang (朱翔), aged 40, received postgraduate education, is an executive Director and president of the Company. He obtained a MBA degree from Nanjing University in June 2006. He joined Hainan Airlines Company Limited as assistant to secretary of the board of directors from July 2000 to February 2002. He worked for strategic development department of 江蘇金盛投資置業集團 as head of investment and assistant to manager from March 2002 to October 2002. He joined the Company in March 2003 and was appointed as executive Director in May 2014, and successively served as senior manager of the Company's investment department, general manager of the investment centre, secretary of the board of directors and vice president. He served as the chairman of 南京城市智慧交通有限公司 Nanjing City Intelligent Transportation Co., Ltd. from December 2011 to November 2015 and as the chairman of 南京城市智慧交通股份有限公司 from November 2015 till present. Mr. Zhu also serves as a director and president of Sample Technology, a director and president of Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited, a director of 南京市資訊化投資控股有限公司, an executive director of 永鴻國際企業有限公司, an executive of 三寶科技(香港)有限公司, a director of 江蘇跨境電子商務服務有限公司, an executive director and general manager of 揚州三寶信息技術有限公司, a director of 江蘇智運科技發展有限公司, the chairman of 南京三寶鏈式資料技術有限公司, the chairman of 南京三寶弘正視覺科技技術有限公司, the chairman of 南京三寶物流科技技術有限公司 and an executive partner of 南京贊佳投資管理企業(有限合夥).

Biographical Details of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Ma Jun (馬俊), aged 52, received university education, is a non-executive Director of the Company. He graduated from Nanjing University in economic management in 1995. He serves as the chairman and general manager of 南京福申房地產開發有限責任公司 from February 1998 till present. Mr. Ma was appointed as non-executive Director of the Company in May 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shum Shing Kei (沈成基), aged 46, holds a Master Degree, is an independent non-executive director of the Company. Mr. Shum graduated from the Hong Kong Polytechnic University and majored in accountancy. He obtained a master degree in financial management from the University of London, the United Kingdom. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants. From August 1993 to February 2002, he worked as auditing manager of Ernst & Young, Group Chief Financial Officer and Company Secretary of China Data Broadcasting Holdings Limited from March 2002 to July 2005 and qualified accountant consultant to Great Wall Motor Company Limited from September 2004 to September 2008. Mr. Shum was appointed as independent non-executive Director of the Company in May 2011. Mr. Shum is currently a practicing partner of a certified public accountant firm in Hong Kong, mainly providing business advisory service and auditing service. Mr. Shum is currently the independent non-executive director of Zhejiang Shibao Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1057 and listed on Shenzhen Stock Exchange, stock code: 002703), the chief financial officer and company secretary of Asia Cassava Resources Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0841) and the company secretary of Yusei Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0096).

Mr. Geng Nai Fan (耿乃凡), aged 65, received doctoral education, is the independent non-executive director of the Company. In June 2007, he graduated from Southeast University. He obtained a doctor degree in Management Science and Engineering and holds the title of researcher and senior economist. From December 1968 till present, he has been the Deputy Section Supervisor and Vice Manager of Nanjing Municipal Oil Company (南京市石油公司), the General Manager of Nanjing Municipal Investment Company (南京市投資公司), and the secretary of the party leadership group and General Manager of the Nanjing Municipal International Trust and Investment Company (南京市國際信託投資公司). Also, he served as a Chief Director of Jiangsu Province Publishing Company (江蘇省出版總社), the General Manager and the Vice Party Secretary of Jiangsu Publishing Group Company Limited (江蘇省出版集團有限公司). He had been engaged in various government departments and assumed positions including Department Head and Deputy Director General of Resources Bureau of Nanjing City, Vice Secretary of the party leadership group and Vice Director of Nanjing Municipal Planning Commission, Chief Secretary and member of the party leadership group of the Nanjing Municipal Government, Director and secretary of the party leadership group of the Jiangsu Province Broadcasting and Televisions Bureau. Mr. Geng was appointed as independent non-executive Director of the Company in May 2013.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Hu Hanhui (胡漢輝), aged 61, professor and instructor of doctorate students, is an independent non-executive director of the Company. He had served as the Associate Head of Department of Management Science and Engineering in Nanjing Institute of Technology, the Deputy Director of the Technology Research Institution and the president of the University's Union in Southeast University, a part-time researcher of the Humanities and Social Science Research Institution of Education Department in Dongbei University of Finance and Economics, a member of Professional Committee in China Development Bank and a member of the "Expert Group of Basic Requirements on Entrepreneurship Education in High Schools" in Ministry of Education. Currently, Mr. Hu has served as the Director of the Research Institution of Entrepreneur Group Economics and Industrial Organization of School of Economics and Management in Southeast University and an independent director of Nanjing Textiles Import & Export Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600250). Mr. Hu was appointed as an independent non-executive director of the Company in May 2016.

SUPERVISORS

Mr. Qiu Xiang Yang (仇向洋), aged 61, received doctoral education, is a supervisor of the Company. Mr. Qiu was an EMBA graduate. He is now a professor of the economics and management college of Southeast University. He is also executive director of the Institute for Urban Development in Jiangsu and vice president of the Nanjing Entrepreneur Club. From 1991 to 2004, he was appointed as deputy director and director of the economics and management college of Southeast University. In 1992, he was exceptionally promoted to Professor, and received the State's Sponsorship for Special Contribution. He is a veteran in the teaching and research of economics and management affairs. He has in-depth knowledge in corporate management and industrial development. He was first appointed as a supervisor of the Company in August 2007. He is currently an independent director of Nanjing Pharmaceutical Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600713) Zhong Dian Environmental Protection Limited* (a company listed on the Shenzhen Stock Exchange, stock code: 300172), Neoglory Prosperity Inc.* (a company listed on the Shenzhen Stock Exchange, stock code: 002147) and Tianjin Tai Da Limited* (a company listed on the Shenzhen Stock Exchange, stock Code: 000652).

Mr. Dai Jian Jun (戴建軍), aged 47, a practising lawyer, is a supervisor of the Company. He was educated in Jiangsu Public Security Professional School from September 1988 to July 1991. He worked for Southeast University in 1991. Mr. Dai was qualified as a lawyer in PRC in 1996. Mr. Dai has been a lawyer of Jiangsu Zhi Bang Law Firm since 1996. He was appointed as a supervisor of the Company in August 2003.

Mr. Zou Tao (鄒濤), aged 47, received doctoral education and is a senior engineer. Mr. Zou graduated from the Xidian University in 1996 with a Master degree in Computer Device and Equipment Professional and graduated from the Nanjing University in 1999 with a Doctor degree in Computer Application Professional. He worked as the head of the development department of Fujitsu Nanda Software Technology, Co., Ltd from July 1999 to August 2003. In 2003, he departed to Japan and worked in the SOFTWISE Corporation in Japan. He joined Research Institution of Nanjing Sample Technology Company Limited in 2010, and acted as Associate Dean of the Research Institution and deputy director of the National Radio Frequency Identification Device (RFID) System Engineering and Technology Research Center. He is currently a member of the state IOT basic standard working group and a member of Jiangsu software engineering standardization technical committee. Mr. Zou was appointed as a supervisor of the Company in May 2016.

Biographical Details of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Ms. Miao Yun (繆雲), aged 47, received postgraduate education, is senior accountant, a non-practicing member of China Certified Public Accountant Association and chief financial officer of the Company. She graduated from Nanjing University with MBA postgraduate in June 2007. She became a non-practicing member of China Certified Public Accountant Association in 2002. She worked in the financial department of Jinling Petrochemical Alkylbenzene Plant from July 1992 to September 1993, served as financial manager of Jintung Petrochemical Corporation Ltd. from October 1993 to February 2005 and chief financial officer of Jiangsu Sidiw Corporation Group from March 2005 to July 2013. Ms. Miao has served as the chief financial officer of the Company since May 2014. Ms. Miao also serves as a supervisor of 江蘇智運科技發展有限公司.

Mr. Xie Jinliang (解金亮), aged 40, having postgraduate education, acted as secretary to the board of directors of the Company. Mr. Xie graduated from Qingdao University with a bachelor degree. From March 2002 to April 2007, he worked for Qingdao Technology Property Right Exchange, and has served successively as project manager, department manager and assistant president. From May 2007 to January 2013, he worked for Jiangsu Kanion Pharmaceutical Co.,Ltd, and has served successively as investment consultant, manager of the securities department and representative of securities affairs. He joined in the Company in February 2013 and successively served as investment manager, general manager of the securities department and secretary to the board of directors. Mr. Xie has served as the secretary to the board of directors of the Company since May 2014.

Report of the Directors

The Directors present the annual report and audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2016 and a discussion on the Group's future business development are provided respectively in the "Chairman's Statement" on pages 3 to 8 and "Management Discussion and Analysis" on pages 9 to 14. An analysis of the Group's performance during the year ended 31 December 2016 using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 196. In addition, the financial risk management of the Group can be referred in note VIII to the financial statements on pages 169 to 173.

RESULTS AND APPROPRIATIONS

The results and financial position of the Group for the year ended 31 December 2016 are set out on pages 42 to 195 of this annual report.

The Directors recommended the payment of a final dividend of RMB0.15 per share for the year ended 31 December 2016 (2015: RMB0.3 per share).

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Chang Yong (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Geng Nai Fan

Mr. Shum Shing Kei

Mr. Hu Hanhui (Appointed on 27 May 2016)

Mr. Xu Su Ming (Resigned on 27 May 2016)

Report of the Directors

Supervisors

Mr. Qiu Xiang Yang

Mr. Dai Jian Jun

Mr. Zou Tao (Appointed on 27 May 2016)

Mr. Li Gang (resigned on 21 March 2016)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and Supervisors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2018 and the further renewal of a term of 3 years shall be subject to the approval at the annual general meeting of the Company.

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

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

Save as disclosed below, as at 31 December 2016, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which should be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or which they are deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the required standard of dealings as set out in Appendix 10 of the Listing Rules.

Long Positions in Shares

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

Report of the Directors

Notes:

- (1) Mr. Sha Min (“**Mr. Sha**”) directly holds 1,350,000 Domestic Shares and is indirectly interested in 60.40% of equity interest of Jiangsu Sample Holding Limited* (江蘇三寶控股有限公司) (“**Jiangsu Sample**”) which in turn owns the entire equity interest in Nanjing Sample Technology Group Company Limited (“**Sample Group**”) which in turn owns, directly or indirectly, 158,443,400 Domestic Shares. Under the SFO, Mr. Sha is deemed to be interested in all 159,793,400 Domestic Shares. Du Yu (杜予) is the spouse of Mr. Sha. Under the SFO, Du Yu is also deemed to be interested in 159,793,400 Domestic Shares in which Mr. Sha is interested.

Sample Group, directly or indirectly, holds 158,443,400 Domestic Shares, representing 50.01% of the issued share capital of the Company and Sample Group is owned as to 100% by Jiangsu Sample which in turn is held as to 60.40% by Tibet Zhuo Xin Venture Capital Management Co., Ltd.* (西藏卓鑫創業投資管理有限責任公司) (“**Tibet Zhuo Xin**”). Tibet Zhuo Xin is owned as to 90% by Shanghai Jiaxin Enterprise Management Center (limited partnership)* (上海佳鑫企業管理中心有限合夥) (“**Shanghai Jiaxin**”) which in turn is beneficially owned as to 99% and 1% by Mr. Sha and his spouse, Du Yu (杜予). Under the SFO, Mr. Sha is deemed to be interested in the entire equity interest in each of Sample Group, Jiangsu Sample, Tibet Zhuo Xin and Shanghai Jiaxin.

- (2) Mr. Chang Yong (“**Mr. Chang**”), is indirectly interested in 38.96% of equity interest of Jiangsu Sample which in turn owns the entire equity interest in Sample Group which in turn owns, directly or indirectly, 158,443,400 Domestic Shares. Under the SFO, Mr. Chang is deemed to be interested in all 158,443,400 Domestic Shares.

Sample Group, directly or indirectly, holds 158,443,400 Domestic Shares, representing 50.01% of the issued share capital of the Company and Sample Group is owned as to 100% by Jiangsu Sample which in turn is held as to 38.96% by Tibet Zhuo Cai Venture Capital Management Co., Ltd.* (西藏卓財創業投資管理有限責任公司) (“**Tibet Zhuo Cai**”). Tibet Zhuo Cai is owned as to 90% by Shanghai Lianqi Enterprise Management Center (limited partnership)* (上海聯啟企業管理中心有限合夥) (“**Shanghai Lianqi**”) which in turn is beneficially owned as to 99% by Mr. Chang. Under the SFO, Mr. Chang is deemed to be interested in the entire equity interest in each of Sample Group and Jiangsu Sample.

SHARES DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as to the knowledge of the Directors, as at 31 December 2016, the following shareholders (other than the Directors, Supervisors or chief executive officers of the Company) had interests and short positions in the shares or underlying shares of the Company which should be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long position in Shares:

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Nanjing Sample Technology Group Company Limited (“Sample Group”) (Note 1)	158,443,400 Domestic Shares	Beneficial owner/ Interest of controlled corporation	50.01%
Jiangsu Sample Holding Limited* (“Jiangsu Sample”) (Note 1)	158,443,400 Domestic Shares	Interest of controlled corporation	50.01%
Tibet Zhuo Xin Venture Capital Management Co., Ltd.* (Note 1)	158,443,400 Domestic Shares	Interest of controlled corporation	50.01%
Tibet Zhuo Cai Venture Capital Management Co., Ltd.* (Note 1)	158,443,400 Domestic Shares	Interest of controlled corporation	50.01%

Report of the Directors

Name of Shareholders	Number of Shares	Nature of Interest	Approximate Percentage of the Registered Capital of the Company (%)
Shanghai Jiaxin Enterprise Management Center (limited partnership)* (Note 1)	158,443,400 Domestic Shares	Interest of controlled corporation	50.01%
Shanghai Lianqi Enterprise Management Center (limited partnership)* (Note 1)	158,443,400 Domestic Shares	Interest of controlled corporation	50.01%
Active Gold Holding Limited (Note 2)	49,545,000 Domestic Shares	Beneficial owner	15.64%
China Tian Yuan Finance Group (Holdings) Limited (Note 2)	49,545,000 Domestic Shares	Interest of controlled corporation	15.64%
Jia Tianjiang (Note 2)	49,545,000 Domestic Shares	Interest of controlled corporation	15.64%
Atlantis Capital Holdings Limited (Note 3)	24,997,000 H Shares	Interest of controlled corporation	7.89%
Liu Yang (Note 3)	24,997,000 H Shares	Interest of controlled corporation	7.89%
Riverwood Asset Management (Cayman) Ltd.(Note 3)	22,200,000 H Shares	Investment Manager	7.01%
Fan Qinglong	16,523,000 H Shares	Beneficial owner & interest of controlled corporation	5.22%

Note:

- (1) Sample Group directly holds 153,493,400 Domestic Shares. Sample Group is also interested in 100% of the registered capital of Nanjing Sample Investment Development Company Limited* (南京三寶投資發展有限公司) (“**Sample Investment**”), which holds 4,950,000 Domestic Shares and therefore by virtue of the SFO, Sample Group is deemed to be interested in the 4,950,000 Domestic Shares held by Sample Investment. As such, Sample Group is the substantial and the single largest shareholder of the Company. Sample Group is 100% held by Jiangsu Sample which in turn is held by Tibet Zhuo Xin and Tibet Zhuo Cai as to 60.40% and 38.96% equity interests respectively. Tibet Zhuo Xin is in turn held by Shanghai Jiaxin and Nanjing Juge Enterprise Management Center (limited partnership)* (南京聚格企業管理中心(有限合夥)) (“**Nanjing Juge**”) as to 90% and 10% equity interests respectively. Mr. Sha, the Chairman of the Company and his spouse, Du Yu (杜予), respectively held 99% and 1% in each of Shanghai Jiaxin and Nanjing Juge. On the other hand, Tibet Zhuo Cai is in turn held by Shanghai Lianqi and Nanjing Runge Enterprise Management Center (limited partnership)* (南京潤格企業管理中心(有限合夥)) (“**Nanjing Runge**”) as to 90% and 10% equity interests respectively. Mr. Chang, the Vice Chairman of the Company, held 99% in each of Shanghai Lianqi and Nanjing Runge.
- (2) Active Gold Holding Limited is indirectly wholly owned by China Tian Yuan Finance Group (Holdings) Limited and Mr. Jia Tianjiang
- (3) Atlantis Capital Holdings Limited and Riverwood Asset Management (Cayman) Ltd. are 100% owned by Ms. Liu Yang. Under SFO, Ms. Liu Yang was deemed to have interest in the 24,997,000 Shares in a capacity of interest of controlled corporations.

Report of the Directors

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES BY DERIVATIVES

Save as disclosed above, as at 31 December 2016, none of the Directors or Supervisors is authorized to subscribe for any H Shares of the Company. As at 31 December 2016, none of the Directors or Supervisors or any of their spouses or children under eighteen years of age has any right to subscribe any H Shares of the Company or has exercised any such kind of right during the year.

SHARE OPTION SCHEME

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Five Largest Customers

Turnover to the Group's five largest customers accounted for 33.56% (2015: 41.66%) of the total sales for the year and sales to the largest customer included therein amounted to 11.57% (2015: 13.99%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholders who own more than 5% of the Company's issued share capital had material interests in the Group's five largest customers.

Five Largest Suppliers

Purchase from the Group's five largest suppliers accounted for 36.32% (2015: 17.03%) of the total purchase for the year and purchase to the largest supplier included therein amounted to 21.8% (2015: 5.57%). To the best of the knowledge of the Directors, none of the Directors, their associates or any management shareholder who own more than 5% of the Company's issued share capital had material interests in the Group's five largest suppliers.

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

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 196 of this annual report.

Report of the Directors

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in the Note V(XXXII) to the financial statements. As at 31 December 2016, the Company had issued an aggregate of 91,800,000 H shares and an aggregate of 225,023,400 domestic shares.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of the movements of reserves of the Group during the year are set out on page 57 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Group's reserves available for distribution amounted to RMB923,552,272.40 (2015: RMB832,932,029).

INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES

Shareholders are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the relevant tax rules and regulations of the People's Republic of China ("PRC"). A corporate profit tax at the rate of 10% is applicable to dividends payable to Shareholders. In accordance with the relevant tax rules and regulations of the PRC, during the reporting period, the Company has an obligation to withhold for payment of the 10% corporate profit tax from the payment of the final dividend of the year to non-resident enterprises (including HKSCC (Nominees) Limited, other corporate nominees or trustees, and other entities or organisations that are all considered as non-resident enterprise shareholders) whose names are registered on the H shares register of members. No corporate tax at the rate of 10% will be withheld in respect of final dividend of the year to natural persons whose names are registered on the H shares register of members of the Company. Details can be referred to the results announcement published by the Company on 31 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained the public float prescribed under the Listing Rules throughout the year ended 31 December 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

EQUITY-LINKED AGREEMENTS

As at 31 December 2016, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE H SHARES

Save as disclosed above, for the year ended 31 December 2016, none of the Directors or Supervisors was granted subscription rights to subscribe for the H Shares of the Company. As at 31 December 2016, none of the Directors or Supervisors had the rights to subscribe for the H Shares of the Company.

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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

AUDIT COMMITTEE

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

RETIREMENT FUND OBLIGATION

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

Report of the Directors

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 31 December 2016, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note X to the consolidated financial statements.

PROPOSE ISSUE OF A SHARES

On 13 April 2017, the Company announced that the Company will apply to the CSRC and other relevant PRC regulatory authorities in accordance with Chinese laws and regulations and other regulatory requirements to issue not more than 40,000,000 A shares at par value of RMB1.00 each to the qualified inquiring subscribers and domestic natural persons, legal persons and investors who have opened securities accounts on the Shanghai Stock Exchange (excluding those prohibited by laws and regulations) and will also apply to Shanghai Stock Exchange for listing and trading of such A shares. The proposed issue of A shares is still subject to the approval by the shareholders of the Company. The Company will make announcement to inform the shareholders and potential investors of the Company of the progress of Issue of A Shares, as when appropriate and necessary.

COMPLIANCE WITH LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE PRACTICES

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In accordance with Rule 13.91 of the Hong Kong Listing Rules, the Company will publish an Environmental, Social and Governance (“ESG”) Report within three months after publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Hong Kong Listing Rules.

Report of the Directors

AUDITOR

The consolidated financial report of the Group for the year ended 31 December 2016 has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP. A resolution will be submitted to the forthcoming annual general meeting to re-appoint the auditors and to authorise the Directors to fix their remuneration.

On behalf of the Board

Sha Min

Chairman

Nanjing, the PRC
31 March 2017

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2016.

BOARD OF DIRECTORS AND BOARD MEETING

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

Executive Directors

Mr. Sha Min (*Chairman*)

Mr. Chang Yong (*Vice Chairman*)

Mr. Zhu Xiang (*Chief Executive Officer*)

Non-executive Director

Mr. Ma Jun

Independent Non-executive Directors

Mr. Geng Nai Fan

Mr. Shum Shing Kei

Mr. Hu Hanhui (Appointed on 27 May 2016)

Mr. Xu Su Ming (Resigned on 27 May 2016)

Each of the Directors has entered into a service contract with the Company. The service contracts will be expired on 31 December 2018 and the further renewal for another terms of three years shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

Corporate Governance Report

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control, risk management and monitoring the performance of the senior management. The Board's primary responsibilities are to direct and supervise the Company's business and affairs. The biographical details of the Directors and the relationship among the members of the Board are set out on pages 15 to 18 of this annual report. The Board of Directors held at least one full Board meeting half-yearly. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All executive Directors, non-executive Director and independent non-executive Directors bring a variety of experience and expertise to the Company.

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

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

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

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

During the year ended 31 December 2016, the Board held four meetings, two of which were regular meetings.

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

Corporate Governance Report

Name of Directors	Number of attendance
Executive Directors	
Mr. Sha Min (<i>Chairman</i>)	4/4
Mr. Chang Yong (<i>Vice Chairman</i>)	4/4
Mr. Zhu Xiang (<i>Chief Executive Officer</i>)	4/4
Non-executive Director	
Mr. Ma Jun	4/4
Independent Non-executive Directors	
Mr. Geng Nai Fan	4/4
Mr. Shum Shing Kei	4/4
Mr. Hu Hanhui (Appointed on 27 May 2016)	2/4
Mr. Xu Su Ming (Resigned on 27 May 2016)	2/4

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

During the period under review, an annual general meeting was held on 27 May 2016. All non-executive directors have attended this general meeting.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by each Director in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2016 is recorded in the table below.

Name of Directors	Reading regulatory updates or newspapers, journals and updates relating to directors' duties	Attending external seminars/ programmes
Executive Directors		
Mr. Sha Min	√	√
Mr. Chang Yong	√	√
Mr. Zhu Xiang	√	√
Non-executive Director		
Mr. Ma Jun	√	√
Independent Non-executive Directors		
Mr. Geng Nai Fan	√	√
Mr. Shum Shing Kei	√	√
Mr. Hu Hanhui (Appointed on 27 May 2016)	√	√
Mr. Xu Su Ming (Resigned on 27 May 2016)	√	√

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

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

Three meetings were held during the year by the remuneration committee to review the directors' fees of the newly appointed director and the senior management's remuneration proposals.

