

**NIIT CHINA (SHANGHAI) LIMITED AND ITS SUBSIDIARIES**

(Registered in the People's Republic of China)

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**



## **Independent Auditor's Report**

### **To the shareholders of NIIT China (Shanghai) Limited,**

We have audited the accompanying financial statements of NIIT China (Shanghai) Limited (the "Company") and its subsidiaries (the "Group"), including consolidated balance sheet of March 31, 2014, and consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow for the year then ended, and notes to the financial statements.

#### **I. Management's responsibility for the financial statements**

The management is responsible for the preparation and true and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs). The responsibility includes: (1) designing, performing and maintaining internal control related to the preparation and true and fair presentation of the financial statements, which are free from material misstatements whether due to frauds or errors; (2) choosing and applying appropriate accounting policies; (3) making reasonable accounting estimates in the circumstance

#### **II. Auditor's responsibility**

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audit. We performed our audit in accordance with International Standards on Auditing. Those standards require us to comply with professional ethics, and to plan and perform our audit so as to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the financial statements. The selective audit procedures depend on auditor's judgment, including the evaluation of the risk of material misstatement of the financial statements due to frauds or errors. When evaluating risk, we consider internal control related to financial statements, in order to design auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the internal control's effectiveness. An audit also includes assessing the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### **III. Auditor's opinion**

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of March 31, 2014, and of the Group's operation results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **IV. Other matters**

This report, including the opinion, has been prepared for and only for you, as a body in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Shanghai Jialiang CPAs Co., Limited

April 30, 2014

**NIIT CHINA (SHANGHAI) LIMITED**

**CONSOLIDATED BALANCE SHEET**

**AS AT MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

		As at March 31	
	Note	2014	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	8,582,415	5,831,345
Intangible assets	7	-	210,135
Other non-current assets	8	944,885	814,176
Deferred income tax assets, net	9	1,397,994	1,023,163
		<u>10,925,294</u>	<u>7,878,819</u>
<b>Current assets</b>			
Inventories	10	7,790	7,754
Trade and other receivables	11	32,175,873	33,275,035
Cash and cash equivalents	12	7,635,880	8,110,730
		<u>39,819,543</u>	<u>41,393,519</u>
<b>Total assets</b>		<u><u>50,744,837</u></u>	<u><u>49,272,338</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the investor of the Group</b>			
Paid-up capital	13	4,096,451	4,096,451
General reserve		4,407,599	3,294,351
Retained earnings		14,792,743	15,459,040
		<u>23,296,793</u>	<u>22,849,842</u>
<b>Minority interest in equity</b>		<u>5,351,240</u>	<u>5,020,627</u>
<b>Total equity</b>		<u><u>28,648,033</u></u>	<u><u>27,870,469</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	20,157,673	20,390,785
Current income tax liabilities		1,030,020	1,011,084
<b>Total current liabilities</b>		<u><u>21,187,693</u></u>	<u><u>21,401,869</u></u>
<b>Non-current liabilities</b>			
Deferred other income, non-current portion		<u>909,111</u>	<u>-</u>
<b>Total equity and liabilities</b>		<u><u>50,744,837</u></u>	<u><u>49,272,338</u></u>

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Director

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Director

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

**NIIT CHINA (SHANGHAI) LIMITED**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2014**  
(All Amount in RMB unless otherwise stated)

		<b>Year ended 31 March</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
Revenue from operations	15	50,649,053	52,474,854
Other income	16	476,545	1,479,313
<b>Total Revenue</b>		<u>51,125,598</u>	<u>53,954,167</u>
Cost and expenditures	17	(49,026,265)	(50,526,883)
<b>Profit before income tax</b>		<u>2,099,333</u>	<u>3,427,284</u>
Income tax expense	19	(1,321,769)	(1,617,355)
<b>Profit after income tax</b>		<u>777,564</u>	<u>1,809,929</u>
<b>Attributable to:</b>			
Equity holders of the Company		446,951	996,664
Minority interest		330,613	813,265
<b>Profit after income tax</b>		<u>777,564</u>	<u>1,809,929</u>

\_\_\_\_\_  
Director

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Director

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

**NIIT CHINA (SHANGHAI) LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

	<b>Paid in capital</b>	<b>General reserve</b>	<b>Retained earnings</b>	<b>Minority interest</b>	<b>Total equity</b>
<b>Balance at March 31, 2013</b>	4,096,451	3,294,351	15,459,040	5,020,627	27,870,469
Profit for the year	-	-	446,951	330,613	777,564
Transferred to General Reserve	-	1,113,248	(1,113,248)	-	-
<b>Balance at March 31, 2014</b>	4,096,451	4,407,599	14,792,743	5,351,240	28,648,033

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

**NIIT CHINA (SHANGHAI) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED MARCH 31, 2014**  
(All Amount in RMB unless otherwise stated)

	Note	Year ended March 31	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	3,748,781	3,612,135
Income tax paid		<u>(1,677,664)</u>	<u>(2,022,799)</u>
Net cash generated from operating activities		<u>2,071,117</u>	<u>1,589,336</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,198,645)	(3,136,328)
Loan		<u>(347,322)</u>	<u>(430,153)</u>
Net cash used in investing activities		<u>(2,545,967)</u>	