Details of the attendance of the remuneration committee meetings are as follows:

	Number of attendance
Mr. Hu Hanhui (Appointed on 27 May 2016)	1/3
Mr. Shum Shing Kei	3/3
Mr. Zhu Xiang	3/3
Mr. Xu Su Ming (Resigned on 27 May 2016)	2/3

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

NOMINATION COMMITTEE

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

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

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

Corporate Governance Report

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

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

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

Three meetings were held during the year by the nomination committee to review the appointment of new director and consider the recommendations of candidates of senior management.

Details of the attendance of the nomination committee meetings are as follows:

	Number of attendance
Mr. Hu Hanhui (Appointed on 27 May 2016)	1/3
Mr. Geng Nai Fan	3/3
Mr. Chang Yong	3/3
Mr. Xu Su Ming (Resigned on 27 May 2016)	2/3

AUDIT COMMITTEE

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

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

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

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

Corporate Governance Report

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

	Number of attendance
Mr. Geng Nai Fan	3/3
Mr. Shum Shing Kei	3/3
Mr. Hu Hanhui (Appointed on 27 May 2016)	2/3
Mr. Xu Su Ming (Resigned on 27 May 2016)	1/3

During the year, the Group's annual audited results for the year ended 31 December 2015 and the unaudited interim results for the six months ended 30 June 2016 have been reviewed by the audit committee. Besides, the audit committee also reviewed the Group's annual audited results for the year ended 31 December 2016 with a recommendation to the Board for approval. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

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

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 December 2016 were performed by BDO China Shu Lun Pan Certified Public Accountants LLP. The total fee paid/payable in respect of the statutory audit and non-audit services provided by external auditors during the year ended 31 December 2016 are set out below:

	2016	2015
	RMB'000	RMB'000
Services rendered		
Audit services		
– BDO China Shu Lun Pan Certified Public Accountants LLP	750	750
Non-audit services	–	–
	750	750

CORPORATE GOVERNANCE FUNCTIONS

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

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

Corporate Governance Report

(d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for the preparation of financial statements which give a true and fair view. In preparing financial statements, which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is independent auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the Company's shareholders. The responsibility of the independent auditors are set out in the independent auditor's report on pages 38 to 41 of this annual report.

COMPANY SECRETARY

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for assessing and determining the nature and extent of the risks they are willing to take in achieving the Company's strategic objectives and ensuring that the Company is responsible for maintaining a sound and effective risk management and internal control system and reviewing its effectiveness. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control system and is responsible for the risk management and internal control system, including financial monitoring, operation monitoring, compliance monitoring and risk management monitoring to protect the interests of shareholders.

Risk management and internal control system aim to manage the risk in the process of achieving the company's strategic objectives rather than to completely eliminate it, and provide reasonable protection rather than absolute guarantee.

The Company has an internal audit functional department and directly reports to the audit committee on the risk management and internal control of the Company under the support and cooperation of other departments. The internal audit manager reports to the chief executive officer and chief financial officer on the day-to-day administrative work. The audit committee reports to the board of any significant matters.

The Board of Directors conducted a risk assessment based on a number of different factors and conducted continuous review to determine the status of monitoring and effectiveness of risk management of the Company. As at the end of the reporting period, the Company had no significant monitoring errors causing any unforeseen consequences or emergencies. Also, no matter was found that would cast significant impact on the company's financial status.

The following are the main procedures for the Board to continuously monitor the effectiveness of the Company's risk management and internal control systems:

- Establish an internal control and risk management implementation team and improve the organizational structure so that the powers and responsibilities of monitoring level are clearly defined;

Corporate Governance Report

- Organize working meetings for internal control and risk management standard, promote the norms of internal control amongst staff and enhance staff awareness of the importance and necessity of internal control system;
- Analyze internal control deficiencies, risk identification and evaluation, and test the effectiveness of internal control according to the enterprise risk management model by collecting and sorting the daily workflow and internal control system of various departments, business and financial modules of the company;
- Develop risks lists at the corporate level, process level, information system level, identify problems in internal control and risk management in a timely manner, and strive to minimize its impact through continuous improvement of corporate governance and proactive management;
- Establish a comprehensive accounting system to provide management with financial and operational performance indicators, as well as financial information for reporting and disclosure, to maintain complete accounting records and to ensure reliable use of financial data on business and announcements to avoid serious errors, losses or fraud;
- Internal audit functions will make analysis and independent assessment of the adequacy and effectiveness of the company's risk management and internal control systems. The responsible person of internal audit reports to the audit committee any questions found during its day-to-day work, including major internal control deficiencies (if any);
- The audit committee reviews the annual audited report submitted by the external auditor to the management of the Company (including an explanatory letter about the audit to the management);
- Establish a set of guidelines and procedures for handling and posting inside information to enable timely processing and publication of inside information.

Establish a reporting policy to encourage employees on confidential basis to report to management of any possible misconduct on any matter regarding the Company. The Company will keep confidential all information received and protect the identity and interests of whistleblowers. During the year, the Board reviewed the adequacy and effectiveness of the Company's risk management and internal control systems through the review by the internal audit functions and external auditors, and review management's report on risk management and regulatory compliance. The Board considered that the Company's risk management and internal control systems are effective and sufficient to comply with the corporate governance.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Corporate Governance Report

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

CHANGE IN CONSTITUTIONAL DOCUMENT

During the period under review, the shareholders of the Company approved the amendment of the Company's Articles of Association to amend the scope of business of the Company which shall be based on the items approved by the Company registration authorities and change of shareholding of the shareholder, details of which was disclosed in the Company's circular dated 28 April 2016. Save as disclosed, there has been no significant change in the Company's Articles of Association during the year ended 31 December 2016.

Report of the Supervisory Committee

To the shareholders,

For the year ended 31 December 2016 the supervisory committee of Nanjing Sample Technology Company Limited, in compliance with the provisions of the Company Law of the People's Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company, took an active role to work reasonably and cautiously with the principle of good faith and due diligence to protect the interest of the Company's shareholders.

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

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

On behalf of the Supervisory Committee

Qiu Xiang Yang

Chairman

Nanjing, the PRC
31 March 2017

Auditor's Report

Xin Hui Shi Bao Zi (2017) No. ZA11725

TO THE SHAREHOLDERS OF NANJING SAMPLE TECHNOLOGY COMPANY LIMITED:

1. AUDIT OPINION

We have audited the accompanying financial statements of Nanjing Sample Technology Company Limited (hereinafter “the Sample Technology Company”), which comprise the consolidated and the parent company balance sheets as at 31 December 2016, and the consolidated and the parent company income statements, the consolidated and the parent company cash flow statements and the consolidated and the parent company statements of changes in equity for the financial year of 2016 and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the requirements of Accounting Standards for Business Enterprises and present fairly the consolidated and the parent company’s financial position of Sample Technology Company as at 31 December 2016 and the consolidated and the parent company’s financial performance and cash flows for 2016.

2. BASIS FOR FORMING THE AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). 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 Sample Technology Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. KEY AUDIT MATTERS

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.

(1) Recognition of income

The revenue of system integration of Sample Technology Company for 2016 amounted to 892,699,500 yuan, representing 56.87% of the total revenue. According to Note III (XXII) of the financial statements, the revenue of the Company's system integration project was recognized according to the percentage of completion method. The progress is mainly based on the external evidence provided by the independent third party, such as the owner or inspector, as confirmation of the completion progress. We are concerned that the completion progress confirmation by independent third party, such as the owner or inspector, may be different from the actual progress of the completion which may cause the risk that the amount of revenue not recognized in the appropriate period.

Responsive measures: to understand, evaluate and test the relevant control of recognition of revenue of the company, review the contract, interview with the management, understand and evaluate the company's revenue recognition policy, the implementation of the letter verification and make project site visit to view and interview so as to understand the project progress.

(2) Investment property measured at fair value

As at 31 December 2016, Sample Technology Company's financial statements showed the investment property measured at fair value of 215,250,600 yuan which belonged to Sample Technology Company's special assets with a significant amount. According to the accounting policy of Sample Technology Company, the investment property measured at fair value and the fair value change is included in the current profit and loss. The fair value of investment property was determined by the using of valuation technique by Sample Technology Company (please refer to note IX to the financial statements).

Responsive measures: We evaluated the control related to the determination of investment property by Sample Technology Company. We understood and evaluated the valuation method of investment property and discussed the specific application of valuation method with valuation experts. Valuation parameters and discount rates used in the valuation process are considered and evaluated.

4. OTHER INFORMATION

The management of Sample Technology Company is responsible for the other information. The other information comprises the information included in the annual report of Sample Technology Company, other than the financial statements and our auditor's report thereon.

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

Combined with our audit of the financial statements, our responsibility is to read the other information. In this process, we 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 for the other information, we should report the facts. In this regard, there's no matter that need to be reported.

Auditor's Report

5. RESPONSIBILITIES OF MANAGEMENT AND GOVERNANCE LAYER FOR THE FINANCIAL STATEMENTS

The management of Sample Technology Company (referred as “the Management”) is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of internal control as 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, the Management is responsible for assessing Sample Technology Company’s ability to continue as a going concern, disclosing matters related to going concern and using the going concern assumption unless management either intend to liquidate the company, cease operations, or have no realistic alternative but to do so.

The governance layer are responsible for overseeing Sample Technology Company’s financial reporting process.

6. 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 China Standards on Auditing must 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.

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 audit 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 it’s not for the purpose to comment on the effectiveness of internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Report

- (4) conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sample Technology Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required in our auditor's report to draw the attention of the reporting user to the related disclosures in these financial statements or, if such disclosures are inadequate, we should issue qualified 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 Sample Technology Company 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.
- (6) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Sample Technology Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the governance layer 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 the governance layer 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 where applicable, related safeguards.

From the matters communicated with the governance layer, 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.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Chinese Certified Public Accountant: **Pan Yong Xiang**
(Project partner)

Chinese Certified Public Accountant: **Feng Jian Li**

Shanghai, the People's Republic of China

31 March 2017

Consolidated Balance Sheet

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note V	2016	2015
Current assets:			
Cash at bank and on hand	(I)	1,227,426,333.37	1,212,720,957.69
Settlement reserves		-	-
Loans to banks and other financial institutions		-	-
Financial assets calculated by fair value with its change included in loss and profit of current year		-	-
Derivative financial assets		-	-
Notes receivable	(II)	810,000.00	430,000.00
Accounts receivable	(III)	526,069,368.54	405,045,579.64
Prepayments	(IV)	42,815,450.27	102,561,214.68
Premiums receivable		-	-
Reinsurance accounts receivable		-	-
Receivables from subcontracting reserves		-	-
Interest receivable	(V)	394,890.00	806,088.29
Dividends receivable		-	-
Other receivables	(VI)	179,291,491.38	80,821,123.74
Financial assets held under resale agreements		-	-
Inventories	(VII)	614,699,178.91	524,397,493.94
Divide into assets held for sale		-	-
Non-current assets due within one year	(VIII)	120,000,000.00	-
Other current assets	(IX)	160,390,998.50	156,802,978.14
Total current assets		2,871,897,710.97	2,483,585,436.12
Non-current assets:			
Loans and advances		-	-
Available-for-sale financial assets	(X)	44,520,000.00	44,520,000.00
Held-to-maturity investment		-	-
Long-term receivables		-	-
Long-term equity investments	(XI)	5,436,528.36	3,475,159.72
Investment Property	(XII)	215,250,600.00	211,022,900.00
Fixed assets	(XIII)	259,370,746.71	246,314,755.16
Construction in progress	(XIV)	1,271,607.11	25,322,742.02
Construction materials	(XV)	12,853.20	2,911,916.51
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets	(XVI)	15,599,914.81	12,374,724.82
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses	(XVII)	9,358,650.83	12,365,667.87
Deferred income tax assets	(XVIII)	28,391,637.47	23,895,454.79
Other non-current assets	(XIX)	-	120,000,000.00
Total non-current assets		579,212,538.49	702,203,320.89

Consolidated Balance Sheet

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

	Note V	2016	2015
TOTAL ASSETS		3,451,110,249.46	3,185,788,757.01
LIABILITIES & OWNERS' EQUITY			
Current liabilities:			
Short-term borrowings	(XX)	611,644,210.96	508,765,000.00
Borrowings from central bank		-	-
Deposits from customers and interbank		-	-
Loans from banks and other financial institutions		-	-
Financial liabilities calculated by fair value with its change included in loss and profit of current year		-	-
Derivative financial liabilities		-	-
Notes payable	(XXI)	35,288,100.72	81,521,681.76
Accounts payable	(XXII)	639,256,306.14	526,961,876.08
Advances from customers	(XXIII)	48,367,297.32	68,684,255.99
Financial assets sold under repurchase agreements		-	-
Handling charges and commissions payable		-	-
Payroll payables	(XXIV)	4,529,581.34	3,137,558.73
Taxes payable	(XXV)	37,640,623.70	38,877,388.22
Interest payable	(XXVI)	1,188,634.41	1,060,086.67
Dividends payable		-	-
Other payables	(XXVII)	77,955,804.95	49,094,015.39
Reinsurance accounts payable		-	-
Reserve funds for insurance contracts		-	-
Receivings from Vicariously Traded Securities		-	-
Receivings from Vicariously Sold Securities		-	-
Divide into liabilities held for sale		-	-
Non-current liabilities due within 1 year	(XXVIII)	29,110,000.00	27,860,000.00
Other current liabilities	(XXIX)	6,601,021.14	-
Total current liabilities		1,491,581,580.68	1,305,961,862.84
Non-current liabilities:			
Long-term borrowings	(XXX)	109,100,000.00	138,210,000.00
Bonds payables		-	-
Including: preferred shares		-	-
perpetual capital securities		-	-
Long-term payables		-	-
Long-term payroll payables		-	-
Special payables		-	-
Estimated liabilities		-	-
Deferred income	(XXXI)	10,397,156.83	9,128,698.17
Deferred income tax liabilities	(XVIII)	8,969,147.98	9,111,725.27
Other non-current liabilities		-	-
Total non-current liabilities		128,466,304.81	156,450,423.44
Total liabilities		1,620,047,885.49	1,462,412,286.28

Consolidated Balance Sheet

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

	Note V	2016	2015
Owners' equity:			
Share capital	(XXXII)	316,823,400.00	316,823,400.00
Other equity instruments		-	-
Including: preferred shares		-	-
perpetual capital securities		-	-
Capital reserves	(XXXIII)	417,341,904.48	417,042,894.68
Less: treasury stocks		-	-
Other comprehensive income	(XXXIV)	33,105,840.34	30,662,281.62
Special reserves		-	-
Surplus reserves	(XXXV)	77,443,332.15	72,085,199.91
Provision for general risk		-	-
Undistributed profits	(XXXVI)	923,552,272.40	832,932,029.03
		<hr/>	<hr/>
Total owners' equity attributable to the parent company		1,768,266,749.37	1,669,545,805.24
Minority interest		62,795,614.60	53,830,665.49
		<hr/>	<hr/>
Total owners' equity		<u>1,831,062,363.97</u>	<u>1,723,376,470.73</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>3,451,110,249.46</u>	<u>3,185,788,757.01</u>
NET CURRENT ASSETS		<u>1,380,316,130.29</u>	<u>1,177,623,573.28</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,959,528,668.78</u>	<u>1,879,826,894.17</u>

The accompanying notes form an integral part of these financial statements.

Page 42 to page 195 of the financial statements were signed by the following person in charge:

Sha Min
Director

Zhu Xiang
Director

Sha Min
Legal representative

Miao Yun
Person in charge of
accounting function

Li Cheng Yang
Person in charge of
accounting department

Balance Sheet of the Parent Company

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ASSETS	Note XV	2016	2015
Current assets:			
Cash at bank and on hand		460,882,029.06	492,109,598.17
Financial assets calculated by fair value with its change included in loss and profit of current year		-	-
Derivative financial assets		-	-
Notes receivable		410,000.00	350,000.00
Accounts receivable	(I)	150,822,144.41	117,726,444.46
Prepayments		4,479,405.02	76,642,149.27
Interest receivable		274,087.41	486,377.48
Dividends receivable		-	-
Other receivable	(II)	73,734,604.15	77,887,002.51
Inventories		48,810,839.18	27,960,928.91
Divide into assets held for sale		-	-
Non-current assets due within one year		60,000,000.00	0.00
Other current assets		81,692,926.45	101,480,980.82
Total current assets		881,106,035.68	894,643,481.62
Non-current assets:			
Available-for-sale financial assets		44,520,000.00	44,520,000.00
Held-to-maturity investment		-	-
Long-term receivables		-	-
Long-term equity investments	(III)	360,133,270.81	337,977,688.00
Investment Property		215,250,600.00	211,022,900.00
Fixed assets		139,693,394.92	120,054,741.86
Construction in progress		0.00	25,172,742.02
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		9,429,244.86	9,050,454.92
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses		-	-
Deferred income tax assets		7,111,274.26	4,810,566.61
Other non-current assets		-	60,000,000.00
Total non-current assets		776,137,784.85	812,609,093.41
TOTAL ASSETS		1,657,243,820.53	1,707,252,575.03

Balance Sheet of the Parent Company

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XV	2016	2015
Current liabilities:			
Short-term borrowings		190,000,000.00	210,000,000.00
Financial liabilities calculated by fair value with its change included in loss and profit of current year		-	-
Derivative financial liabilities		-	-
Notes payable		3,111,080.72	58,634,477.76
Accounts payable		138,913,922.53	63,259,481.87
Advances from customers		22,558,899.78	16,179,007.16
Payroll payables		2,237,052.87	1,685,500.56
Taxes payable		6,751,456.18	4,527,888.98
Interest payable		441,950.67	497,323.13
Dividends payable		-	-
Other payables		9,435,625.39	21,650,152.01
Divide into liabilities held for sale		-	-
Non-current liabilities due within 1 year		9,110,000.00	7,860,000.00
Other current liabilities		10,009.52	-
Total current liabilities		<u>382,569,997.66</u>	<u>384,293,831.47</u>
Non-current liabilities:			
Long-term borrowings		79,100,000.00	88,210,000.00
Bonds payables		-	-
Including: preferred shares		-	-
perpetual capital securities		-	-
Long-term payables		-	-
Long-term payroll payables		-	-
Special payables		-	-
Estimated liabilities		-	-
Deferred income		3,550,148.72	733,531.62
Deferred income tax liabilities		8,271,158.14	8,796,998.29
Other non-current liabilities		-	-
Total non-current liabilities		<u>90,921,306.86</u>	<u>97,740,529.91</u>
Total liabilities		<u>473,491,304.52</u>	<u>482,034,361.38</u>

Balance Sheet of the Parent Company

At 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

LIABILITIES & OWNERS' EQUITY	Note XV	2016	2015
Owners' equity (or shareholders' equity):			
Share capital		316,823,400.00	316,823,400.00
Other equity instruments		-	-
Including: preferred shares		-	-
perpetual capital securities		-	-
Capital reserves		417,473,099.68	417,473,099.68
Less: treasury stocks		-	-
Other comprehensive income		35,342,451.12	35,342,451.12
Special reserves		-	-
Surplus reserves		77,443,332.15	72,085,199.91
Undistributed profits		336,670,233.06	383,494,062.94
Total owners' equity		<u>1,183,752,516.01</u>	<u>1,225,218,213.65</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>1,657,243,820.53</u>	<u>1,707,252,575.03</u>
NET CURRENT ASSETS		<u>498,536,038.02</u>	<u>510,349,650.15</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,274,673,822.87</u>	<u>1,322,958,743.56</u>

The accompanying notes form an integral part of these financial statements.

Page 42 to page 195 of the financial statements were signed by the following person in charge:

Sha Min
Director

Zhu Xiang
Director

Sha Min
Legal representative

Miao Yun
Person in charge of
accounting function

Li Cheng Yang
Person in charge of
accounting department

Consolidated Income Statement

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2016	2015
I. Total operating income	(XXXVII)	1,569,750,558.83	1,226,308,423.63
Including: Operating incomes		1,569,750,558.83	1,226,308,423.63
Interest incomes		-	-
Earned premiums		-	-
Incomes from handling charge and commission		-	-
II. Total operating cost		1,388,706,754.43	1,088,246,082.23
Including: Operating cost	(XXXVII)	1,164,041,866.56	888,061,695.23
Interest expenses		-	-
Handling charges and commissions		-	-
Surrender value		-	-
Net payments for insurance claims		-	-
Net provision for deposit for insurance contracts		-	-
Expenditures for insurance policy dividend		-	-
Reinsurance costs		-	-
Taxes and surcharges	(XXXVIII)	3,780,162.36	18,908,597.38
Selling and distribution expenses	(XXXIX)	44,743,761.05	31,520,776.37
Administrative expenses	(XL)	116,889,889.29	102,485,667.20
Financial expenses	(XLI)	25,096,749.50	23,981,002.21
Asset impairment losses	(XLII)	34,154,325.67	23,288,343.84
Add: Gain on fair value change (with "-" for losses)	(XLIII)	4,227,700.00	9,334,000.00
Investment incomes (with "-" for losses)	(XLIV)	22,734,356.44	30,028,575.95
Including: Share of profit of associates and jointly controlled entities	(XLIV)	-2,280,696.00	-1,733,893.40
Other investment income	(XLIV)	25,015,052.44	31,762,469.35
Currency exchange gains (with "-" for losses)		-	-
III. Operating profit (with "-" for losses)		208,005,860.84	177,424,917.35
Add: Non-operating income	(XLV)	22,445,696.87	11,168,761.32
Including: gains from disposal of non-current assets		11,160.38	26,631.00
Less: Non-operating expenses	(XLVI)	518,119.79	201,276.89
Including: losses from disposal of non-current assets		298,949.18	115,947.87
IV. Total profit (with "-" for total losses)		229,933,437.92	188,392,401.78
Less: Income tax expenses	(XLIX)	35,916,040.30	21,214,539.66
V. Net profit (with "-" for net losses)		194,017,397.62	167,177,862.12
Including: The net profit of acquiree before combination under common control		-	-
Net profit attributable to the owners of parent company		191,025,395.61	164,468,923.01
Minority interests		2,992,002.01	2,708,939.11

Consolidated Income Statement

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2016	2015
VI. Net other comprehensive income after tax		2,443,558.72	34,541,303.77
Net other comprehensive income attributable to the owners of parent company after tax		2,443,558.72	34,541,303.77
(I) Other comprehensive income that can not be reclassified into profit and loss in the future		-	-
1. Changes recalculating and setting the net liabilities or net assets of benefit plan		-	-
2. Share of other comprehensive income in the investees can not be reclassified into profit and loss at equity method		-	-
(II) Other comprehensive incomes that can be reclassified into loss and profit in the future		2,443,558.72	34,541,303.77
1. Share of other comprehensive income in the investees can be reclassified into profit and loss at equity method		-	-
2. Profit and loss on the change in fair value of available-for-sale financial assets		-	-
3. Held-to-maturity investment reclassified to loss and profit of available-for-sale financial assets		-	-
4. Valid part of hedging loss and profit of cash flow		-	-
5. Converted difference in foreign currency statements		2,443,558.72	-801,147.35
6. Other		-	35,342,451.12
Other net comprehensive incomes after-tax attributable to minority shareholders		-	-
VII. Total comprehensive income		196,460,956.34	201,719,165.89
Total comprehensive income attributable to the owner of parent company		193,468,954.33	199,010,226.78
Total comprehensive income attributable to minority shareholders		2,992,002.01	2,708,939.11
VIII. Earnings per share:			
(1) Basic earnings per share		0.603	0.532
(2) Diluted earnings per share		0.603	0.532
IX. Dividend	(L)	95,047,020.00	63,364,680.00

Income Statement of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2016	2015
I. Operating income	(IV)	336,279,813.00	274,815,564.06
Less: Operating cost	(IV)	225,820,352.18	176,006,542.39
Taxes and surcharges		1,663,228.73	1,718,602.44
Selling and distribution expenses		17,752,439.06	13,795,835.01
Administrative expenses		52,859,989.86	48,001,605.90
Financial expenses		11,908,805.73	13,707,030.64
Asset impairment losses		14,121,657.29	11,341,199.26
Add: Gain on fair value change (with "-" for losses)		4,227,700.00	9,334,000.00
Investment incomes (with "-" for losses)	(V)	34,886,735.85	182,168,809.77
Including: Share of profit of associates and jointly controlled entities	(V)	-644,417.19	-
		<hr/>	<hr/>
II. Operating profit (with "-" for losses)		51,267,776.00	201,747,558.19
Add: Non-operating income		8,142,396.55	7,770,163.79
Including: gains from disposal of non-current assets		476,454.83	-
Less: Non-operating expenses		34,369.98	80,588.67
Including: losses from disposal of non-current assets		30,186.96	-
		<hr/>	<hr/>
III. Total profit (with "-" for total losses)		59,375,802.57	209,437,133.31
Less: Income tax expenses		5,794,480.21	5,027,638.10
		<hr/>	<hr/>
IV. Net profit (with "-" for net losses)		53,581,322.36	204,409,495.21
		<hr/>	<hr/>
			-

Income Statement of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2016	2015
V. Net other comprehensive income after tax			35,342,451.12
(I) Other comprehensive income that can not be reclassified into profit and loss in the future			
1. Changes recalculating and setting the net liabilities or net assets of benefit plan		-	-
2. Share of other comprehensive income in the investees can not be reclassified into profit and loss at equity method		-	-
(II) Other comprehensive incomes that can be reclassified into loss and profit in the future			35,342,451.12
1. Share of other comprehensive income in the investees can be reclassified into profit and loss at equity method		-	-
2. Profit and loss on the change in fair value of available-for-sale financial assets		-	-
3. Held-to-maturity investment reclassified to loss and profit of available-for-sale financial assets		-	-
4. Valid part of hedging loss and profit of cash flow		-	-
5. Converted difference in foreign currency statements		-	-
6. Other		-	35,342,451.12
VI. Total comprehensive income		53,581,322.36	239,751,946.33
VII. Earnings per share:			
(1) Basic earnings per share		-	-
(2) Diluted earnings per share		-	-

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2016	2015
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,500,719,566.79	1,083,188,379.61
Net increase in customers' deposits and interbank placements		-	-
Net increase in loans from the central bank		-	-
Net increase in funds borrowed from other financial institutions		-	-
Cash received from receiving premium of original insurance contract		-	-
Net cash received from reinsurance		-	-
Net increase in deposits of the insured and investment		-	-
Net increase in disposal of financial assets calculated by fair value with its change included in loss and profit of current period		-	-
Cash received from interests, handling charges and commissions		-	-
Net increase in funds borrowed		-	-
Net increase in repurchase business funds		-	-
Refund of taxes and surcharges		51,476,070.76	4,347,101.05
Cash received relating to other operating activities	(L1).1	42,036,488.03	174,086,370.10
Sub-total of cash inflows from operating activities		1,594,232,125.58	1,261,621,850.76
Cash paid for goods and services		1,257,527,636.16	931,121,850.67
Net increase in loans and advances to customers		-	-
Net increase in deposits with the central bank and other banks		-	-
Cash paid for compensation under original insurance contract		-	-
Cash paid for interests, handling charges and commissions		-	-
Cash paid for policy dividends		-	-
Cash paid to and on behalf of employees		65,463,507.74	50,383,224.36
Payments of tax charges		57,434,660.57	64,770,493.08
Cash paid relating to other operating activities	(L1).2	288,316,934.80	62,255,938.14
Sub-total of cash outflows from operating activities		1,668,742,739.27	1,108,531,506.25
Net cash flows from operating activities		-74,510,613.69	153,090,344.51

Consolidated Cash Flow Statement

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2016	2015
II. Cash flows from investing activities			
Cash received from disposal of investments		–	78,986,244.94
Cash received from returns on investments		24,802,762.37	28,196,280.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		40.00	106,691.86
Net cash received from disposal of subsidiaries and other operating entities		–	–
Cash received relating to other investing activities	(L1).3	150,107,846.25	360,000,000.00
Sub-total of cash inflows from investing activities		174,910,648.62	467,289,216.88
Cash paid to acquire fixed assets, intangible assets and other long-term assets		13,313,512.28	32,154,572.13
Cash paid to acquire investments		1,500,000.00	8,500,000.00
Net increase of pledged loans		–	–
Net cash paid to acquire subsidiaries and other operating entities		5,495,398.28	–
Cash paid relating to other investing activities	(L1).4	31,636,683.03	630,000,000.00
Sub-total of cash outflows from investing activities		51,945,593.59	670,654,572.13
Net cash flows from investing activities		122,965,055.03	-203,365,355.25
III. Cash flows from financing activities			
Cash received from capital contributions		6,585,000.00	413,979,069.07
Including: Cash received from investment by minority shareholders of subsidiaries		6,585,000.00	–
Cash received from borrowings		850,118,433.47	635,000,000.00
Proceeds from bonds issued		–	–
Cash received relating to other financing activities		–	–
Sub-total of cash inflows from financing activities		856,703,433.47	1,048,979,069.07
Cash repayments of borrowings		779,712,339.08	493,930,000.00
Cash payments for interest expenses and distribution of dividends or profits		135,562,570.11	101,323,609.16
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		–	–
Cash paid relating to other financing activities		–	–
Sub-total of cash outflows from financing activities		915,274,909.19	595,253,609.16
Net cash flows from financing activities		-58,571,475.72	453,725,459.91

Consolidated Cash Flow Statement

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note V	2016	2015
IV. Effect of foreign exchange rate changes on cash and cash equivalents		3,409,854.87	2,086,438.39
V. Net increase in cash and cash equivalents		-6,707,179.51	405,536,887.56
Add: Cash and cash equivalents at beginning of period		1,188,285,145.50	782,748,257.94
VI. Cash and cash equivalent at end of period		1,181,577,965.99	1,188,285,145.50

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2016	2015
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		350,070,510.61	281,833,362.70
Refund of taxes and surcharges		5,007,093.29	4,091,180.89
Cash received relating to other operating activities		15,467,038.10	12,244,706.80
		<hr/>	<hr/>
Sub-total of cash inflows from operating activities		370,544,642.00	298,169,250.39
		<hr/>	<hr/>
Cash paid for goods and services		201,898,182.58	246,010,650.23
Cash paid to and on behalf of employees		25,652,670.24	25,573,158.19
Payments of taxes and surcharges		19,715,378.38	20,668,950.48
Cash paid relating to other operating activities		39,309,708.40	29,568,764.43
		<hr/>	<hr/>
Sub-total of cash outflows from operating activities		286,575,939.60	321,821,523.33
		<hr/>	<hr/>
Net cash flows from operating activities		83,968,702.40	-23,652,272.94
		<hr/> <hr/>	<hr/> <hr/>
II. Cash flows from investing activities			
Cash received from disposal of investments		–	88,986,244.94
Cash received from returns on investments		35,318,862.97	178,922,331.31
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,750,040.00	–
Net cash received from disposal of subsidiaries and other operating entities		–	–
Cash received relating to other investing activities		100,100,000.00	180,000,000.00
		<hr/>	<hr/>
Sub-total of cash inflows from investing activities		142,168,902.97	447,908,576.25
		<hr/>	<hr/>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		7,670,250.21	26,850,587.32
Cash paid to acquire investments		22,800,000.00	33,900,000.00
Net cash paid to acquire subsidiaries and other operating entities		–	–
Cash paid relating to other investing activities		80,700,000.00	340,000,000.00
		<hr/>	<hr/>
Sub-total of cash outflows from investing activities		111,170,250.21	400,750,587.32
		<hr/>	<hr/>
Net cash flows from investing activities		30,998,652.76	47,157,988.93

Cash Flow Statement of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Note XV	2016	2015
III. Cash flows from financing activities			
Cash received from capital contributions		-	413,979,069.07
Cash received from borrowings		190,000,000.00	310,000,000.00
Proceeds from bonds issued		-	-
Cash paid relating to other investing activities		-	10,578,641.26
Sub-total of cash inflows from financing activities		190,000,000.00	734,557,710.33
Cash repayments of borrowings		217,860,000.00	307,930,000.00
Cash payments for interest expenses and distribution of dividends or profits		112,662,579.14	79,833,794.61
Cash paid relating to other financing activities		12,426,317.07	-
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		342,948,896.21	387,763,794.61
		<hr/>	<hr/>
Net cash flows from financing activities		-152,948,896.21	346,793,915.72
		<hr/> <hr/>	<hr/> <hr/>
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
		<hr/> <hr/>	<hr/> <hr/>
V. Net increase in cash and cash equivalents		-37,981,541.05	370,299,631.71
Add: Cash and cash equivalents at beginning of period		488,161,285.38	117,861,653.67
		<hr/> <hr/>	<hr/> <hr/>
VI. Cash and cash equivalent at end of period		450,179,744.33	488,161,285.38
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period										Total owners' equity	
	Owners' equity attributable to the parent company											
	Other equity instruments			Other				Minority interest				
Share capital	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Minority interest	
I. Closing balance of prior year	316,623,400.00	-	-	-	417,042,894.68	-	30,662,261.62	-	72,065,193.91	832,932,029.03	53,830,665.49	1,723,376,470.73
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of current year	316,623,400.00	-	-	-	417,042,894.68	-	30,662,261.62	-	72,065,193.91	832,932,029.03	53,830,665.49	1,723,376,470.73
III. Changes during the period (with "+" for decrease)	-	-	-	-	299,009.80	-	2,443,568.72	-	5,368,132.24	90,620,243.37	8,964,949.11	107,685,883.24
(I) Total comprehensive income	-	-	-	-	-	-	2,443,568.72	-	-	191,025,365.61	2,992,002.01	196,460,936.34
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	-	-	-	-	6,585,000.00	6,585,000.00
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	-	6,585,000.00	6,585,000.00
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period											Total owners' equity	
	Owners' equity attributable to the parent company						Other						
	Share capital	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits		Minority interest
(III) Profit appropriation	-	-	-	-	-	-	-	-	5,388,132.24	-	-10,405,152.24	-	-95,047,020.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	5,388,132.24	-	-5,388,132.24	-	-
2. Provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners' (shareholders)	-	-	-	-	-	-	-	-	-	-	-95,047,020.00	-	-95,047,020.00
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other (undistributed profit transferred share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	299,009.80	-	-	-	-	-	-	-612,052.90	-313,043.10
IV. Closing balance of current period	316,823,400.00	-	-	-	417,341,904.48	-	33,105,940.34	-	71,443,332.15	-	923,552,272.40	62,195,614.60	1,831,082,363.97

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										Total owners' equity		
	Owners' equity attributable to the parent company												
	Other equity instruments			Other									
	Share capital	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Undistributed profits	Minority interest	
I. Closing balance of prior year	224,100,000.00	-	-	-	99,627,613.95	-	-3,879,022.15	-	51,644,250.39	-	752,288,735.54	49,347,683.96	1,173,109,261.69
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of current year	224,100,000.00	-	-	-	99,627,613.95	-	-3,879,022.15	-	51,644,250.39	-	752,288,735.54	49,347,683.96	1,173,109,261.69
III. Changes during the period (with "+" for decrease)	92,723,400.00	-	-	-	317,415,280.73	-	34,541,303.77	-	20,440,949.52	-	80,663,239.49	4,482,981.53	550,267,209.04
(i) Total comprehensive income	-	-	-	-	-	-	34,541,303.77	-	-	-	164,468,923.01	2,708,939.11	201,719,165.89
(ii) Owners' contribution and capital reduction	92,723,400.00	-	-	-	321,255,689.07	-	-	-	-	-	-	-	413,979,089.07
1. Capital contribution by shareholders	92,723,400.00	-	-	-	321,255,689.07	-	-	-	-	-	-	-	413,979,089.07
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period										Total owners' equity		
	Owners' equity attributable to the parent company												
	Share capital	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk		Undistributed profits	Minority interest
(III) Profit appropriation	-	-	-	-	-	-	-	-	20,440,949.52	-	-83,805,829.52	-	-63,364,880.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	20,440,949.52	-	-20,440,949.52	-	-
2. Provision for general risk	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners' (shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal transfer of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Other (undistributed profit transferred share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-3,840,388.34	-	-	-	-	-	-	1,774,042.42	-2,066,345.92
IV. Closing balance of current period	316,829,400.00	-	-	-	417,042,894.68	-	30,682,281.62	-	72,085,193.91	-	882,932,029.03	53,830,665.49	1,723,376,470.73

The accompanying notes form an integral part of these financial statements.

Statement of Changes In Equity of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Current period										
	Other equity instruments					Other					Total owners' equity
	Paid-up capital (Share capital)	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance of prior year	316,823,400.00	-	-	-	417,473,098.68	-	35,342,451.12	-	72,085,198.91	383,494,062.94	1,225,218,218.65
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of current year	316,823,400.00	-	-	-	417,473,098.68	-	35,342,451.12	-	72,085,198.91	383,494,062.94	1,225,218,218.65
III. Changes during the period (with "-" for decrease)	-	-	-	-	-	-	-	-	5,388,132.24	-46,823,829.88	-41,465,897.64
(I) Total comprehensive income	-	-	-	-	-	-	-	-	-	53,581,322.36	53,581,322.36
(II) Owners' contribution and capital reduction	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution by shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	-	-	-	5,388,132.24	-100,405,152.24	-95,017,020.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	5,388,132.24	-5,388,132.24	-
2. Distribution to owners' (or shareholders)	-	-	-	-	-	-	-	-	-	-95,017,020.00	-95,017,020.00
3. Others	-	-	-	-	-	-	-	-	-	-	-

Statement of Changes In Equity of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Other equity instruments				Current period						Total owners' equity	
	Paid-up capital (Share capital)	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(M) Internal transfer of Owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-	-
(N) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-	-	-	-	-	-	-	-
(N) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	316,823,400.00	-	-	-	417,473,099.68	-	35,342,451.12	-	77,443,332.15	336,570,233.06	-	1,183,732,516.01

The accompanying notes form an integral part of these financial statements.

Statement of Changes In Equity of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Previous period							Total owners' equity			
	Other equity instruments			Other							
	Paid-up capital (Share capital)	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
I. Closing balance of prior year	224,100,000.00	-	-	-	98,283,776.53	-	-	-	51,644,250.39	282,880,197.25	636,918,224.17
Add: Change of accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors for prior period	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of current year	224,100,000.00	-	-	-	98,283,776.53	-	-	-	51,644,250.39	282,880,197.25	636,918,224.17
III. Changes during the period (with "-" for decrease)											
(I) Total comprehensive income	92,723,400.00	-	-	-	31,918,923.15	-	353,424,511.12	-	20,440,949.52	120,803,865.69	588,289,989.48
(II) Owners' contribution and capital reduction	92,723,400.00	-	-	-	-	-	353,424,511.12	-	-	204,409,495.21	239,751,946.33
1. Capital contribution and capital reduction	92,723,400.00	-	-	-	321,255,668.07	-	-	-	-	-	413,979,068.07
2. Capital invested by other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Share payment included in the owner's equity	-	-	-	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-	-	-	-
(III) Profit appropriation	-	-	-	-	-	-	-	-	20,440,949.52	-83,805,629.52	-63,364,680.00
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	20,440,949.52	-20,440,949.52	-
2. Distribution to owners' (or shareholders)	-	-	-	-	-	-	-	-	-	-63,364,680.00	-63,364,680.00
3. Others	-	-	-	-	-	-	-	-	-	-	-

Statement of Changes In Equity of the Parent Company

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

ITEMS	Other equity instruments					Previous period					Total owners' equity	
	Paid-up capital (Share capital)	Preferred shares	Perpetual capital securities	Other	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
(M) Internal transfer of Owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transferred to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves make up for losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Other (undistributed profit transferred share capital)	-	-	-	-	-	-	-	-	-	-	-	-
(N) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in the current period	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilized in the current period	-	-	-	-	-2,066,345.92	-	-	-	-	-	-	-2,066,345.92
(N) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of current period	316,823,400.00	-	-	-	417,473,099.68	-	353,424,511.12	-	72,065,199.91	333,494,062.94	-	1,225,216,213.65

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC CORPORATE INFORMATION

(I) Company Overview

1. General information

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

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

The Unified social credit code of the Company is 91320100726074332B and the legal representative of the Company is Sha Min.

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

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

2. The nature of the industry

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

3. Scope of business

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

4. Principal business

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC CORPORATE INFORMATION (Continued)

(I) Company Overview (Continued)

5. Basic organizational structure of the Company

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

6. The financial statements was approved by the board of directors on 31 March 2017.

(II) Scope of consolidated financial statements

The Company's subsidiaries within the consolidated financial statements during the reporting period are as follows:

Name of subsidiaries	Referred to as
江蘇智運科技發展有限公司 (Jiangsu Intellitrans Company Ltd.*)	Jiangsu Intellitrans
江蘇瑞福智能科技有限公司 (Jiangsu Ruifu Intelligent Tech. Co., Limited*)	Ruifu
南京三寶物流科技有限公司 (Nanjing Sample Logistic Company Ltd.*)	Logistic
南京物聯網研究院發展有限公司 (Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Ltd.*)	Wu Lian Wang
Sample Technology (H.K.) Co., Ltd.	Sample HK
Federal International Enterprise Ltd.	Federal
南京城市智能交通股份有限公司 (Nanjing City Intelligent Transportation Co., Ltd.*)	Intelligent Transportation
揚州三寶信息技術有限公司 (Yangzhou Sample Information Technology Co., Ltd.*)	Sample Information
徐州三寶智能科技發展有限公司 (Xuzhou Sample Intelligent Technology Development Co., Ltd.*)	Xuzhou Sample
江蘇跨境電子商務服務有限公司 (Jiangsu Cross-border e-Commerce Services Co., Ltd.*)	Cross-border e-Commerce
南京貿互通電子商務有限公司 (Nanjing Trade Connect & e-Commerce Co., Ltd.*)	Trade Connect
Jiangsu Cross-border e-commerce Services (Hong Kong) Ltd.	HK Cross-border
南京貿互達科技有限公司 (Nanjing Trade Mutual Technology Co., Ltd.*)	Trade Mutual
南京三寶弘正視覺科技有限公司 (Nanjing Sample Hongzheng Vision Technology Co., Ltd.*)	Hongzheng Vision
江蘇思瑞德物聯科技有限公司 (Jiangsu Siruide IOT Technology Co., Ltd.*)	Siruide

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

I. BASIC CORPORATE INFORMATION *(Continued)*

(II) Scope of consolidated financial statements *(Continued)*

For details of the scope of consolidated financial statements and its changes in the reporting period, please refer to “Note VI. Changes in the scope of consolidation” and “VII. Interests in Other Entities”.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

The Group is on a going concern basis and the financial statements have been prepared based on the actual transactions and matters incurred and in accordance with the Accounting Standards for Business Enterprises-Basic Standards and all specific accounting standards promulgated by the Ministry of Finance, the application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”) as well as Information Disclosure Rule No. 15 of Public Offerings Company-Financial Reporting General Provisions issued by CSRC.

(II) Going concern

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

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES

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

The financial statements have been prepared by the Group in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the consolidated and the Company’s financial position as at 31 December 2016, and the consolidated and the Company’s operating results and cash flow and other related information during the year then ended.

(II) Accounting period

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

(III) Operating period

The Group’s operating period is 12 months.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IV) Reporting currency

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

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

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

1. Business combinations involving entities under common control

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

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

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

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

2. Business combinations involving entities not under common control

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Preparation of consolidated financial statements

1. Scope of consolidation

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

2. Consolidation method

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Consolidation method *(Continued)*

(1) Acquisition of subsidiaries or business

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Consolidation method *(Continued)*

(2) Disposal of subsidiaries or business

① General treatment

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Consolidation method *(Continued)*

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

② Disposal of subsidiary achieved by stages

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

2. Consolidation method *(Continued)*

(3) Acquisition of minority interest of subsidiary

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

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

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

(VII) Determination of cash and cash equivalents

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

(VIII) Foreign currency transactions

1. Foreign currency transactions

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VIII) Foreign currency transactions *(Continued)*

2. Translation of foreign currency financial statements

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

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

(IX) Financial instruments

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

1. Classification of the financial instruments

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IX) Financial instruments *(Continued)*

2. Recognition and measurement of financial instruments

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

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

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

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

- (2) Held-to-maturity investments

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IX) Financial instruments *(Continued)*

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

(3) Accounts receivable

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

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

(4) Available-for-sale financial assets

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IX) Financial instruments *(Continued)*

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

(5) Other financial liabilities

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

3. Recognition and measurement of transfer of financial assets

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IX) Financial instruments *(Continued)*

4. Conditions for derecognition of financial liabilities

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IX) Financial instruments *(Continued)*

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Accounts receivable

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

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

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

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

Basis for determination of groups:

Group 1	Engineering and sales receivable
Group 2	Accounts receivable within the scope of combination
Group 3	Construction guarantee deposits
Group 4	Tax refund receivable
Group 5	Other receivable

Methods for provision of bad debts by groups:

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(X) Accounts receivable *(Continued)*

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

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

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

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

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

4 Notes to bad debts provision

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XI) Inventories

1. Classification of inventories

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

2. Cost of inventories

Cost of inventories is determined using the weighted average method.

3. Specific accounting method of assets formed by construction contract

The project will be the accounting items and the expenditures will be accounted for according to the project construction costs of each projects. Before the project is completed, the actual project costs (including the cost of subcontracting, materials, wage, other expenses, etc.) incurred by the individual project will be accumulated. At the end of the period or when the project is completed, the actual but unsettled project cost of the project shall be calculated according to the confirmed situation by the customers and estimates of the project construction cost based on the total budgeted cost of the project. At the end of the period, the construction cost, the gross profit of the unfinished project shall be offset against the settlement of the corresponding construction project and presented in the inventories

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

(1) *Raw materials and goods-in-stock etc.*

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XI) Inventories *(Continued)*

4. Basis for the determination of net realisable value for different type of inventories *(Continued)*

(1) *Raw materials and goods-in-stock etc. (Continued)*

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

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

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

(2) *Assets formed by construction contract*

For the construction costs, the provision for decline in value of inventories will be made on the portion of the expected total cost of the project exceeds the expected total income (deducting the relevant taxes). At the completion of the project, the declined value of inventories will be written off.

5. Inventory system

The perpetual inventory system is adopted.

6. Amortisation of low-value consumables and packaging materials

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XII) Long-term equity investments

1. Joint control or significant influence criterion

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

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

2. Recognition of initial investment cost

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

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

3. Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

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

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

(3) Disposal of long-term equity investments

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XIII) Investment property

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XIV) Fixed assets

1. Conditions for recognition of fixed assets

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

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

2. Method for depreciation of different fixed assets

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XIV) Fixed assets *(Continued)*

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

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

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

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

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

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XV) Construction in progress

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

(XVI) Borrowing costs

1. Criteria for recognition of capitalised borrowing costs

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

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

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

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XVI) Borrowing costs *(Continued)*

2. Capitalisation period of borrowing costs

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

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

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

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

3. Suspension of capitalisation period

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XVI) Borrowing costs *(Continued)*

4. Calculation of capitalisation of borrowing costs

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

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

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

(XVII) Intangible assets

1. Valuation method of intangible assets

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

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XVII) Intangible assets *(Continued)*

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

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

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

- (2) Subsequent measurement

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

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

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

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

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

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

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

(XVII) Intangible assets *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

(XVIII) Impairment of long-term assets

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

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

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

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

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(XIX) Long-term deferred expenses

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

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

(XX) Employee remuneration

1. Method of accounting treatment for short-term remuneration

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

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

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

2. Method of accounting treatment for retirement benefit plan

(1) Defined contribution scheme

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

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

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

(XX) Employee remuneration *(Continued)*

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

(2) Defined benefit scheme

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

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

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

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

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

3. Method of accounting treatment for termination benefits

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

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

(XXI) Estimated liabilities

1. Recognition criteria for estimated liabilities

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

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

2. Method of measuring the various estimated liabilities

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXI) Estimated liabilities *(Continued)*

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

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

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

(XXII) Revenue

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

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

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

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

Sales of goods (products) of the Group mainly consist of sales of intelligent terminal products and self-operated export income. For installation-free products, income is recognised after delivery and inspection by the purchaser. For products required installation and testing, income is recognised after completion of the project and inspection of the client as stipulated in the relevant contracts or agreements. Export income are recognized when the goods are completed the customs declaration and exported and the bill of lading is obtained.

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

(XXII) Revenue *(Continued)*

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

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

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

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

- (1) The overall general principles of recognition of revenue from rendering of services and method of measurement

If the outcome of the rendering of services transaction can be reliably estimated at the balance sheet date, the percentage of completion method shall be used to recognize revenue from the rendering of services. The progress of the completion of the rendering of services are recognized based on the measurement of the finished work, the proportion of the services already rendered to the total amount of services to be rendered or the proportion of the costs incurred to the estimated total cost.

The outcome of the rendering of services transaction can be reliably estimated which mean that the following conditions must simultaneously be satisfied: (1) the amount of income can be reliably measured; (2) the relevant economic benefits are likely to flow into the Group; (3) the progress of completion of the transaction can be reliably determined;(4) the costs incurred and the costs to be incurred in the transaction can be reliably measured.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXII) Revenue *(Continued)*

3. Principles of recognition of revenue from rendering of services and method of measurement *(Continued)*

- (1) The overall general principles of recognition of revenue from rendering of services and method of measurement *(Continued)*

The total revenue of rendering of services shall be determined in accordance with the contract or agreed price received or receivable, except that contract or agreed price received or receivable is unfair. At the balance sheet date, the total revenue of rendering of services multiplied by the completion progress and deducting the aggregate revenue of rendering of services recognized in previous accounting period shall be recognized as the revenue of rendering of services for current period. Meanwhile, the total estimated cost of rendering of services multiplied by the completion progress and deducting the aggregate cost of rendering of services recognized in previous accounting period shall be transferred to the cost of rendering of services for current period.

If the outcome of the rendering of services transaction cannot be reliably estimated at the balance sheet date, the following treatment shall be applied:

- ① If the cost of rendering of services is expected to be compensated, the cost already incurred for rendering of services shall be recognized as revenue of rendering of services, and the same amount shall be transferred to cost of service.
- ② If the cost of rendering of services is not expected to be compensated, the cost already incurred for rendering of services shall be included in the profits and losses for the current period and shall not be recognized as revenue of rendering of services.

The Company signed contracts or agreements with other enterprises that include the sale of goods and the rendering of services. When the portion of sale of goods and the portion of rendering of services can be differentiated and can be measured separately, the portion of sale of goods shall be treated as sale of goods and the portion of rendering of services shall be treated as rendering of services. When portion of sale of goods and the portion of rendering of services cannot be differentiated, or it can be differentiated but cannot be measured separately, the portion of sale of goods and the portion of rendering of services shall all be treated as sale of goods.

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XXII) Revenue *(Continued)*

3. Principles of recognition of revenue from rendering of services and method of measurement *(Continued)*

(2) Specific method of recognition of revenue from rendering of services

Revenue from rendering of services of the Group mainly consists of technological development revenue, maintenance revenue, foreign trade integrated service revenue, of which:

- ① Technological development revenue refers to the acceptance of the commissioning to develop the technological development project. In the implementation process of the project, if reliable external evidence (refer to customers and other independent external partners to confirm the completion progress) can be obtained to support the progress of completion, the revenue shall be recognized in accordance with the progress of the completion. If reliable external evidence to support the progress of completion cannot be obtained, taking a simplified percentage of completion method. The revenue shall be recognized as realized after the completion of the technological development with customer's acceptance certificate is obtained (including but not limited to the final acceptance report, proof of completion or proof of delivery).

The Group's technological development is generally difficult to obtain the completion progress from the external independent third party.

- ② Maintenance revenue is recognized as realized at the total revenue as stipulated in relevant contracts amortised over period of rendering of services thereunder.
- ③ Foreign trade integrated service revenue is recognized as realized after completion of rendering of service as agreed by the contract.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXII) Revenue *(Continued)*

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

- (1) General principles of recognition of revenue of system integration construction contracts of the Group and the method of measurement

When the outcome of the construction contracts can be reliably measured, the revenue and cost of such contract at the balance sheet date shall be recognized by using percentage of completion method. When the outcome of the construction contracts cannot be reliably measured, it shall be treated as following respectively: If cost of the contracts is recoverable, sales revenue of the projects are recognized based on the actual recoverable contractual cost, which is recognized as current contractual expenses. If cost of the contracts is unrecoverable, it is recognized as current contractual cost at occurrence and is not recognized as revenue of the projects.

The outcome of the construction contracts can be reliably estimated which mean that the following conditions can simultaneously be satisfied: A) the total income of the contracts can be reliably measured; B) the relevant economic benefits of the contracts are likely to flow into the Group; C) the actual costs incurred for the contract can be clearly divided and reliably measured; D) progress of completion of the contracts and the costs to be incurred for the contracts can be reliably determined.

The progress of the completion of the contract is determined by the proportion of aggregate contract work completed to the total estimated work of contracts.

- (2) Specific method of recognition of revenue for the Group's system integration construction contracts
- ① In the implementation process of the project, if reliable external evidence (refer to owners or supervisors or external units to confirm the completion progress information) can be obtained to support the progress of completion, the revenue shall be recognized in accordance with the percentage of the completion.
- ② In the implementation process of the project, if reliable external evidence to support the progress of completion cannot be obtained, the simplified percentage of completion method shall be used to recognize the income at the time of 100% completion of the project, that is income is recognized when the customer's final acceptance certificate (including but not limited to the final acceptance report, completion certificate or proof of delivery) has obtained.

The Group's intelligent transportation system integration projects and intelligent city system integration projects are generally able to obtain external evidence. Customs logistics system integration projects are generally difficult to obtain external evidence.

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIII) Government grant

1. Types

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

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

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

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

2. Recognition time point

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

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

3. Accounting treatment

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIV) Deferred tax assets and liabilities

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

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

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

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

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

(XXV) Change in major accounting policies and accounting estimates

1. Change in major accounting policies

The “Regulations for the Accounting Treatment of VAT (《增值税會計處理規定》)” (Cai Hui [2016] No.22) was issued by the Ministry of Finance on 3 December 2016, which is applicable to relevant transactions that happened on or after 1 May 2016. The main impact of the implementation of the provision by the Company is as follows:

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(XXV) Change in major accounting policies and accounting estimates (Continued)

1. Change in major accounting policies (Continued)

The main impact of the implementation of the provision by the Company is as follows:

Detail and cause of change in accounting policies	Statement item and amount affected
(i) "Business taxes and surcharges (營業税金及附加)" in the income statement is changed to "Taxes and surcharges (税金及附加)".	Taxes and surcharges
(ii) Starting from 1 May 2016, property tax, land use tax, vehicles and vessels tax and stamp duty, arising from operating activities of the Company, are reclassified from the category of "administrative expenses" to "taxes and surcharges". No adjustment is required for taxes incurred prior to 1 May 2016. No adjustment is required for comparative figures.	Increased "taxes and surcharges" for 2016 by RMB715,995.89 and reduced "administrative expenses" for the 2016 by RMB715,995.89.
(iii) Value-added tax for which revenue (or profit) has been recognized but the relevant obligation to pay value-added tax has not yet occurred and which is required to be recognised as output tax of value-added tax in subsequent period is reclassified from "tax payable" to "other current liabilities" (or "other non-current liabilities"). No adjustment is required for comparative figures.	Increased the closing balance of other current liabilities by RMB6,601,021.14 and reduced the closing balance of tax payable by RMB6,601,021.14.
(iv) The debit balance of the breakdown items of "VAT Payable" ,"Outstanding VAT", "Credit tax available for deduction", "Credit tax pending verification" and "Outstanding VAT credit" under the entry "tax payable" are reclassified from "tax payable" to "other current assets" (or "other non-current assets"). No adjustment is required for comparative figures.	Increased the closing balance of other current assets by RMB8,924,959.12 and increased the closing balance of taxes payable by RMB8,924,959.12.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXV) Change in major accounting policies and accounting estimates *(Continued)*

2. Change in major accounting estimates *(Continued)*

For the sake of more accurately reflecting the financial position of the Company's accounts receivable, providing more objective, true and fair financial and accounting information about accounts receivable, and objectively and fairly reflecting the operating results, the Company has assessed the safety of its collection of customer receivables and characteristics of receivables since listing of the Company, and taking reference from the bad debt provision for accounts receivables of some listed companies in the same industry to make re-assessment on the risk of bad debt provision of the risk groups of receivables and changed the accounting estimates for provision of bad debts for some groups. After such change in accounting estimates, the provision of bad debts is more in line with the actual situation of the Group's accounts receivable, more accurately reflects the risk of bad debts and the provision of bad debts is more prudent. The changes in accounting estimates are as follows:

Original method of provision of bad debts		Current method of provision of bad debts	
Accounts receivable due from governments	Discounting method	Engineering and sales receivables	Aging analysis method
Accounts receivable due from non-governments	Aging analysis method	Engineering and sales receivables	Aging analysis method
Retention monies	No provisions are made	Construction guarantee deposits	No provision of bad debts are made
Tax refund receivable	Aging analysis method	Others	Aging analysis method
		Tax refund receivable	No provisions of bad debts are made

Note: The proportions of bad debt provision under the aging analysis method remained unchanged.

In accordance with the requirements of China Accounting Standards for Business Enterprises No. 28 – Changes in Accounting Policies and Accounting Estimates and Corrections of Errors, the Company's changes in accounting estimates are applied on a prospective basis and no retrospective adjustment is made.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES (Continued)

(XXV) Change in major accounting policies and accounting estimates (Continued)

2. Change in major accounting estimates (Continued)

Difference in the bad debts provision before and after the changes in accounting estimates related to bad debts provision

Group	Affected amount before the changes	Affected amount after the changes	Affected amount	
	Provision amount of original provision method	Group	Provision amount of existing provision method	
Government group	6,937,326.91	Engineering and sales receivables	10,135,857.52	3,198,530.61
Retention monies		- Construction guarantee deposits	-	-
		Others	11,224,881.54	11,224,881.54
Tax refund receivable	6,008,440.64	Tax refund receivable	-	-6,008,440.64
Total	<u>12,945,767.55</u>		<u>21,360,739.06</u>	<u>8,414,971.51</u>

The impact of changes in accounting estimates related to the above bad debts provision for accounts receivable on the profit before tax amounted to RMB8,414,971.51 and on the net profit of the Group for year 2016 amounted to RMB7,753,569.85 representing 4.00% of the net profit of 2016 and 0.42% of the owner's equity (net assets) of 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXATION

(I) Main types of taxes and corresponding rates

1. Main types of taxes and corresponding rates of the Company

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

Note: Since 1 May 2016, VAT was paid after replacing business tax with VAT.

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

Name of taxpayer	Income tax rate	Notes
The Company	15%	High and new technology enterprise
Jiangsu Intellitrans Company Limited	15%	High and new technology enterprise
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	15%	High and new technology enterprise
Jiangsu Siruide IOT Technology Co., Ltd.	15%	High and new technology enterprise
Sample Technology (H.K.) Co., Limited	16.5%	Overseas company (Hong Kong)
Federal International Enterprise Limited	16.5%	Overseas company (Hong Kong)
Jiangsu Cross-border e-Commerce Services (Hong Kong) Ltd.	16.5%	Overseas company (Hong Kong)
Nanjing City Intelligent Transportation Co., Ltd.	12.5%	Software company
Other subsidiaries	25%	

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Tax preferential

1. VAT

The VAT preferential policy relating to the sales revenue of software products are:

- (1) In accordance with the requirements of the document (財稅[2011]100號) of Ministry of Finance and State Administration of Taxation: as for the sales of the self-developed and produced software products by the VAT general tax payers, after the VAT is levied at tax rate of 17%, the VAT refund policies will be applied for the excess of the actual VAT burden over 3%.
- (2) On 28 January 2011, the State Council issued the Circular on the Certain Policies to Further Encourage the Development of the Software Industry and Integrated Circuit Industry (國發[2011]4號), pursuant to which, the preferential VAT policies for software industry shall continue.

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

2. Enterprise income tax

On 2 September 2014, the Company obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, the effective tax rate of enterprise income tax for the Company is 15% in 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXATION (Continued)

(II) Tax preferential (Continued)

2. Enterprise income tax (Continued)

On 31 October 2014, Jiangsu Intellitrans Company Limited, a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise, therefore, its effective tax rate of enterprise income tax is 15% in 2016.

On 6 July 2015, Jiangsu Ruifu Intelligent Tech. Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% in 2016.

On 10 October 2015, Jiangsu Siruide IOT Technology Co., Ltd., a subsidiary of the Group, obtained the High and New Technology Enterprise certificate jointly issued by the Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau and Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局), for an effective period of three years. Pursuant to article 28 of the Enterprise Income Tax Law of the People's Republic of China, the income shall be taxed at the reduced rate of 15% for the New and High Technology Enterprise. Therefore, its effective tax rate of enterprise income tax is 15% in 2016.

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

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

(I) Cash at bank and on hand

Item	2016	2015
Cash on hand	102,263.44	164,248.41
Bank deposits	1,181,475,702.55	1,188,120,897.09
Others	45,848,367.38	24,435,812.19
Total	1,227,426,333.37	1,212,720,957.69
Including: Total amount of deposits abroad	39,371,807.25	35,575,673.89

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

Items	2016	2015
Deposits for bank accepted bills of exchange	16,364,655.46	10,433,292.79
Deposits of guarantee letter	24,483,711.92	14,002,519.40
Deposits for letter of credit	5,000,000.00	–
Total	45,848,367.38	24,435,812.19

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(II) Notes receivable

1. Classification of notes receivable

Type	2016	2015
Bank accepted bills of exchange	810,000.00	430,000.00
Total	810,000.00	430,000.00

2. The Company has no pledged notes receivable at the end of the year.

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

Item	Derecognized amount at the end of the year	Amount not yet derecognize at the end of the year
Endorsed bank accepted bills of exchange	20,292,571.83	—
Total	20,292,571.83	—

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

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

(III) Accounts receivable

1. Disclosure of accounts receivable by categories

Categories	2016					2015				
	Closing balance		Provision for bad debts			Closing balance		Provision for bad debts		
	Amount	Percentage	Amount	Provision	Carrying	Amount	Percentage	Amount	Provision	Carrying
		(%)		percentage			percentage			
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision based on the characteristics of credit risk by groups	-	-	-	-	-	-	-	-	-	-
Including: due from governments	-	-	-	-	-	27,090,639.81	5.98	4,996,581.02	18.44	22,094,058.79
due from non-governments	-	-	-	-	-	426,106,324.07	94.02	43,154,803.22	10.13	382,951,520.85
Engineering and sales	597,057,802.27	100.00	70,988,433.73	11.89	-	526,069,368.54	100.00	70,988,433.73	11.89	526,069,368.54
Sub-total for the group	597,057,802.27	100.00	70,988,433.73	11.89	526,069,368.54	453,196,963.88	100.00	48,151,384.24	10.62	405,045,579.64
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
Total	597,057,802.27	-	70,988,433.73	-	526,069,368.54	453,196,963.88	100.00	48,151,384.24	-	405,045,579.64

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

Category	2016		2015	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	-	-	27,090,639.81	4,996,581.02

Notes to the Financial Statements

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

(III) Accounts receivable (Continued)

1. Disclosure of accounts receivable by categories (Continued)

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

Aging	2016			2015		
	Amount	Provision for bad debts	Provision Percentage (%)	Amount	Provision for bad debts	Provision Percentage (%)
Within 1 year	448,475,429.12	13,454,262.87	3.00	322,661,856.53	9,679,855.69	3.00
1 to 2 years	86,346,450.12	6,907,716.01	8.00	42,813,560.78	3,425,084.86	8.00
2 to 3 years	16,584,954.54	4,975,486.36	30.00	43,687,205.85	13,106,161.76	30.00
Over 3 years	45,650,968.49	45,650,968.49	100.00	16,943,700.91	16,943,700.91	100.00
Total	<u>597,057,802.27</u>	<u>70,988,433.73</u>	-	<u>426,106,324.07</u>	<u>43,154,803.22</u>	-

2. The situation of provision, reversal or receipt of provision of bad debts in the reporting period

Item	2015	Increase for the current period	Decrease for the current period	2016
Provision of bad debts	<u>48,151,384.24</u>	<u>22,837,049.49</u>	<u>-</u>	<u>70,988,433.73</u>

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

Notes to the Financial Statements

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

(III) Accounts receivable (Continued)

4. Particulars of the top five of accounts receivable at the end of the period

Name of Unit	Accounts Receivable	2016	
		Percentage of the total accounts receivable (%)	Provision of bad debts
Nanjing Jiangong Group Co., Ltd. (南京建工集團有限公司)	88,362,108.90	14.80	2,650,863.27
Jiangsu Jiazi Tieta Information Technology Co., Ltd. (江蘇加資鐵塔信息技術有限公司)	34,472,059.80	5.77	1,034,161.79
Xuzhou City North Bus Station Project Management Co., Ltd. (徐州市城北汽車客運站項目管理有限公司)	32,600,000.00	5.46	978,000.00
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	29,961,250.00	5.02	898,837.50
Xuzhou City Transportation Bureau (徐州市交通運輸局)	23,519,200.00	3.94	830,576.00
Total	208,914,618.70	34.99	6,392,438.56

5. There were no accounts receivables derecognised due to transfer of financial assets in the reporting period.

6. There were no transfer of accounts receivable and continued to be involved in the formation of assets and liabilities in the reporting period.

(IV) Prepayments

1. Prepayments by aging

Aging	2016		2015	
	Closing balance	Percentage (%)	Closing balance	Percentage (%)
Within 1 year	38,893,193.06	90.84	95,112,552.42	92.74
1 to 2 years	1,205,303.67	2.82	4,961,842.61	4.84
2 to 3 years	234,695.94	0.54	971,093.65	0.95
Over 3 years	2,482,257.60	5.80	1,515,726.00	1.47
Total	42,815,450.27	100.00	102,561,214.68	100.00

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(IV) Prepayments (Continued)

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

Prepaid object	Closing balance	Percentage of the closing balance of prepayments (%)
Nanjing Bochangrui Electrical and Mechanical Equipment Engineering Co., Ltd. (南京博常瑞機電設備工程有限公司)	12,417,000.00	29.00
Jiangsu Kaian Construction Group Co., Ltd. (江蘇啟安建設集團有限公司)	11,000,000.00	25.69
Zhejiang Gaosu Information Engineering Technology Co., Ltd. (浙江高速信息工程技術有限公司)	4,315,502.25	10.08
Shanghai Sansi Engineering Co., Ltd. (上海三思工程有限公司)	2,750,992.00	6.43
Zhejiang Electrical and Mechanical Design and Research Institute Co., Ltd. (浙江省機電設計研究院有限公司)	2,405,017.58	5.62
Total	32,888,511.83	76.82

(V) Interest receivable

Item	2016	2015
Interest receivable from entrusted loan	–	444,444.45
Interest receivable from asset management plan	394,890.00	361,643.84
Total	394,890.00	806,088.29

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Other receivables

1. Disclosure of other receivables by categories

Types	2016					2015				
	Closing balance		Provision for bad debts			Closing balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Provision percentage (%)	Carrying amount	Amount	Percentage (%)	Amount	Provision percentage (%)	Carrying amount
Individually significant and subject to separate provision	-	-	-	-	-	-	-	-	-	-
Subject to provision based on the characteristics of credit risk by groups	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups	-	-	-	-	-	-	-	-	-	-
Including: Retention monies	-	-	-	-	-	67,426,067.90	80.18	-	-	67,426,067.90
Construction guarantee deposits	19,756,158.06	10.22	-	-	19,756,158.06	-	-	-	-	-
Tax refund receivable	120,168,812.77	62.14	-	-	120,168,812.77	-	-	-	-	-
Others	53,454,121.20	27.64	14,087,600.65	26.35	39,366,520.55	16,668,780.53	19.82	3,273,724.69	19.64	13,395,055.84
Sub-total for the group	193,379,092.03	100.00	14,087,600.65	7.28	179,291,491.38	84,094,848.43	100.00	3,273,724.69	3.89	80,821,123.74
Individually insignificant but subject to separate provision	-	-	-	-	-	-	-	-	-	-
Total	193,379,092.03	-	14,087,600.65	-	179,291,491.38	84,094,848.43	-	3,273,724.69	-	80,821,123.74

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Other receivables (Continued)

1. Disclosure of other receivables by categories (Continued)

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

Aging	2016			2015		
	Other receivables	Provision for bad debts	Provision percentage (%)	Other receivables	Provision for bad debts	Provision percentage (%)
Within 1 year	34,686,363.68	1,734,318.19	5.00	13,734,000.00	686,700.01	5.00
1 to 2 years	5,100,269.51	510,026.96	10.00	367,475.94	36,747.59	10.00
2 to 3 years	3,648,465.04	1,824,232.53	50.00	34,055.00	17,027.50	50.00
Over 3 years	10,019,022.97	10,019,022.97	100.00	2,533,249.59	2,533,249.59	100.00
Total	<u>53,454,121.20</u>	<u>14,087,600.65</u>		<u>16,668,780.53</u>	<u>3,273,724.69</u>	-

2. The situation of provision, reversal or receipt of provision of bad debts in this reporting period

Item	2015	Increase for the current period	Decrease for the current period	2016
Provision of bad debts	<u>3,273,724.69</u>	<u>10,813,875.96</u>	<u>-</u>	<u>14,087,600.65</u>

3. There were no actual write-off of other receivables in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VI) Other receivables (Continued)

4. Classification of other receivables by nature

Nature	Closing balance	
	2016	2015
Retention monies	65,276,122.22	67,426,067.90
Petty Cash	4,344,936.94	2,857,995.18
Export tax refund	120,168,812.77	7,203,995.08
Other	3,589,220.10	6,606,790.27
Total	193,379,092.03	84,094,848.43

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

Name of Unit	Nature of amount	Closing balance	Aging	Percentage of the total closing balance at the end of the year (%)	Closing amount of provision of bad debts
Jiangning District Tax Bureau (Export tax refund) (江甯區國稅局)(出口退稅)	Export tax refund	108,313,762.92	Within 1 year	56.01	-
Nanjing National Taxation Bureau (Export tax refund) (南京市國稅局)(出口退稅)	Export tax refund	9,852,575.49	Within 1 year	5.09	-
Jiangsu Kong Ka Energy Conservation Technology Co., Ltd. (江蘇港嘉節能科技有限公司)	Guarantee deposits	5,000,000.00	1-2 years	2.59	-
Sichuan Baguanguyu Expressway Development Co., Ltd. (四川巴廣渝高速公路開發有限責任公司)	Guarantee deposits	4,162,030.00	3-4 years	2.15	-
Zhejiang Hangzhang Expressway Co., Ltd. (浙江杭長高速公路有限公司)	Guarantee deposits	3,955,728.27	3-4 years	2.05	-
Total		131,284,096.68		67.89	-

6. There were no other receivables derecognised due to transfer of financial assets in the reporting period.

7. There were no transfer of other receivable and continued to be involved in the formation of assets and liabilities in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VII) Inventories

1. Classification of Inventories

Items	2016			2015		
	Closing balance	Provision for declines in value of inventories	Carrying amount	Closing balance	Provision for declines in value of inventories	Carrying amount
Raw materials	1,127,885.11	-	1,127,885.11	487,787.57	-	487,787.57
Commodity Stocks	38,371,739.23	1,621,389.32	36,750,349.91	14,115,719.81	1,498,796.37	12,616,923.44
Work in progress	14,478.72	-	14,478.72	327,513.31	-	327,513.31
Assets of construction contract completed but not yet settle	576,806,465.17	-	576,806,465.17	510,965,269.62	-	510,965,269.62
Total	616,320,568.23	1,621,389.32	614,699,178.91	525,896,290.31	1,498,796.37	524,397,493.94

2. Provisions for declines in the value of inventories

Type of inventory	2015	Current period provision	Current period reductions		2016
			Reversal	Write-off	
Commodity stocks	1,498,796.37	562,379.72	-	439,786.77	1,621,389.32
Total	1,498,796.37	562,379.72	-	439,786.77	1,621,389.32

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VII) Inventories (Continued)

3. There were no capitalization of borrowing costs in the closing balance of inventory in the reporting period.

4. Assets of construction contract completed but not yet settle

Items	2016	2015
Accumulated costs incurred	1,439,380,555.17	1,956,274,354.14
Accumulated recognised gross profit	498,268,898.41	591,773,820.69
Less: Expected loss		
Amount billed	1,360,842,988.41	2,037,082,905.21
Assets of construction contract completed but not yet settle	576,806,465.17	510,965,269.62

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(VII) Inventories (Continued)

5. Major construction projects at the end of the year

Items	Year of Commencement	Value of the project	Accumulated progress of completion	Accumulated costs incurred	Accumulated recognised gross profit	Accumulated progress billings	Inventory at the year-end
Section A5 contract for project of the Eastern section of Chengdu Second Ring Expressway 成都第二繞城高速公路東段項目第A5合同段	2014	293,050,088.00	100.00%	218,857,411.21	74,192,676.79	271,846,042.20	21,204,045.80
Section A5 contract for project of the Eastern section of Chengdu Second Ring Expressway Supplement 成都第二繞城高速公路東段項目第A5合同段增補	2014	46,983,043.00	100.00%	35,088,155.80	11,894,887.20		46,983,043.00
Huaihai Economic Zone Modern Logistics Service Hub (Commercial Section) 淮海經濟區現代物流服務樞紐(商業部分)	2016	200,000,000.00	40.00%	82,063,382.80	6,400,000.00	23,010,000.00	65,453,382.80
Ancillary works for Xuzhou City Third Ring West Road Elevated Expressway Project 徐州市三環西路高架快速路附屬工程	2015	190,621,168.00	90.00%	154,844,689.03	30,492,503.93	123,280,097.10	62,057,095.86
Section HD-JD1 mechanical and electrical engineering construction of Huashixia-Jiuzhi highway of Qinghai Province (provincial) 青海省花石峽至久治(省界)公路機電工程施工第HD-JD1標段	2016	106,510,450.45	60.00%	47,871,216.16	20,486,728.00	11,822,660.00	56,535,284.16
JD1 Electrical and mechanical modification and extension project of Licheng-Changzhi Highway in Shanxi Province 山西黎城至長治公路改擴建工程機電施工JD1	2016	80,996,391.15	60.00%	32,376,841.27	15,886,069.99	6,482,221.00	41,780,690.26
Section JD-1 of Ruili-Longchuan tunnel of Ruili-Tengchong Expressway 瑞麗至騰沖高速公路瑞麗至龍川段隧道JD-1	2015	46,168,761.00	100.00%	28,645,741.51	17,544,129.21	23,640,939.88	25,856,464.90
Supply and installation project of electrical and mechanical engineering monitoring, toll, communications systems for the Putian section of Meizhou Bay to Chongqing Expressway 湄洲灣至重慶高速公路莆田段機電工程監控、收費、通信系統供貨與安裝項目	2015	54,817,133.00	95.00%	37,103,944.01	16,679,966.43	33,133,095.62	20,650,814.82
Total		1,019,147,034.60		636,851,381.79	193,576,961.55	493,215,055.80	340,520,821.60

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For the year ended 31 December 2016

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

(VIII) Non-current assets due within one year

Item	2016	2015
Assets management plan	120,000,000.00	–
Total	120,000,000.00	–

(IX) Other current assets

Item	2016	2015
Deductible and pending for verification input VAT	8,926,628.46	6,802,978.14
Entrusted loan – Jiangsu Zhengyang Investment Holding Group Co., Ltd. (江蘇正陽投資控股集團有限公司)	–	100,000,000.00
Entrusted loan – Nanjing Langqing Trading Co., Ltd. (南京朗清貿易有限公司)	–	50,000,000.00
Export tax rebate to be declared	120,264,370.04	–
Wealth management products	31,200,000.00	–
Total	160,390,998.50	156,802,978.14

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

(X) Available-for-sale financial assets

1. Particulars of available-for-sale financial assets

Items	2016			2015		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investments in entities not under common control or without significant influence and do not have a quoted market price in an active market and whose fair value cannot be reliably measured	44,520,000.00	-	44,520,000.00	44,520,000.00	-	44,520,000.00
Including: measured at cost	44,520,000.00	-	44,520,000.00	44,520,000.00	-	44,520,000.00
Total	<u>44,520,000.00</u>	<u>-</u>	<u>44,520,000.00</u>	<u>44,520,000.00</u>	<u>-</u>	<u>44,520,000.00</u>

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

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

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

Investee	Closing balance		Impaired provision		Equity Interest held (%)	Dividend for the current period
	2015	2016	Increase in the current period	Decrease in the current period		
Jiangsu Information Industry Institute Union Joint Stock Company	2,000,000.00	-	-	-	4.00	-
Nanjing City Information Investment Holdings Co., Ltd.	42,520,000.00	-	-	-	15.12	-
Total	44,520,000.00	-	-	-	-	-

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

(XI) Long-term equity investments

Investee	2015	Increase/decrease in the current period					Impairment provision for the current period	Closing balance of impairment provision at the end of the period
		Additional investment	Decrease in investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity		
Associated corporation: Nanjing Lajin Network Technology Co., Ltd. (南京萊蒾網絡科技有限公司)	412,294.76	-	-	-147,308.94	-	-	-	264,985.82
Jiangsu 1011 Network Technology Co., Ltd. (江蘇一零一網絡科技有限公司)	3,062,864.96	-	-	-2,067,937.55	-	-	-	984,927.41
Nanjing Sample Chain Information Technology Co., Ltd. (南京三翼鏈式數據技術有限公司)	-	1,500,000.00	-	40,450.55	-	-	-	1,540,450.55
Zhongqing Century Sunshine Sports Technology (Nanjing) Co., Ltd. (中青世紀陽光體育科技(南京)有限公司)	-	3,900,000.00	-	-105,900.06	-	-	-1,157,935.36	2,636,164.58
Total	3,475,159.72	5,400,000.00	-	-2,280,696.00	-	-	-1,157,935.36	5,436,528.36

Note: Decrease in other was the difference between investment cost and net residual value of the equity interests due to the Company lost control in Zhongqing Century Sunshine Sports Technology (Nanjing) Co., Ltd.

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

(XII) Investment property

1. Investment property using fair value measurement model

Item	2015	Increase in the current period		Decrease in the current period		2016
		Acquisition	Self-used property or stock transfer	profits and losses arising from the changes in fair value	Disposal	
1. Total costs	160,109,545.74	-	-	-	-	160,109,545.74
Property and building	154,307,054.12	-	-	-	-	154,307,054.12
Land use right	5,802,491.62	-	-	-	-	5,802,491.62
2. Total change in fair value	50,913,354.26	-	-	4,227,700.00	-	55,141,054.26
Property, building and land use right	50,913,354.26	-	-	4,227,700.00	-	55,141,054.26
3. Total carrying amount of investment property.	211,022,900.00	-	-	4,227,700.00	-	215,250,600.00
Property, building and land use right	211,022,900.00	-	-	4,227,700.00	-	215,250,600.00

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

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XIII) Fixed assets

1. Particulars of fixed assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
1. Original book value					
(1) 2015 Balance	116,133,873.56	162,207,566.81	5,499,047.83	57,913,922.26	341,754,410.46
(2) Increase in the current period	25,514,467.54	11,766,146.60	44,300.00	5,691,949.17	43,016,863.31
– Purchase	–	1,083,344.53	–	4,784,121.48	5,867,466.01
– Transfer from construction in progress	25,514,467.54	5,747,831.78	–	384,615.38	31,646,914.70
– Business combination increase	–	4,934,970.29	44,300.00	523,212.31	5,502,482.60
(3) Decrease in the current period	–	–	556,954.00	654,751.94	1,211,705.94
– Disposal and scrap	–	–	556,954.00	626,680.18	1,183,634.18
– Disposal of subsidiary	–	–	–	28,071.76	28,071.76
(4) 2016 Balance	141,648,341.10	173,973,713.41	4,986,393.83	62,951,119.49	383,559,567.83
2. Accumulated depreciation					
(1) 2015 Balance	11,087,244.50	48,207,269.46	4,452,103.49	31,693,037.85	95,439,655.30
(2) Increase in the current period	3,535,748.04	16,813,147.41	524,432.83	8,853,302.83	29,726,631.11
– Provision	3,535,748.04	16,076,625.81	522,716.14	8,580,433.01	28,715,523.00
– Business combination increase	–	736,521.60	1,716.69	272,869.82	1,011,108.11
(3) Decrease in the current period	–	–	529,106.30	448,358.99	977,465.29
– Disposal and scrap	–	–	529,106.30	446,519.48	975,625.78
– Disposal of subsidiary	–	–	–	1,839.51	1,839.51
(4) 2016 Balance	14,622,992.54	65,020,416.87	4,447,430.02	40,097,981.69	124,188,821.12
3. Impairment provision					
(1) 2015 Balance	–	–	–	–	–
(2) Increase in the current period	–	–	–	–	–
– Provision	–	–	–	–	–
(3) Decrease in the current period	–	–	–	–	–
– Disposal and scrap	–	–	–	–	–
(4) 2016 Balance	–	–	–	–	–
4. Book value					
(1) 2016 Book value	127,025,348.56	108,953,296.54	538,963.81	22,853,137.80	259,370,746.71
(2) 2015 Book value	105,046,629.06	114,000,297.35	1,046,944.34	26,220,884.41	246,314,755.16

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

(XIII) Fixed assets (Continued)

2. There were no temporarily idle fixed assets at the end of the year.
3. There were no fixed assets which is leased under finance lease, leased out under operating lease, held for sale at the end of the year.
4. There were no fixed assets without certificates of ownership as at 31 December 2016.
5. Pledge of fixed assets at the end of the year shall be referred to Note V(LIII).

(XIV) Construction in progress

1. Projects under construction

Items	2016			2015		
	Closing balance	Provision for impairment	Carrying amount	Closing balance	Provision for impairment	Carrying amount
Smart electronic lock promotional project	-	-	-	5,747,831.78	-	5,747,831.78
Intelligent cottage engineering IOT Engineering Centre Building 2 renovation project	-	-	-	10,779,580.63	-	10,779,580.63
Sporadic projects	1,271,607.11	-	1,271,607.11	3,498,264.64	-	3,498,264.64
Total	1,271,607.11	-	1,271,607.11	25,322,742.02	-	25,322,742.02

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

(XV) Construction materials

Items	2016	2015
Special equipment	12,853.20	2,911,916.51
Total	12,853.20	2,911,916.51

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XVI) Intangible assets

1. Particulars of intangible assets

Item	Land use rights	Software	Know-how	Total
1. Original book value				
(1) 2015 Balance	10,636,583.49	5,458,214.67	16,570,020.48	32,664,818.64
(2) Increase in the current period	-	3,422,221.98	4,764,055.74	8,186,277.72
– Purchase	-	3,422,221.98	-	3,422,221.98
– Business combination increase	-	-	4,764,055.74	4,764,055.74
(3) Decrease in the current period	-	2,856,257.56	-	2,856,257.56
– Disposal	-	350,000.00	-	350,000.00
– Disposal of subsidiary	-	2,506,257.56	-	2,506,257.56
(4) 2016 Balance	<u>10,636,583.49</u>	<u>6,024,179.09</u>	<u>21,334,076.22</u>	<u>37,994,838.80</u>
2. Accumulated amortization				
(1) 2015 Balance	1,733,474.10	1,986,599.24	16,570,020.48	20,290,093.82
(2) Increase in the current period	240,774.34	942,770.75	1,093,578.01	2,277,123.10
– Provision	240,774.34	942,770.75	443,806.50	1,627,351.59
– Business combination increase	-	-	649,771.51	649,771.51
(3) Decrease in the current period	-	172,292.93	-	172,292.93
– Disposal	-	128,333.45	-	128,333.45
– Disposal of subsidiary	-	43,959.48	-	43,959.48
(4) 2016 Balance	<u>1,974,248.44</u>	<u>2,757,077.06</u>	<u>17,663,598.49</u>	<u>22,394,923.99</u>
3. Impairment provision				
(1) 2015 Balance	-	-	-	-
(2) Increase in the current period	-	-	-	-
– Provision	-	-	-	-
(3) Decrease in the current period	-	-	-	-
– Disposal	-	-	-	-
(4) 2016 Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4. Book value				
(1) 2016 Book value	<u>8,662,335.05</u>	<u>3,267,102.03</u>	<u>3,670,477.73</u>	<u>15,599,914.81</u>
(2) 2015 Book value	<u>8,903,109.39</u>	<u>3,471,615.43</u>	<u>-</u>	<u>12,374,724.82</u>

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XVI) Intangible assets (Continued)

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

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

(XVII) Long-term deferred expenses

Items	2015	Increase in the year	Amortized in the year	Other decrease	2016
Renovation costs	251,780.49	88,005.36	316,632.87	-	23,152.98
e-card fee	7,725,557.40	605,721.95	2,023,094.34	-	6,308,185.01
Consultation fee	4,200,000.00	-	1,200,000.00	-	3,000,000.00
Insurance fee	188,329.98	-	161,017.14	-	27,312.84
Total	12,365,667.87	693,727.31	3,700,744.35	-	9,358,650.83

(XVIII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets before offsetting

Item	2016		2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment on assets	86,697,423.70	12,815,787.97	52,923,905.30	8,142,611.92
Accrued project construction costs	91,050,923.78	13,657,638.57	89,395,148.12	13,409,272.22
Offsetting unrealized internal profit	12,788,072.86	1,918,210.93	15,623,804.32	2,343,570.65
Total	190,536,420.34	28,391,637.47	157,942,857.74	23,895,454.79

2. Deferred tax liabilities before offsetting

Item	2016		2015	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset gains from business combinations involving entities not under common control	3,374,981.48	697,989.84	3,983,703.89	314,726.98
Investment property (difference between fair value and the book cost)	55,141,054.26	8,271,158.14	50,913,354.26	7,637,003.14
Investment property (Depreciation and amortization)	-	-	7,733,300.97	1,159,995.15
Total	58,516,035.74	8,969,147.98	62,630,359.12	9,111,725.27

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XIX) Other non-current assets

Item	2016	2015
Asset management plan	–	120,000,000.00
Total	–	120,000,000.00

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

(XX) Short-term borrowings

1. Classification of short-term borrowings

Items	2016	2015
Guaranteed loan	539,850,000.00	485,000,000.00
Credit loan	71,794,210.96	23,765,000.00
Total	611,644,210.96	508,765,000.00

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXI) Notes payable

Type	2016	2015
Bank accepted bills of exchange	35,288,100.72	81,521,681.76
Total	35,288,100.72	81,521,681.76

(XXII) Accounts payable

1. Accounts payable

Item	2016	2015
Material engineering and expenses payable	639,256,306.14	526,961,876.08
Total	639,256,306.14	526,961,876.08

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

Name of unit	Closing balance	Reason of outstanding and non-transfer
Chongqing Dongjiang Construction Engineering Co., Ltd. 重慶東江建築工程有限公司	7,724,303.82	Payment has not due
Lianyungang Port Group Co., Ltd. 連雲港港口集團有限公司	7,675,772.50	Payment has not due
Jiangsu Xing'an Construction Group Co., Ltd. 江蘇興安建設集團有限公司	7,293,974.00	Payment has not due
Huizhou City Water & Electricity Construction Engineering Co., Ltd. 惠州市水電建築工程有限公司	4,910,322.40	Payment has not due
Guizhou Hongyi Technology Co., Ltd. 貴州宏屹科貿發展有限公司	4,049,835.00	Payment has not due
Total	31,654,207.72	

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXIII) Advances from customers

1. Advances from customers disclosed as follow:

Item	2016	2015
Advances sale	48,367,297.32	68,684,255.99
Total	48,367,297.32	68,684,255.99

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

(XXIV) Staff remuneration payables

1. Staff remuneration payables disclosed as follow:

Items	2015	Increase in the current period	Decrease in the current period	2016
Short-term salaries payable	3,052,581.44	57,883,690.29	56,551,345.38	4,384,926.35
Post-employee benefits-defined contribution plan	59,492.29	6,314,097.18	6,248,419.48	125,169.99
Termination benefits	25,485.00	1,557,710.58	1,563,710.58	19,485.00
Total	3,137,558.73	65,755,498.05	64,363,475.44	4,529,581.34

2. Short-term salaries payable disclosed as follow:

Items	2015	Increase in the current period	Decrease in the current period	2016
(1) Wages or salaries, bonuses, allowances and subsidies	2,878,041.57	48,634,140.56	47,670,034.93	3,842,147.20
(2) Welfare	–	2,410,813.99	2,410,813.99	–
(3) Social insurance	28,611.81	3,060,824.05	3,031,063.18	58,372.68
Including: Medical insurance	24,881.24	2,724,410.12	2,698,126.13	51,165.23
Work injury insurance	1,426.67	133,247.76	131,909.39	2,765.04
Maternity insurance	2,303.90	203,166.17	201,027.66	4,442.41
(4) Housing funds	8,220.60	3,292,957.50	3,089,978.28	211,199.82
(5) Staff education costs	137,707.46	484,954.19	349,455.00	273,206.65
Total	3,052,581.44	57,883,690.29	56,551,345.38	4,384,926.35

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXIV) Staff remuneration payables (Continued)

3. Defined contribution plan disclosed as follow:

Item	2015	Increase in the current period	Decrease in the current period	2016
Basic pension contribution	54,095.45	5,861,493.94	5,800,885.98	114,703.41
Unemployment insurance	5,396.84	452,603.24	447,533.50	10,466.58
Total	59,492.29	6,314,097.18	6,248,419.48	125,169.99

(XXV) Taxes payable

Tax items	2016	2015
VAT	7,872,779.34	3,913,722.99
Business tax	–	15,917,003.53
Enterprise income tax	26,918,918.10	15,832,890.98
Individual income tax	186,488.17	131,031.22
Property tax	780,038.51	326,507.09
Land use tax	98,413.75	98,413.74
City maintenance and construction tax	978,529.05	1,644,572.80
Education surcharge	677,938.09	980,127.55
Others	127,518.69	33,118.32
Total	37,640,623.70	38,877,388.22

(XXVI) Interest payable

Item	2016	2015
Interest payable for short-term borrowing	966,889.99	794,894.10
Interest payable for long-term borrowing	221,744.42	265,192.57
Total	1,188,634.41	1,060,086.67

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXVII) Other payables

1. Other payables disclosed by nature

Item	2016	2015
Retention monies	29,549,726.07	40,469,800.82
Collection and payment	43,176,494.93	2,617,897.45
Other	5,229,583.95	6,006,317.12
Total	<u>77,955,804.95</u>	<u>49,094,015.39</u>

2. Major other payables aged over 1 year

Name of unit	Closing balance	Nature of fund	Reason of non payment
Yinjiang Co., Ltd. (銀江股份有限公司)	2,295,374.00	Retention monies	Payment has not due
Total	<u>2,295,374.00</u>		

(XXVIII) Non-current liabilities due within 1 year

Item	2016	2015
Long-term borrowing due within 1 year	29,110,000.00	27,860,000.00
Total	<u>29,110,000.00</u>	<u>27,860,000.00</u>

(XXIX) Other current liabilities

Item	2016	2015
Pending changeover vat on sale	6,601,021.14	—
Total	<u>6,601,021.14</u>	<u>—</u>

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXX) Long-term borrowing

Items	2016	2015
Guaranteed loan	30,000,000.00	50,000,000.00
Pledged loan	79,100,000.00	88,210,000.00
Total	109,100,000.00	138,210,000.00

(XXXI) Deferred income

Item	2015	Increase in the current period	Decrease in the current period	2016
Government subsidies	9,128,698.17	4,700,000.00	3,431,541.34	10,397,156.83
Total	9,128,698.17	4,700,000.00	3,431,541.34	10,397,156.83

Projects involving government subsidies:

Liabilities items	2015	Increase in the current period	Credited to Non-operating income in the current period	Other movements	2016	related to an asset/related to income
Government subsidies for construction project of Radio Frequency Identification (RFID) System Technology Research Center	733,531.62	-	183,382.90	-	550,148.72	related to asset
Financial assistance for national scientific and technological support projects	6,395,166.55	-	1,510,658.40	-	4,884,508.15	related to asset
City-level vehicle emissions regulation and enforcement platform	1,000,000.00	-	-	-	1,000,000.00	related to asset and income
Provincial grants for international cooperation	1,000,000.00	-	237,500.04	-	762,499.96	related to asset and income
Year 2016 provincial special funds for provincial-level industrial and information industry restructuring	-	4,500,000.00	1,500,000.00	-	3,000,000.00	related to income
Cooperation fee for co-operation with National Natural Science Foundation	-	200,000.00	-	-	200,000.00	related to asset and income
Total	9,128,698.17	4,700,000.00	3,431,541.34	-	10,397,156.83	

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XXXII) Share capital

Name of shareholders	2015		Increase in the current year	Decrease in the current year	2016	
	Amount	Percentage (%)			Amount	Percentage (%)
Nanjing Sample Technology Group Company Limited	153,493,400.00	48.45	-	-	153,493,400.00	48.45
Active Gold Holding Limited	49,545,000.00	15.64	-	-	49,545,000.00	15.64
Jiang Su Red Stone Technology Corporation	685,000.00	0.22	-	-	685,000.00	0.22
Nanjing Sample Investment Development Company Limited	4,950,000.00	1.56	-	-	4,950,000.00	1.56
Sha Min	1,350,000.00	0.42	-	-	1,350,000.00	0.42
Jiangsu Ruihua Investment Holding Group Co., Ltd.	15,000,000.00	4.73	-	1,250,000.00	13,750,000.00	4.34
Shangdong Runbang Agricultural Development Co., Ltd.	-	-	1,250,000.00	-	1,250,000.00	0.39
Overseas public shareholders (H Shares)	91,800,000.00	28.98	-	-	91,800,000.00	28.98
Total	316,823,400.00	100.00	-	-	316,823,400.00	100.00

(XXXIII) Capital reserve

Item	2015	Increase in the period	Decrease in the period	2016
Share capital premium	417,042,894.68	299,009.80	-	417,341,904.48
Total	417,042,894.68	299,009.80	-	417,341,904.48

Note: The increase for the period is the investment by minority shareholder in Nanjing Sample Logistic Company Ltd. The company is entitled the difference between the portion of the net assets of Nanjing Sample Logistic Company Ltd. and the investment cost.

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For the year ended 31 December 2016

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

(XXXIV) Other comprehensive income

Items	2015	Amounts incurred in the current period				Attributable to the Company after tax	Attributable to minority shareholder after tax	2016
		Amounts incurred before income tax in the current period	Less: Previously recognized in other comprehensive income and transferred to profit or loss in the current period	Less: income tax expenses				
Other comprehensive income to be re-categorized into profit and loss subsequently	30,662,281.62	2,443,558.72	-	-	-	-	33,105,840.34	
Including: Converted difference in foreign currency statements	-4,680,169.50	2,443,558.72	-	-	-	-	-2,236,610.78	
Other (The difference of fair value of investment property and book value)	35,342,451.12	-	-	-	-	-	35,342,451.12	
Total	30,662,281.62	2,443,558.72	-	-	-	-	33,105,840.34	

(XXXV) Surplus reserve

Item	2015	Increase in the year	Decrease in the year	2016
Statutory surplus reserve	72,085,199.91	5,358,132.24	-	77,443,332.15
Total	72,085,199.91	5,358,132.24	-	77,443,332.15

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

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXXVI) Undistributed profits

Items	2016	2015
Undistributed profit before adjustment at the end of the previous period	832,932,029.03	752,268,735.54
Adjustment of total undistributed profit at the beginning of the year	–	–
Undistributed profit after adjustment at the beginning of the year	832,932,029.03	752,268,735.54
Add: Current net profit attributable to owners' equity of the parent company	191,025,395.61	164,468,923.01
Less: Provision of statutory surplus reserves	5,358,132.24	20,440,949.52
Provision of other surplus reserves	–	–
Provision for general risk	–	–
Ordinary shares dividends payable	95,047,020.00	63,364,680.00
Ordinary shares dividends transferred to the share capital of ordinary shares	–	–
	<hr/>	<hr/>
Undistributed profit at the end of the period	923,552,272.40	832,932,029.03

(XXXVII) Operating income and operating cost

1. Operating income and operating cost

Items	2016		2015	
	Income	Cost	Income	Cost
Principal operation	1,552,415,561.15	1,161,583,783.81	1,209,665,836.23	884,676,032.61
Other operation	17,334,997.68	2,458,082.75	16,642,587.40	3,385,662.62
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Total	1,569,750,558.83	1,164,041,866.56	1,226,308,423.63	888,061,695.23

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXXVII) Operating income and operating cost (Continued)

2. Principal operations (by product)

Name of Products	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
System integration	892,699,500.03	643,766,071.64	801,936,325.32	591,974,433.37
Intelligent terminal sales	244,519,495.87	198,229,607.14	197,139,115.52	149,946,506.97
Service business	124,042,585.77	46,718,096.26	109,497,069.71	47,566,186.38
Cross-border trade and service	291,153,979.48	272,870,008.77	101,093,325.68	95,188,905.89
Total	1,552,415,561.15	1,161,583,783.81	1,209,665,836.23	884,676,032.61

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

Name of the customers	2016	
	Total operating income	Percentage of the total operating income of the Group (%)
Bristol International (H.K.)	181,601,109.49	11.57
Nanjing Construction Engineering Group Co., Ltd (南京建工集團有限公司)	125,000,000.00	7.96
Hongkang Logistics Development Co., Ltd (宏康物流發展有限公司)	80,000,000.00	5.10
Chengdu Longguang Erhuan Expressway Co., Ltd. (成都龍光二環高速公路有限公司)	76,288,052.60	4.86
Qinghai Transportation Investment Co., Ltd. (青海交通投資有限公司)	63,906,270.27	4.07
Total	526,795,432.36	33.56

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XXXVIII) Taxes and surcharges

Items	2016	2015
Business tax	1,489,098.78	15,766,961.21
City construction tax	746,697.35	1,791,162.67
Education surcharge tax	828,370.34	1,350,473.50
Other taxes and fees	715,995.89	–
Total	3,780,162.36	18,908,597.38

Note: Other taxes and fees are property tax, land use tax, car and vessel tax, stamp duty etc. incurred since 1 May 2016.

(XXXIX) Selling and distribution expenses

Items	2016	2015
Salary and surcharge	18,335,253.92	13,664,365.61
Entertainment expenses	5,461,743.64	2,906,911.37
Travelling expenses	4,994,758.29	4,289,533.89
Composite fees for construction	4,493,332.05	3,829,401.14
Bidding fees	1,722,991.48	780,571.00
Water and electricity charges	383,328.28	305,655.24
Motor vehicle expenses	581,066.47	675,594.11
Office expenses	865,226.84	922,944.05
Telephone charges	273,760.42	325,405.64
Advertisement and promotion expenses	1,457,902.17	259,836.06
Postage	277,955.61	184,591.17
Depreciation charges	892,790.16	395,751.69
Consultation fees	2,487,502.85	399,831.37
Housing and property changes	1,185,450.68	670,315.46
Others	1,330,698.19	1,910,068.57
Total	44,743,761.05	31,520,776.37

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XL) General and administrative expenses

Items	2016	2015
Salary and surcharge	37,000,787.28	30,608,253.82
Research and development materials fees	35,259,488.93	30,311,582.63
Depreciation charges	11,409,788.12	8,622,918.03
Technical service fees	5,168,976.51	8,340,003.10
Intangible assets amortisation	1,627,351.59	2,836,879.81
Entertainment expenses	5,840,894.32	3,421,631.64
Agency and consultation fees	6,571,242.57	5,171,041.85
Taxation charges	2,770,366.15	3,274,077.65
Travelling expenses	1,709,622.24	1,166,264.52
Housing and property changes	1,518,333.52	520,878.49
Water and electricity charges	711,678.07	1,913,907.81
Motor vehicle expenses	1,143,832.48	1,096,812.93
Promotion expenses	524,582.79	1,002,949.18
Board's fee	449,768.87	246,800.00
Others	5,183,175.85	3,951,665.74
Total	116,889,889.29	102,485,667.20

(XLI) Financial expenses

Items	2016	2015
Interest expenses	40,359,379.08	37,958,929.16
Less: interest income	13,171,285.97	12,284,515.48
Exchange gain and loss	-3,423,032.36	-3,890,110.84
Others	1,331,688.75	2,196,699.37
Total	25,096,749.50	23,981,002.21

Note: Interest expenses are interest on bank borrowings wholly repayable within five years.

Notes to the Financial Statements

For the year ended 31 December 2016

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

(XLII) Asset impairment losses

Items	2016	2015
Loss from bad debts	33,591,945.95	22,592,020.44
Loss from declines in values of inventories	562,379.72	696,323.40
Total	34,154,325.67	23,288,343.84

(XLIII) Income from change in fair value

Source of income from change in fair value	2016	2015
Investment property measured by fair value	4,227,700.00	9,334,000.00
Total	4,227,700.00	9,334,000.00

(XLIV) Investment income

Items	2016	2015
Income from long-term equity investments under equity method	-2,280,696.00	-1,733,893.40
Investment income of available-for-sale financial assets under cost method	-	1,285,200.00
Investment income from the disposal of available-for-sale financial assets	-	2,760,100.98
Investment income of entrusted loan	12,967,451.89	17,115,332.75
Investment income of asset management plan	12,016,438.36	7,643,835.62
Investment income of wealth management products	31,162.19	2,958,000.00
Total	22,734,356.44	30,028,575.95

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLV) Non-operating income

1. Breakdown of non-operating income

Items	2016	2015
Total gain on disposal of non-current assets	11,160.38	26,631.00
Including: gain on disposal of fixed assets	11,160.38	26,631.00
Government grants	16,888,641.98	6,713,597.42
VAT refund	5,158,533.97	4,347,101.05
Others	387,360.54	81,431.85
Total	22,445,696.87	11,168,761.32

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

(XLV) Non-operating income (Continued)

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

Items	2016	2015	Related to assets/ related to income
Year 2014 National IOT development grants	-	1,500,000.00	related to income
Year 2015 winning units and individuals of Nanjing Science and Technology Progress Award	10,000.00	-	related to income
Special funds for the development of software and information services in Nanjing in 2015	400,000.00	-	related to income
Science and Technology Development Program and Technology Funds for 2016	4,000.00	-	related to income
Special fund for Nanjing foreign trade development (credit insurance) for 2016	63,900.00	-	related to income
Special fund for support of steady growth of foreign trade of provincial business development and municipal open economy development for 2016	800,000.00	-	related to income
Special fund for foreign trade and economic development for 2016 (first batch)	2,000,000.00	-	related to income
Subsidy for RFID Engineering Center	183,382.90	183,382.90	related to assets
Recognition of advanced collectives and advanced individuals and outstanding projects of the Year 2015 Nanjing "Ideals and Contributions" Campaign	-	5,000.00	related to income
National 863 Plan for information technology security perception of things and simulation verification technology platforms theme project	-	464,000.00	related to income
Guiding the provincial policy of Year 2015 special funds (Fourth batch)	-	1,000,000.00	related to income
Improved declaration of Nanjing branded products in 2013	-	20,000.00	related to income
Research fund for national scientific and technological support projects	1,510,658.40	1,510,658.40	related to assets
Subsidy of Jiangning Finance Bureau	-	2,000.00	related to income
Jiangning Finance Bureau grants	-	500,000.00	related to income
Subsidy of Maqun Office	-	100,000.00	related to income
Subsidies of Finance Office of Maqun Office of People's Government Office of Qixia District of Nanjing City	-	200,000.00	related to income
Special fund plan of Nanjing City e-commerce for 2014	-	500,000.00	related to income

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

(XLV) Non-operating income (Continued)

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

Items	2016	2015	Related to assets/ related to income
Year 2016 Innovation Award of Scientific Technology Association of Nanjing Finance Bureau	10,000.00	–	related to income
Year 2016 Excellent Project Award of Scientific Technology Association of Nanjing Finance Bureau	5,000.00	–	related to income
Second batch of subsidies of joint distribution project of Nanjing City	–	150,000.00	related to income
International cooperation of China-Finland project of Nanjing Science and Technology Bureau	237,500.04	–	related to assets
Subsidy of Disabled Persons Federation of Qixia District of Nanjing	3,260.00	–	related to income
Year 2016 special funds of scientific and technological achievements	100,000.00	34,500.00	related to income
Subsidies of Finance Office of Maqun Office of People's Government Office of Qixia District of Nanjing City	500,000.00	–	related to income
Job stabilization subsidy of Nanjing Social Insurance Management Center for 2016	152,799.70	–	related to income
Nanjing employer subsidies for employment of disabled persons proportionally and reward for ultra-ratio implementation measures	–	3,260.00	related to income
Year 2016 special funds of transformation of provincial-level industrial and information industry	1,500,000.00	–	related to income
Subsidy for declaration of branded products of Jiangsu province for 2014	80,000.00	–	related to income
Software product registration special subsidies	–	12,500.00	related to income
Special fund for support of steady growth of foreign trade of provincial business development	3,000,000.00	500,000.00	related to income
Special funds for growth of foreign trade	150,000.00	–	related to income
Job stabilization subsidy	124,640.94	–	related to income
Small enterprises preferential VAT	–	2,796.12	related to income
Subsidy paid by Economic and Information Committee of Yangzhou National Treasury Centralized Payment Center	25,000.00	24,000.00	related to income
China (Nanjing) Software Valley Management Committee in relation to Industry Support Fund for Nanjing Trade Mutual Technology Co., Ltd.	6,000,000.00	–	related to income
Patent subsidy	28,500.00	1,500.00	related to income
Total	16,888,641.98	6,713,597.42	–

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLVI) Non-operating expenses

Items	2016	2015
Total loss on disposal of non-current assets	298,949.18	115,947.87
Including: Loss on disposal of fixed assets	298,949.18	115,947.87
Penalty and overdue fines	196,942.24	1,927.16
Others	22,228.37	83,401.86
Total	518,119.79	201,276.89

(XLVII) Auditor's remuneration

Auditor's remuneration for the current year was RMB750,000.00 (2015: RMB750,000.00).

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLVIII) Directors, supervisors and employees' emoluments

1. Directors and supervisors' emoluments

Items	2016	2015
Directors and supervisors' fees		
Executive directors	131,250.00	75,000.00
Non-executive director and independent non-executive directors	200,000.00	100,000.00
Supervisors	72,500.00	30,000.00
Sub-total	403,750.00	205,000.00
Executive directors' other emoluments		
Basic salaries and allowance	753,804.00	817,004.00
Contributions to retirement benefits/ pensions schemes	249,960.60	245,628.00
Sub-total	1,003,764.60	1,062,632.00
Supervisors' other emoluments		
Basic salaries and allowance	163,440.00	135,000.00
Contributions to retirement benefits/ pensions schemes	55,881.05	56,371.80
Sub-total	219,321.05	191,371.80
Senior Management		
Basic salaries and allowance	494,543.90	542,387.00
Contributions to retirement benefits/ pension schemes	207,116.46	196,717.20
Sub-total	701,660.36	739,104.20
Total	2,328,496.01	2,198,108.00

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

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

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

Name	2016			Total
	Fees	Other emoluments		
		Basic salaries and allowance	Contributions to retirement benefits/pensions schemes	
Executive Directors				
Mr. Sha Min	43,750.00	320,604.00	83,320.20	447,674.20
Mr. Chang Yong	43,750.00	216,600.00	83,320.20	343,670.20
Mr. Zhu Xiang	43,750.00	216,600.00	83,320.20	343,670.20
Sub-total	131,250.00	753,804.00	249,960.60	1,135,014.60
Non-executive Director				
Mr. Ma Jun	52,500.00	-	-	52,500.00
Sub-total	52,500.00	-	-	52,500.00
Independent Non-Executive Directors				
Mr. Xu Su Ming	20,000.00	-	-	20,000.00
Mr. Shum Shing Kei	87,500.00	-	-	87,500.00
Mr. Hu Hanhui	22,500.00	-	-	22,500.00
Mr. Geng Nai Fan	-	-	-	0.00
Sub-total	130,000.00	-	-	130,000.00
Supervisors				
Mr. Dai Jian Jun	32,500.00	-	-	32,500.00
Mr. Zou Tao	7,500.00	163,440.00	55,881.05	226,821.05
Independent supervisor				
Mr. Qiu Xiang Yang	32,500.00	-	-	32,500.00
Sub-total	72,500.00	163,440.00	55,881.05	291,821.05
Senior management				
Ms. Miao Yun	-	180,700.00	77,247.60	257,947.60
Mr. Liang Biao	-	184,143.90	74,654.75	258,798.65
Mr. Xie Jinliang	17,500.00	129,700.00	55,214.11	202,414.11
Sub-total	17,500.00	494,543.90	207,116.46	719,160.36
Total	403,750.00	1,411,787.90	512,958.11	2,328,496.01

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

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

3. Five highest paid individuals

During the year, of the five individuals with the highest emoluments, three (2015: three) were directors. The emoluments of them were disclosed in the notes above. The emoluments of the remaining two (2015: two) individuals were as follows:

Items	2016	2015
Basic salaries and allowance	410,200.00	484,465.25
Contributions to retirement benefits schemes	141,558.20	135,396.00
Total	551,758.20	619,861.25

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

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

Item	2016	2015
Nil to HK\$500,000 (nil to RMB410,000)	2	2

(XLIX) Income tax expenses

1. Table of income tax expenses

Items	2016	2015
Income tax for the current period	39,627,567.65	32,678,377.01
Adjustment to deferred income tax	-3,711,527.35	-11,463,837.35
Total	35,916,040.30	21,214,539.66

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(XLIX) Income tax expenses (Continued)

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

Items	2016	2015
Total profit	229,933,437.92	188,392,401.78
Income tax expenses calculated at statutory tax rates (or applicable tax rates)	34,490,015.69	26,603,755.60
Effect of different tax rates applicable to subsidiaries	410,242.92	1,372,551.96
Income tax adjustments on prior periods	-835,253.75	4,186,875.01
Additional deduction for qualified research and development expenses	-1,969,161.67	-2,062,500.00
Effect on investment income under equity method	257,849.08	216,736.68
Expenses, costs and losses not deductible for tax purposes	1,936,501.53	1,235,397.07
Impact of deductible temporary differences or deductible loss for which deferred tax assets not recognized	1,625,846.50	-10,338,276.66
Income tax expenses	35,916,040.30	21,214,539.66

(L) Dividend

Items	2016	2015
Final dividend proposed of RMB0.15 per share	47,523,510.00	–
Final dividend proposed of RMB0.3 per share	–	95,047,020.00

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

Items	2016	2015
Final dividend in respect of the previous year, approved and paid during the year	95,047,020.00	63,364,680.00
Total	95,047,020.00	63,364,680.00

Notes to the Financial Statements

For the year ended 31 December 2016

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

(LI) Items of cash flow statement

1. Cash received relating to other operating activities

Items	2016	2015
Interest income on bank deposits received	13,152,715.74	12,284,515.48
Amounts of transactions with units received	5,137,540.69	4,627,752.82
Non-operating income received	13,644,820.54	5,093,499.89
Retention monies received	5,401,411.06	150,880,601.91
Government grants received	4,700,000.00	1,200,000.00
Total	42,036,488.03	174,086,370.10

2. Cash paid relating to other operating activities

Items	2016	2015
Administrative expenses paid	28,691,683.14	28,272,843.88
Selling expenses paid	25,630,375.04	17,706,859.66
Non-operating expenses paid	60,862.77	85,329.02
Amounts of transactions with units paid	15,913,717.86	11,852,057.01
Handling charges paid to banks	1,331,198.80	2,196,699.37
Retention monies paid	21,412,555.19	2,142,149.20
Advance for export tax rebate	195,276,542.00	–
Total	288,316,934.80	62,255,938.14

3. Cash received from other investment activities

Items	2016	2015
Recovery of principal amount of entrusted loan	150,000,000.00	260,000,000.00
Recovery of wealth management products	100,000.00	100,000,000.00
Net cash paid for purchase of subsidiaries (negative)	7,846.25	–
Total	150,107,846.25	360,000,000.00

4. Payment to other investment activities

Items	2016	2015
Payment for entrusted loan	–	410,000,000.00
Payment for asset management plan	–	120,000,000.00
Purchase of wealth management products	31,300,000.00	100,000,000.00
Net cash received for disposal of subsidiaries (negative)	336,683.03	–
Total	31,636,683.03	630,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

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

(LII) Supplementary information of cash flow statements

1. Supplementary information of cash flow statements

Items	2016	2015
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	194,017,397.62	167,177,862.12
Add: Provision for assets impairment	34,154,325.67	23,288,343.84
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	28,715,523.00	24,295,092.44
Amortisation of intangible assets	1,627,351.59	2,836,879.79
Amortisation of long-term deferred expenses	3,700,744.35	3,341,956.65
Income on disposal of fixed assets, intangible assets and other long-term assets	287,788.80	89,342.22
Income on scrapped fixed assets	-	-
Income on change in fair value	-4,227,700.00	-9,334,000.00
Financial expenses	41,665,867.41	37,958,929.16
Investment Income	-22,734,356.44	-30,028,575.95
Increase in deferred tax assets	-4,496,182.68	-13,701,988.52
Decrease in deferred tax liabilities	142,577.29	8,475,054.31
Increase in inventories	-89,640,217.88	36,887,863.70
Increase of operating receivables	-197,418,783.99	-141,807,470.82
Increase of operating payables	-60,304,948.43	43,611,055.57
Others	-	-
Net cash flows from operating activities	-74,510,613.69	153,090,344.51
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents		
Cash at the end of the period	1,181,577,965.99	1,188,285,145.50
Less: cash at the beginning of period	1,188,285,145.50	782,748,257.94
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the period	-	-
Net increase in cash and cash equivalents	-6,707,179.51	405,536,887.56

Notes to the Financial Statements

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

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

2. Net cash paid for the acquisition of the subsidiaries in the reporting period

Items disdefe	2016	2015
Cash or cash equivalents paid for the business combination for the current period	6,673,215.59	—
Including: Jiangsu Siruide IOT Technology Co., Ltd.	5,500,000.00	—
Nanjing Trade Mutual Technology Co., Ltd.	1,173,215.59	—
Less: Cash and cash equivalents held by the company at the acquisition date	1,185,663.56	—
Including: Jiangsu Siruide IOT Technology Co., Ltd.	4,601.72	—
Nanjing Trade Mutual Technology Co., Ltd.	1,181,061.84	—
Net cash paid for the acquisition of the subsidiary	5,487,552.03	—
Including: Jiangsu Siruide IOT Technology Co., Ltd.	5,495,398.28	—
Nanjing Trade Mutual Technology Co., Ltd.	-7,846.25	—
	5,487,552.03	

3. Net cash received from the disposal of the subsidiaries in the reporting period

Items	2016	2015
Cash or cash equivalents received by the Company for the disposal of subsidiaries in the reporting period		
Including: Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.		
Less: cash and cash equivalents held by the company at the date of lost control	336,683.03	—
Including: Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.	336,683.03	—
Net cash received for the disposal of subsidiaries	-336,683.03	—
	-336,683.03	

4. The composition of cash and cash equivalents

Items	2016	2015
I. Cash	1,181,277,965.99	1,188,285,145.50
Including: Cash on hand	102,263.44	164,248.41
Bank deposit available for payment at any time	1,181,175,702.55	1,188,120,897.09
Other monetary funds available for payment at any time	—	—
II. Cash equivalents	—	—
Including: Bond investment due in three months	—	—
III. Cash and cash equivalents at the end of the period	1,181,277,965.99	1,188,285,145.50
Including: Cash and cash equivalents of the parent company and the subsidiaries of the Group that are restricted in use	—	—
	1,181,277,965.99	1,188,285,145.50

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(All amounts in Renminbi yuan unless otherwise stated)

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

(LIII) Assets with restricted ownership or right of use

Items	Carrying amount at the end of the year	Reasons of restriction
Cash	46,148,367.38	Retention monies
Investment property	215,250,600.00	Pledge for borrowing
Fixed assets	120,401,712.98	Pledge for borrowing
Intangible assets	8,662,335.05	Pledge for borrowing
Total	390,463,015.41	

(LIV) Foreign currency monetary items

Items	Balance of foreign currency for 2016	Exchange rate	Converted into RMB for 2016
Cash on hand			
Including: U.S dollars	880,962.06	6.9370	6,111,233.81
Hong Kong dollars	38,387,012.78	0.8945	34,337,182.93
Accounts receivables			
Including: U.S dollars	1,952,639.39	6.9370	13,545,459.46
Short-term borrowings			
Including: U.S dollars	10,349,461.00	6.9370	71,794,210.96

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VI. CHANGE OF THE SCOPE OF COMBINATION

(1) Business combinations involving entities not under common control

1. Business combinations involving entities not under common control happened in the reporting period

The name of acquiree	Time of acquisition of the shares	Cost of acquisition of the shares	Percentage of acquisition of the shares(%)	Method of acquisition of the shares	Acquisition date	Determination basis at the acquisition date	Income of acquire from the date of acquisition to the end of the period	Net profit of acquire from the date of acquisition to the end of the period
Jiangsu Siruide IOT Technology Co., Ltd.	15 March 2016	5,500,000.00	100.00	Acquisition	15 March 2016	Change of actual control	4,562,097.88	-70,113.63
Nanjing Trade Mutual Technology Co., Ltd.	29 October 2016	1,173,215.59	100.00	Acquisition	29 October 2016	Change of actual control	2,787,518.34	4,554,054.31
Total		6,673,215.59					7,349,616.22	4,483,940.68

Note: The operating profit of Nanjing Trade Mutual Technology Co., Ltd. amounted to 72,072.42 yuan at the date of acquisition to the end of the period, receiving government subsidies of 6 million yuan in the current period.

2. Cost and goodwill of the combination

Items	Jiangsu Siruide IOT Technology Co., Ltd.	Nanjing Trade Mutual Technology Co., Ltd.
Combination cost	5,500,000.00	1,173,215.59
— Cash	5,500,000.00	1,173,215.59
Total combination cost	5,500,000.00	1,173,215.59
Less: The portion of fair value of the identifiable net assets obtained	5,521,230.35	1,173,215.59
Goodwill/combination less than the portion of fair value of the identifiable net assets obtained	-21,230.35	—

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VI. CHANGE OF THE SCOPE OF COMBINATION (Continued)

(1) Business combinations involving entities not under common control (Continued)

3. Identifiable assets, liabilities of the acquiree at the date of acquisition

	Jiangsu Siruide IOT Technology Co., Ltd.		Nanjing Trade Mutual Technology Co., Ltd.	
	Fair value at the date of acquisition	Carrying amount at the date of acquisition	Fair value at the date of acquisition	Carrying amount at the date of acquisition
Assets:				
Cash at bank and on hand	4,601.72	4,601.72	1,181,061.84	1,181,061.84
Accounts receivable	653,041.27	653,041.27	–	–
Inventories	816,942.95	816,942.95	–	–
Fixed assets	4,491,374.49	2,939,624.27	–	–
Intangible assets	4,114,284.23	4,114,284.23	–	–
Other assets	721,402.18	721,402.18	–	–
Liabilities:				
Borrowings	2,000,000.00	2,000,000.00	–	–
Accounts payable	990,489.11	990,489.11	–	–
Taxes payable	12,248.23	12,248.23	7,741.55	7,741.55
Other payables	1,798,089.68	1,798,089.68	104.70	104.70
Other liabilities	479,589.47	246,826.94	–	–
Net assets	5,521,230.35	4,202,242.66	1,173,215.59	1,173,215.59
Less: Minority interests	–	–	–	–
Net assets obtained	<u>5,521,230.35</u>	<u>4,202,242.66</u>	<u>1,173,215.59</u>	<u>1,173,215.59</u>

(2) Disposal of subsidiaries

On 27 October 2016, the company transferred its 30% shareholdings but has not yet contributed in accordance with the shareholders' resolution of Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd., so the company's paid up shareholding in Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd. decreased from 60% to 30% and control was lost.

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Structure of the Group

Name of subsidiaries	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Way of procurement
				Direct	Indirect	
Jiangsu Intellitrans Company Limited	Nanjing, PRC	PRC	Intelligent transportation	100	-	business combination of enterprises not under common control
Jiangsu Ruifu Intelligent Tech. Co., Ltd.	Nanjing, PRC	PRC	Electronic products	-	100	business combination of enterprises not under common control
Nanjing Sample Logistic Company Limited	Nanjing, PRC	PRC	Computer software	60	-	Established by investment
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Nanjing, PRC	PRC	Internet of things technology	100	-	Established by investment
Sample Technology (H.K.) Co., Limited	Hong Kong	Hong Kong	Consultation and investment	100	-	Established by investment
Federal International Enterprise Limited	Hong Kong	Hong Kong	Electronic products	-	100	business combination of enterprises not under common control
Nanjing City Intelligent Transportation Co., Ltd.	Nanjing, PRC	PRC	Information technology	-	65	business combination of enterprises not under common control
Yangzhou Sample Information Technology Co., Ltd.	Yangzhou, PRC	PRC	IOT technology, development & application of products	100	-	Established by investment
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Xuzhou, PRC	PRC	Intelligent transportation	100	-	Established by investment
Nanjing Sample Hongzheng Vision Technology Co., Ltd.	Nanjing, PRC	PRC	Visual technology	-	51	Established by investment
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Nanjing, PRC	PRC	e-Commerce	82.61	-	Established by investment
Jiangsu Cross-border e-commerce Services (Hong Kong) Ltd.	Hong Kong	Hong Kong	e-Commerce	-	82.61	Established by investment
Nanjing Trade Connect and e-Commerce Co., Limited	Nanjing, PRC	PRC	e-Commerce	-	82.61	Established by investment
Nanjing Trade Mutual Technology Co., Ltd.	Nanjing, PRC	PRC	e-Commerce	-	82.61	business combination of enterprises not under common control
Jiangsu Siruide IOT Technology Co., Ltd.	Wuxi, PRC	PRC	IOT technology	-	60	business combination of enterprises not under common control

Note: The Company holds 82.61% equity interest in Cross-border e-Commerce. Cross-border e-Commerce directly holds 100% equity interest of HK cross-border, Trade Connect and Trade Mutual. The Company holds 60% equity interest in Logistics and Logistics holds 100% equity interest in Siruide.

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(I) Interests in subsidiaries (Continued)

2. Significant non-wholly-owned subsidiaries

Name of subsidiaries	Proportion of minority shareholdings (%)	Total profit or loss attributable to minority interests in the current period	Dividends declared to minority shareholders in the current period	Balance of Minority interests at the end of period
Nanjing City Intelligent Transportation Co., Ltd.	35%	3,273,463.13	-	48,737,835.97
Jiangsu Cross-border e-Commerce Services Co., Ltd.	17.39%	1,869,665.24	-	10,263,993.97
Nanjing Sample Logistic Company Limited	40%	-366,123.78	-	4,363,711.86

3. Key financial information of significant non-wholly-owned subsidiaries

Name of subsidiaries	2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Nanjing City Intelligent Transportation Co., Ltd.	88,014,115.33	130,961,301.88	218,975,417.21	44,765,612.60	36,847,008.11	81,612,620.71
Jiangsu Cross-border e-Commerce Services Co., Ltd.	317,074,988.39	2,150,462.41	319,225,450.80	260,207,485.45	-	260,207,485.45
Nanjing Sample Logistic Company Limited	4,479,621.77	12,212,244.49	16,691,866.26	5,782,586.62	-	5,782,586.62

Name of subsidiaries	2016			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Nanjing City Intelligent Transportation Co., Ltd.	66,501,652.09	9,352,751.79	9,352,751.79	9,770,700.73
Jiangsu Cross-border e-Commerce Services Co., Ltd.	291,449,513.43	10,750,575.11	10,750,575.11	-150,093,713.22
Nanjing Sample Logistic Company Limited	8,874,320.25	-915,309.45	-915,309.45	-2,831,441.24

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(II) Interests in joint arrangement or associates

1. Major Joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Proportion of shareholdings (%)		Accounting treatment for investment in joint ventures or associates
				Direct	Indirect	
Nanjing Laipin Network Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	–	40	Equity method
Jiangsu 1011 Network Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	–	48	Equity method
Nanjing Sample Chain Information Technology Co., Ltd.	Nanjing, PRC	PRC	Information technology	–	30	Equity method
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.	Nanjing, PRC	PRC	Sports industry	–	30	Equity method

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (Continued)

(II) Interests in joint arrangement or associates (Continued)

2. Financial information of Major joint ventures or associates

Item	2016	2015
Associates:		
Nanjing Laipin Network Technology Co., Ltd.		
Total book value of investment	800,000.00	800,000.00
Followings were calculated by the proportion of shareholding		
— Net profit	-147,308.94	-296,758.36
— Other comprehensive income	-147,308.94	-296,758.36
— Total comprehensive income	-147,308.94	-296,758.36
	=====	=====
Items	2016	2015
Associates:		
Jiangsu 1011 Network Technology Co., Ltd.		
Total book value of investment	4,500,000.00	4,500,000.00
Followings were calculated by the proportion of shareholding		
— Net profit	-2,067,937.55	-1,437,135.04
— Other comprehensive income	-2,067,937.55	-1,437,135.04
— Total comprehensive income	-2,067,937.55	-1,437,135.04
	=====	=====

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For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES *(Continued)*

(II) Interests in joint arrangement or associates *(Continued)*

2. Financial information of Major joint ventures or associates *(Continued)*

Items	2016	2015
Associates:		
Nanjing Sample Chain Information Technology Co., Ltd.		
Total book value of investment	1,500,000.00	–
Followings were calculated by the proportion of shareholding	40,450.55	–
– Net profit	40,450.55	–
– Other comprehensive income		–
– Total comprehensive income	40,450.55	–
	<hr/> <hr/>	<hr/> <hr/>
Items	2016	2015
Associates:		
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.		
Total book value of investment	3,900,000.00	–
Followings were calculated by the proportion of shareholding	-105,900.06	–
– Net profit	-105,900.06	–
– Other comprehensive income		–
– Total comprehensive income	-105,900.06	–
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Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELEVANT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

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

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

1. Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The industry and national policy in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 14.80% (2015: 8.64%) and 34.99% (2015: 29.38%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELEVANT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Liquidity risk

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

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

2016

Company	2016 Carrying amount	Total contractual discounted cash flow	Less than 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year
Notes payable	35,288,100.72	35,288,100.72	6,142,988.56	10,145,112.16	19,000,000.00
Accounts payable	639,256,306.14	639,256,306.14	503,175,058.02	87,101,343.24	48,979,904.88
Other payables	77,955,804.95	77,955,804.95	52,211,523.37	19,075,280.22	6,669,001.36
Staff remuneration payables	4,529,581.34	4,529,581.34	4,529,581.34	-	-
Short-term borrowings	611,644,210.96	623,195,563.58	232,033,606.32	134,165,894.52	256,996,062.74
Non-current liabilities due within 1 year	29,110,000.00	30,203,979.29	-	14,265,621.48	15,938,357.81
Total	1,397,784,004.11	1,410,429,336.02	798,092,757.61	264,753,251.62	347,583,326.79

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELEVANT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Liquidity risk (Continued)

2015

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

3. Market risk

(1) Interest rate risk

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

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RELEVANT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. Market risk (Continued)

(2) Foreign currency risk

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

2016

Items	2016	
	US Dollar	HK Dollar
Cash on hand	880,962.06	38,387,012.78
Accounts Receivable	1,952,639.39	-
Short-term borrowing	10,349,461.00	-
Total	13,183,062.45	38,387,012.78

As at 31 December 2016, in the case where all other variables remain unchanged, the Company will increase or decrease the net profit of RMB2.6069 million if the Renminbi against US Dollar appreciates or depreciates by 5%. As at 31 December 2016, in the case where all other variables remain unchanged, the Company will increase or decrease the net profit of RMB1.7169 million if the Renminbi against HK Dollar appreciates or depreciates by 5%. The management believes that the appreciation or depreciation of 5% of US dollar, Hong Kong dollar reasonably reflected the reasonable range of the possible change of Renminbi against US dollar, Hong Kong dollar for the next year.

Notes to the Financial Statements

For the year ended 31 December 2016

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VIII. RELEVANT RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. Market risk (Continued)

(2) Foreign currency risk (Continued)

2015

Items	US Dollar	2015	
		HK Dollar	Euro Dollar
Cash on hand	2,319.50	42,463,205.88	–
Accounts Receivable	11,401,345.88	4,598.97	1,080.39
Total	<u>11,403,665.38</u>	<u>42,467,804.85</u>	<u>1,080.39</u>

As at 31 December 2015, in the case where all other variables remain unchanged, the Company will decrease or increase the net profit of 3.7025 million yuan if the Renminbi against US Dollar appreciates or depreciates by 5%. As at 31 December 2015, in the case where all other variables remain unchanged, the Company will decrease or increase the net profit of 1.7790 million yuan if the Renminbi against HK Dollar appreciates or depreciates by 5%. As at 31 December 2015, in the case where all other variables remain unchanged, the Company will decrease or increase the net profit of 1,500 yuan if the Renminbi against Euro dollar appreciates or depreciates by 20%. The management believes that the appreciation or depreciation of 5% of US dollar, Hong Kong dollar and appreciation or depreciation of 20% of Euro dollar reasonably reflected the reasonable range of the possible change of Renminbi against US dollar, Hong Kong dollar and Euro dollar for the next year.

(3) Price risk

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

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IX. FAIR VALUE DISCLOSURE

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

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

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

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

Items	Fair value at 31 December 2016			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Continuing fair value measurement				
(1) Investment property				
1. Leased property (including the value of apportioned land use right)		215,250,600.00		215,250,600.00
Total assets measured at fair value continuously		215,250,600.00		215,250,600.00

(II) Continuing and non-continuing level 2 fair value measurement items, the use of valuation techniques and important parameters of qualitative and quantitative information

Items	Fair value at the end of the period	Evaluation method	Important observable input
Leased property (including the value of apportioned land use right)	215,250,600.00	Income approach	Note 1

Note 1: There is no comparable transaction that can be obtained from real estate market for the investment property, valuation shall not be made by the market comparison approach. However, rental income of the property can be ascertained, valuation can be made by the income approach. Relevant measurement can be referred to the valuation result of valuation report Su Hua Ping Bao Zi [2017] No. 011 issued by Jiangsu Assets Appraisal Co., Ltd. (江蘇華信資產評估有限公司).

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

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

Name	Relationship	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest in the Company (%)	Voting right in the Company (%)	Ultimate controller	Organization Code
Nanjing Sample Technology Group Company Limited ("Sample Group")	Parent company	limited liability company	PRC	Sha Min	Investment and development of high-tech industry, investment advisory services, asset management etc.	33,300	48.45	48.45	Sha Min	1348888-5

(II) Information of subsidiaries of the Group

Full name of subsidiaries	Type of subsidiaries	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest held (%)	Voting right (%)
Jiangsu Intellitrans Company Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Chang Yong	Intelligent transport	220,000	100	100
Jiangsu Ruitu Intelligent Tech. Co., Ltd.	Wholly-owned subsidiary	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)	PRC	Chang Yong	Electronic products	31,344.70	100	100
Nanjing Sample Logistic Company Limited	Controlled subsidiary	Limited company (solely invested by legal entity)	PRC	Zhu Xiang	Computer software	14,000	60	60
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Chang Yong	Internet of things technology	100,000	100	100
Sample Technology (H.K.) Co., Limited	Wholly-owned subsidiary	Private limited company	Hong Kong	-	Consultation and investment	USD10	100	100
Federal International Enterprise Limited	Wholly-owned subsidiary	Private limited company	Hong Kong	-	Electronic products	HKD10	100	100
Nanjing City Intelligent Transportation Co., Ltd.	Controlled subsidiary	Joint stock limited company (non-listed)	PRC	Zhu Xiang	Information technology	100,000	65	65
Yangzhou Sample Information Technology Co., Ltd.	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Zhu Xiang	IOT technology, development & application of products	5,000	100	100
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Wholly-owned subsidiary	Limited company (solely invested by legal entity)	PRC	Zheng Qun	Intelligent transportation	70,000	100	100
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Controlled subsidiary	Limited company	PRC	Sha Min	e-Commerce	46,000	82.61	82.61
Nanjing Trade Connect and e-Commerce Co., Limited	Controlled subsidiary	Limited company (solely invested by legal entity)	PRC	Guo Li Li	e-Commerce	50,000	82.61	82.61

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(II) Information of subsidiaries of the Group *(Continued)*

Full name of subsidiaries	Type of subsidiaries	Business type	Registration place	Legal representative	Nature of business	Registered capital ('000)	Equity interest held (%)	Voting right (%)
Jiangsu Cross-border e-commerce Services (Hong Kong) Ltd.	Controlled subsidiary	Private limited company	Hong Kong	-	e-commerce	HKD10	82.61	82.61
Nanjing Trade Mutual Technology Co., Ltd.	Controlled subsidiary	Limited company (solely invested by legal entity)	PRC	Guo Lili	e-commerce	10,000	82.61	82.61
Nanjing Sample Hongzheng Vision Technology Co., Ltd.	Controlled subsidiary	Limited company	PRC	Yue Yingdan	Visual technology	50,000	51.00	51.00
Jiangsu Siruide IOT Technology Co., Ltd.	Controlled subsidiary	Limited company (solely invested by legal entity)	PRC	Hu Jingfei	IOT technology	10,000	60	60

Note: The Company holds 82.61% equity interest in Cross-border e-Commerce. Cross-border e-Commerce directly holds 100% equity interest of HK cross-border, Trade Connect and Trade Mutual. The Company holds 60% equity interest in Logistics and Logistics holds 100% equity interest in Siruide.

(III) Associates and other related party of the Group

Name of other related party	Relationship with the Company
Nanjing Sample Investment Development Company Limited	Shareholder of the Company
Nanjing Intelligent Urban Constructive Investment Co., Ltd.	Enterprise controlled by the same parent company
Nanjing Laipin Network Technology Co., Ltd.	Associates of the Company
Jiangsu 1011 Network Technology Co., Ltd.	Associates of the Company
Nanjing Sample Chain Information Technology Co., Ltd.	Associates of the Company
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd.	Associates of the Company
Nanjing Sample Intelligent Technology Co., Ltd.	Associates of the Company

Note: The Company has committed to subscribe 20% equity interests of Nanjing Sample Intelligent Technology Co., Ltd. As at 31 December 2016, contribution has not yet made.

Notes to the Financial Statements

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

(IV) Related party transactions

1. Sale and purchase

- (1) For the subsidiaries which are controlled and consolidated into the consolidated financial statements, the sale and purchase transactions amongst them have been eliminated.

2. Related party providing guarantees

- (1) Particulars of the Company providing guarantees for subsidiaries

A. Particulars of guarantees provided for loans

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Maturity date of guarantee	Guarantee due or not
The Company	Jiangsu Intellitrans	30,000,000.00	2016-2-3	2017-2-3	No
The Company	Jiangsu Intellitrans	20,000,000.00	2016-3-17	2017-3-16	No
The Company	Jiangsu Intellitrans	30,000,000.00	2016-4-21	2017-4-20	No
The Company	Jiangsu Intellitrans	20,000,000.00	2016-7-21	2017-7-20	No
The Company	Jiangsu Intellitrans	40,000,000.00	2016-9-13	2017-9-12	No
The Company	Jiangsu Intellitrans	30,000,000.00	2016-10-21	2017-10-20	No
The Company	Jiangsu Intellitrans	20,000,000.00	2016-10-25	2017-4-21	No
The Company	Jiangsu Intellitrans	20,000,000.00	2016-11-1	2017-8-4	No
The Company	Jiangsu Intellitrans	30,000,000.00	2016-11-3	2017-8-4	No
The Company	Cross-border e-Commerce	110,000,000.00	2016-8-11	2017-8-11	No
The Company	Cross-border e-Commerce	20,000,000.00	2016-7-18	2017-7-17	No
The Company	Cross-border e-Commerce	50,000,000.00	2016-8-30	2017-8-30	No
The Company	Cross-border e-Commerce	50,000,000.00	2016-7-15	2017-7-14	No
The Company	Cross-border e-Commerce	50,000,000.00	2016-11-25	2019-10-25	No
The Company	Siruide	1,800,000.00	2016-6-28	2017-6-27	No
Total		<u>521,800,000.00</u>			

As at 31 December 2016, the Company provided guarantees respectively for its subsidiary, Jiangsu Intellitrans Company Limited, for Renminbi bank loans of RMB240 million; for its subsidiary, Jiangsu Cross-border e-Commerce Services Co., Ltd., for Renminbi borrowings of 79.05 million and USD borrowings which is equivalent to RMB 71.7942 million; for its subsidiary, Jiangsu Siruide IOT Technology Co., Ltd. for Renminbi borrowings of 1.8 million.

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(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related party transactions (Continued)

2. Related party providing guarantees (Continued)

(1) Particulars of the Company providing guarantees for subsidiaries (Continued)

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

As at 31 December 2016, the Company provided guarantee to Jiangsu Intellitrans Company Limited, a subsidiary of the Company for their issuance of letter of guarantee for a total of RMB101,547,273.17 to the bank.

The Company provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange in the Beijing East Road Branch of Industrial Bank Co., Ltd. in Nanjing. As at 31 December 2016, the amount of the bank accepted bills of exchange issued was RMB22,177,020.00 of which RMB13,088,510.00 was paid and deposited by that company as retention monies for bills of exchange.

The Company provided guarantee for Jiangsu Intellitrans Company Limited, a subsidiary of the Company, to secure the bank accepted bills of exchange in the Nanjing Branch of Everbright Bank. As at 31 December 2016, the amount of the bank accepted bills of exchange issued by Jiangsu Intellitrans Company Limited through Nanjing Branch of Everbright Bank was RMB10,000,000.00 of which RMB10,000,000.00 is exposed.

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

A. Particulars of guarantees provided for loans

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Maturity date of guarantee	Guarantee due or not
Sample Group	The Company	51,740,000.00	2016-1-20	2017-1-19	No
Sample Group	The Company	10,000,000.00	2016-2-6	2017-2-5	No
Sample Group	The Company	30,000,000.00	2016-5-9	2017-5-8	No
Sample Group	The Company	40,000,000.00	2016-7-14	2017-7-14	No
Sample Group	The Company	20,000,000.00	2016-9-21	2017-9-20	No
Sample Group	The Company	20,000,000.00	2016-10-17	2017-10-16	No
Sample Group	The Company	20,000,000.00	2016-12-7	2017-6-7	No
Sample Group	The Company	30,000,000.00	2016-12-8	2017-12-4	No
		<hr/>			
Total		221,740,000.00			

Among the total guarantees provided by the related party, Sample Group, for the Company, as of 31 December 2016, the balance for the borrowings that the Company obtained was RMB190,000,000.

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related party transactions (Continued)

2. Related party providing guarantees (Continued)

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

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

As at 31 December 2016, Sample Group provided guarantee to the Company for its issuance of letter of guarantee for a total of RMB7,792,571.83 in the bank.

As at 31 December 2016, Sample Group provided guarantee to the Company for its issuance of letter of credit of RMB10,000,000.00 in Jiuning Temple Branch of Nanjing Bank of which the Company paid and deposited retention monies of RMB5,000,000.00.

As at 31 December 2016, Sample Group provided guarantee to the Company for its issuance of letter of credit of RMB19,000,000.00 in Nanjing Branch of Everbright Bank.

3. Leasing

Name of the lessee	2016		2015	
	Area	Amount	Area	Amount
Nanjing Sample Investment Development Company Limited	281.88	143,646.04	1,385.00	606,630.00
Nanjing Intelligent Urban Constructive Investment Co., Ltd.	711.42	311,601.96	–	–
Nanjing Sample Intelligent Technology Co., Ltd.	110.00	28,105.00	–	–
Total		483,353.00		606,630.00

Note: The Company has commissioned the property management company for management of its investment property. From 1 January 2015 to 30 June 2016, Nanjing Huibaofeng Electronic Technology Co., Ltd. sublet to Nanjing Sample Investment Development Company Limited. From 1 July 2016 to 31 December 2016, the property management company (Nanjing Qima Property Management Co., Ltd.) sublet to Nanjing Sample Investment Development Company Limited. In addition, from 1 January 2016 to 31 December 2016, the Company and Nanjing Intelligent Urban Constructive Investment Co., Ltd. signed a relevant property leasing agreement.

Notes to the Financial Statements

For the year ended 31 December 2016

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XI. CONTINGENCIES

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

For the particulars of the guarantees provided to the related parties, Jiangsu Intellitrans Company Limited, Jiangsu Cross-border e-Commerce Services Co., Ltd., Jiangsu Siruide IOT Technology Co., Ltd. by the Company as at 31 December 2016, can be referred to Note X.(IV).2.

2. As at 31 December 2016, the Group has endorsed undue bank accepted bills with a total of RMB20,292,571.83.
3. Save as the above contingent matter, as at 31 December 2016, there is no other significant contingent matter which needs to be disclosed but has not been disclosed.

XII. SIGNIFICANT COMMITMENTS

1. Properties Usufruct Trust

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

2. Pledged assets

As at 31 December 2016, pledged assets of the Group can be referred to Note V (LIII).

3. Guarantee provided

As at 31 December 2016, the Group provided guarantee of a total of RMB79,211,885.91.

4. Save as the commitment disclosed above, as at 31 December 2016, there is no significant commitment which needs to be disclosed but has not been disclosed.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XIII. EVENTS AFTER BALANCE SHEET DATE

1. Proposed disposal of subsidiary

On 16 February 2017, the Group issued an announcement for a discloseable and connected transaction in relation to the proposed disposal of 82.61% equity interests of Cross-border e-Commerce, a non-wholly owned subsidiary, which holds 100% equity interests of Trade Connect, Trade Mutual and HK Cross-border to Sample Group. The total consideration of the disposal is RMB59,000,000. As at the reporting date, the disposal is subject to the approval of independent shareholders.

2. Profit distribution plan

On 31 March 2017, the Directors proposed the payment of a final dividend of RMB 47,523,510.00, which is RMB 0.15 per share, for the year ended 31 December 2016 (2015: RMB0.3 per share).

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

XIV. OTHER IMPORTANT MATTERS

(I) Correction of accounting errors for prior period

In 2015 and the years before, the project cost incurred for the customs integrated systems projects was recognized into inventories, while the progress payment received was recognised into advances from customers but not recognized in settlement items, resulting to an increase to both inventories and advances from customers. According to “Accounting Standards for Business Enterprises No. 15 – Construction Contracts” and “Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements”, the contract amount received for settlement should be recognized in the settlement of projects, and as deduction for inventory in the financial statements. According to the requirement of China Accounting Standards for Business Enterprises, the Company made retrospective adjustments for the accounting errors of the above matter. Effects on the financial statements are summarised as follows:

Items of financial statement	Items	2016	2015	2014
Inventory	Before adjustment	-	539,754,737.11	577,127,799.95
	After adjustment	-	524,397,493.94	567,661,250.58
	Affected amount	-	-15,357,243.17	-9,466,549.37
Advances from customers	Before adjustment	-	84,041,499.16	60,493,872.25
	After adjustment	-	68,684,255.99	51,027,322.88
	Affected amount	-	15,357,243.17	9,466,549.37

The above accounting errors had no impact to the financial statement items for 2016 as well as to the shareholders' equity and net profit of the Company for the prior years.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XIV. OTHER IMPORTANT MATTERS (Continued)

(II) Segments Information

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

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

Name of Products	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
System integration	892,699,500.03	643,766,071.64	801,936,325.32	591,974,433.37
Intelligent terminal sales	244,519,495.87	198,229,607.14	197,139,115.52	149,946,506.97
Service business	124,042,585.77	46,718,096.26	109,497,069.71	47,566,186.38
Cross-border trade and service	291,153,979.48	272,870,008.77	101,093,325.68	95,188,905.89
Total	<u>1,552,415,561.15</u>	<u>1,161,583,783.81</u>	<u>1,209,665,836.23</u>	<u>884,676,032.61</u>

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

(I) Accounts receivable

1. Disclosure of accounts receivable by categories

Categories	2016		2015		Carrying value	
	Closing balance		Provision for bad debts			Provision percentage (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Individually significant and subject to separate provision	-	-	-	-	-	
Subject to provision based on the characteristics of credit risk by groups including: due from governments	-	-	27,090,639.81	19.67	22,094,068.79	
due from non-governments	-	-	110,602,868.78	80.33	95,662,368.67	
Engineering and sales	181,850,621.78	100.00	31,028,477.37	17.06	150,822,144.41	
Sub-total for the group	181,850,621.78	100.00	31,028,477.37	17.06	150,822,144.41	
Individually insignificant but subject to separate provision	-	-	137,693,498.59	100.00	117,726,444.46	
Total	181,850,621.78	-	31,028,477.37	-	150,822,144.41	
			19,967,064.13	14.50	117,726,444.46	
			137,693,498.59	100.00	117,726,444.46	
			19,967,064.13	14.50	117,726,444.46	

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

Notes to the Financial Statements

For the year ended 31 December 2016

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XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Accounts receivable (Continued)

1. Disclosure of accounts receivable by categories (Continued)

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

Category	2016		2015	
	Closing balance	Provision for bad debts	Closing balance	Provision for bad debts
Due from governments	-	-	27,090,639.81	4,996,581.02

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

Aging	2016			2015		
	Closing balance	Provision for bad debts	Provision percentage (%)	Closing balance	Provision for bad debts	Provision percentage (%)
	Amount			Amount		
Within 1 year	125,430,735.85	3,762,922.07	3.00	74,274,889.45	2,228,246.68	3.00
1 to 2 years	24,505,622.67	1,960,449.82	8.00	9,656,294.78	772,503.58	8.00
2 to 3 years	9,441,653.97	2,832,496.19	30.00	21,002,788.15	6,300,836.45	30.00
Over 3 years	22,472,609.29	22,472,609.29	100.00	5,668,886.40	5,668,886.40	100.00
Total	181,850,621.78	31,028,477.37	-	110,602,858.78	14,970,473.11	13.54

2. The situation of provision, reversal or recovered of bad debts for the reporting period

Item	2015	Increase for the current period	Decrease for the current period	2016
Provision of bad debts	19,967,054.13	11,061,423.24	-	31,028,477.37

3. There were no actual write-off of accounts receivable in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Accounts receivable (Continued)

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

Name of Unit	2016		Provision of bad debts
	Accounts Receivable	Percentage of the total accounts receivable (%)	
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	29,961,250.00	16.48	898,837.50
Jiangsu Jiazi Tieta Information Technology Co., Ltd. (江蘇加資鐵塔信息技術有限公司)	29,472,059.80	16.21	884,161.79
Zhenjiang Educational Equipment and Work-study Program Management Center (鎮江市教育裝備與勤工儉學管理中心)	6,296,439.48	3.46	503,715.16
Jiangsu Jiazi Tieta Information Technology Co., Ltd. (江蘇加資鐵塔信息技術有限公司)	5,000,000.00	2.75	150,000.00
Nanjing Hi-tech Construction Development Co., Ltd. (南京高科建設發展有限公司)	4,586,661.89	2.52	4,586,661.89
Total	75,316,411.17	41.42	7,023,376.34

5. There were no accounts receivables derecognised due to transfer of financial assets in the reporting period.

6. There were no accounts receivables not completely derecognised but transferred in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables

1. Disclosure of other receivables by categories

Categories	2016		2015	
	Closing balance Amount	Provision for bad debts Percentage (%)	Closing balance Amount	Provision for bad debts Percentage (%)
Individually significant and subject to separate provision	-	-	-	-
Subject to provision based on the characteristics of credit risk by groups	-	-	-	-
Including: Construction guarantee deposits	2,298,284.50	2.98	-	-
Accounts receivable within the scope of combination	66,655,242.04	88.42	63,942,751.78	81.75
Retention monies	-	-	9,423,441.30	12.05
Others	8,171,846.97	10.60	4,851,344.74	6.20
Sub-total for the group	77,125,373.51	100.00	78,217,537.82	100.00
Individually insignificant but subject to separate provision	-	-	-	-
Total	77,125,373.51	-	78,217,537.82	0.42
			330,535.31	0.42
				77,887,002.51

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Disclosure of other receivables by categories (Continued)

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

Aging	2016			2015		
	Amount	Provision for bad debts	Provision percentage (%)	Amount	Provision for bad debts	Provision percentage (%)
Within 1 year	3,346,586.60	167,329.34	5.00	4,571,612.28	228,580.61	5.00
1 to 2 years	1,293,985.37	129,398.54	10.00	189,722.51	18,972.25	10.00
2 to 3 years	874,467.05	437,233.53	50.00	14,055.00	7,027.50	50.00
Over 3 years	2,656,807.95	2,656,807.95	100.00	75,954.95	75,954.95	100.00
Total	<u>8,171,846.97</u>	<u>3,390,769.36</u>	-	<u>4,851,344.74</u>	<u>330,535.31</u>	-

2. The situation of provision, reversal or recovered of bad debts for the reporting period

Item	2015	Increase for the current period	Decrease for the current period	2016
Provision of bad debts	<u>330,535.31</u>	<u>3,060,234.05</u>	<u>-</u>	<u>3,390,769.36</u>

3. There were no actual write-off of other receivables in the reporting period.

4. Classification of other receivables by nature

Nature of fund	2016	2015
Retention monies	9,105,442.76	9,423,441.30
Petty Cash	645,788.93	921,063.75
Other	718,899.78	3,930,280.99
Internal current account	66,655,242.04	63,942,751.78
Total	<u>77,125,373.51</u>	<u>78,217,537.82</u>

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

5. Particulars of the top five amounts of other receivables at the end of the year

Name of unit	Nature of amount	Closing balance	Aging	Percentage of the total other receivables (%)	Closing balance of provision of bad debts
Sample Technology (H.K.) Co., Ltd. (香港三寶科技股份有限公司)	Internal current account	63,942,751.78	Over 3 years	82.91	-
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	Internal current account	2,554,543.44	Within 1 year	3.31	-
Changchun Economic and Technological Development Zone Financial Settlement Center (長春經濟技術開發區財務結算中心)	Retention monies	901,485.20	Over 3 years	1.17	901,485.20
Xuzhou Municipal Government Procurement Center (徐州市政府採購中心)	Retention monies	800,000.00	Within 1 year	1.04	40,000.00
Jilin Province Bureau of Commerce (吉林省商務廳)	Retention monies	674,457.50	2 to 3 years	0.87	337,228.75
Total		<u>68,873,237.92</u>		89.30	<u>1,278,713.95</u>

6. Amount due from related parties of the Company included in balance of other receivables at the end of the year

Name of unit	2016	2015
Sample Technology (H.K.) Co., Ltd. (三寶科技(香港)有限公司)	63,942,751.78	63,942,751.78
Nanjing Sample Logistic Company Ltd. (南京三寶物流科技有限公司)	2,554,543.44	-
Total	<u>66,497,295.22</u>	<u>63,942,751.78</u>

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

8. There were no other receivables not completely derecognised but transferred in the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2016

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XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Long-term equity investments

Item	2016			2015		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investment in subsidiaries	355,377,688.00	—	355,377,688.00	337,977,688.00	—	337,977,688.00
Investment in associates	4,755,582.81	—	4,755,582.81	—	—	—
Total	360,133,270.81	—	360,133,270.81	337,977,688.00	—	337,977,688.00

Particulars of investment in subsidiaries

Investee	Accounting method	Investment cost	2015		Increase in the period	Decrease in the period	2016	Impairment provision in the current year	Closing balance of impairment provision
			2015	2015					
Subsidiaries:									
Jiangsu Intellitrans Company Limited	Cost method	130,000,000.00	130,000,000.00	—	—	130,000,000.00	—	—	
Nanjing Sample Logistic Company Limited	Cost method	8,400,000.00	6,000,000.00	2,400,000.00	—	8,400,000.00	—	—	
Nanjing Wu Lian Wang Yan Jiu Yuan Development Co., Limited	Cost method	100,000,000.00	85,000,000.00	15,000,000.00	—	100,000,000.00	—	—	
Sample Technology (H.K.) Co., Limited	Cost method	77,688.00	77,688.00	—	—	77,688.00	—	—	
Yangzhou Sample Information Technology Co., Ltd.	Cost method	5,000,000.00	5,000,000.00	—	—	5,000,000.00	—	—	
Xuzhou Sample Intelligent Technology Development Co., Ltd.	Cost method	70,000,000.00	70,000,000.00	—	—	70,000,000.00	—	—	
Jiangsu Cross-border e-Commerce Services Co., Ltd.	Cost method	41,900,000.00	41,900,000.00	—	—	41,900,000.00	—	—	
Total			337,977,688.00	17,400,000.00	—	355,377,688.00	—	—	

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XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Long-term equity investments (Continued)

Particulars of investment in associates

Investee	2015	Increase in investment	Decrease in investment	Investment gains and losses recognized under the equity method	Increase and decrease in the current period				2016	Provision for impairment in this period	Provision for impairment at the end of the year
					Adjustment of other comprehensive income	Other changes in equity	Cash dividend or profit declared	Other			
Nanjing Sample Chain Information Technology Co., Ltd. (南京三寶鏈式數據技術有限公司)	-	1,500,000.00	-	40,450.55	-	-	-	-	1,540,450.55	-	-
Zhongqing Century Sunshine Sports Technology Nanjing Co., Ltd. (中青世紀陽光體育科技(南京)有限公司)	-	3,900,000.00	-	-684,867.74	-	-	-	-	3,215,132.26	-	-
合計		5,400,000.00	-	-644,417.19	-	-	-	-	4,755,582.81	-	-

Notes to the Financial Statements

For the year ended 31 December 2016

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XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating income and operating cost

1. Operating income and operating cost

Items	2016		2015	
	Income	Cost	Income	Cost
Principal operation	317,170,128.49	223,366,816.77	258,814,607.20	172,793,498.33
Other operation	19,109,684.51	2,453,535.41	16,000,956.86	3,213,044.06
Total	336,279,813.00	225,820,352.18	274,815,564.06	176,006,542.39

2. Principal operations (by product)

Name of Products	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
System integration	76,022,061.86	47,337,280.04	86,666,277.94	56,141,403.76
Intelligent terminal sales	212,951,599.53	171,499,479.13	143,025,412.98	116,652,094.57
Service business	28,196,467.10	4,530,057.60	29,122,916.28	—
Total	317,170,128.49	223,366,816.77	258,814,607.20	172,793,498.33

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating income and operating cost (Continued)

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

Name of the customers	2016	
	Total operating income	Percentage of the total operating income of the Company (%)
China Electronics Technology Group Corporation 50th Institute (中國電子科技集團公司第五十研究所)	57,354,700.92	17.06
Jiangsu Yide Group Co., Ltd. (江蘇一德集團有限公司)	25,607,905.91	7.62
Jiangsu Jiazi Tieta Information Technology Co., Ltd. (江蘇加資鐵塔信息技術有限公司)	25,189,794.65	7.49
Nanjing Pulin Wei Network Technology Co., Ltd. (南京普林威網路技術有限公司)	20,524,293.99	6.10
Nanjing Feng Sheng Industry Holding Group Co., Ltd. (南京豐盛產業控股集團有限公司)	17,895,551.29	5.32
合計	146,572,246.76	43.59

(V) Investment income

Items	2016	2015
Investment income from long-term equity investments of wholly owned subsidiaries under cost method	20,000,000.00	170,000,000.00
Investment income from long-term equity investment under equity method	-644,417.19	-
Investment income from available-for-sale financial assets under cost method	-	1,285,200.00
Investment income from disposal of available-for-sale financial assets	-	2,760,100.98
Investment income of entrusted loan	9,499,990.85	2,775,782.76
Investment income of asset management plan	6,000,000.00	3,961,643.84
Investment income of wealth management products	31,162.19	1,386,082.19
Total	34,886,735.85	182,168,809.77

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(VI) Supplementary information of cash flow statements of the Company

Items	2016	2015
1. Reconciliation of net profit to cash flow of operating activities		
Net profit	53,581,322.36	204,409,495.21
Add: Provision for assets impairment	14,121,657.29	11,341,199.26
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	7,841,309.45	4,912,762.57
Amortisation of intangible assets	369,244.24	245,447.85
Amortisation of long-term deferred expenses	-	-
Loss on disposal of fixed assets, intangible assets and other long-term assets with “-” for income	-446,267.87	1,338.25
Loss on scrapped fixed assets with “-” for income	-	-
Loss on change in fair value with “-” for income	-4,227,700.00	-9,334,000.00
Financial expenses with “-” for income	16,869,855.60	16,469,114.61
Investment loss with “-” for income	-34,886,735.85	-182,168,809.77
Decrease in deferred tax assets with “-” for increase	-2,300,707.65	-1,669,511.25
Increase in deferred tax liabilities with “-” for decrease	-	8,796,998.29
Decrease in inventories	-20,443,006.41	-24,304,771.22
Decrease of operating receivables with “-” for increase	25,384,358.06	-107,428,772.25
Increase of operating payables with “-” for decrease	28,105,373.18	55,077,235.51
Others	-	-
Net cash flows from operating activities	83,968,702.40	-23,652,272.94
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
3. Net movement in cash and cash equivalents		
Cash at the end of the period	450,179,744.33	488,161,285.38
Less: cash at the beginning of year	488,161,285.38	117,861,653.67
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the year	-	-
Net increase in cash and cash equivalents	-37,981,541.05	370,299,631.71

Notes to the Financial Statements

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XVI. SUPPLEMENTAL INFORMATION

(I) Summary of non-recurring profit or loss

Items	2016	2015
Profits or losses on disposal of non-current assets	-287,788.80	-89,316.87
Government grants recognised in profits or losses (excluding those government grants that are closely relevant to the enterprise's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	16,888,641.98	6,713,597.42
Investment income from available-for-sale financial assets	-	1,285,200.00
Profits and losses of external entrusted loan	12,967,451.89	17,115,332.75
Gain or loss from changes in fair value of investment property arising from subsequent measurement using the fair value model	4,227,700.00	9,334,000.00
Investment income from the purchase of wealth management products	31,162.19	2,958,000.00
Investment income from the purchase of asset management plan	12,016,438.36	7,643,835.62
Other non-operating income and expenses other than the aforementioned items	168,189.93	-3,897.17
Other profit or loss items meeting the definition of non-recurring profit or loss (investment income from disposal of available-for-sale financial assets)	-	2,760,100.98
Impact on income tax	-7,999,870.47	-7,054,112.42
Impact on minority interests (after-tax)	-1,728,948.46	-622,263.12
Total	36,282,976.62	40,040,477.19

Notes to the Financial Statements

For the year ended 31 December 2016

(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTAL INFORMATION (Continued)

(II) Return on net assets and earnings per share

2016	Weighted average return on net assets (%)	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	11.11	0.603	0.603
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.00	0.488	0.488

2015	Weighted average return on net assets (%)	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	10.40	0.532	0.532
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	7.87	0.403	0.403

The calculation of the weighted average number of ordinary shares:

Item	2016	2015
Ordinary shares issued at the beginning of the year	316,823,400.00	224,100,000.00
Add: Weighted average number of ordinary shares issued during the current period	–	84,996,450.00
Less: Weighted average number of ordinary shares repurchased during the current period	–	–
Weighted average number of ordinary shares issued at the end of the period	316,823,400.00	309,096,450.00

Note: 92,723,400 shares were issued in January 2015, the weighted average number of ordinary shares issued for 2015 was 84,996,450 shares.

Five-Year Financial Summary

RESULTS

	2016 RMB'000	Year ended 31 December			
		2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total operating income	1,569,751	1,226,308	907,226	787,768	737,690
Total profit	229,933	188,392	167,671	151,624	206,840
Net profit	194,017	167,178	139,961	130,128	169,219
Net profit attributable to shareholders of the Company	191,025	164,469	137,953	126,406	167,928
Minority interests	2,992	2,709	2,008	3,722	1,291
Basic earnings per share (Renminbi Yuan)	0.603	0.532	0.616	0.564	0.749

ASSETS AND LIABILITIES

	2016 RMB'000	At 31 December			
		2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Current assets	2,871,898	2,483,585	1,839,182	1,398,454	1,191,208
Non-current assets	579,213	702,203	586,115	503,410	414,993
Current liabilities	1,491,582	1,305,962	1,171,929	744,654	542,777
Net current assets	1,380,316	1,177,624	667,253	653,800	648,431
Equity attributable to shareholders of the Company	1,768,267	1,669,546	1,123,762	1,008,321	926,868
Total shareholders' equity	1,831,062	1,723,376	1,173,109	1,057,060	963,886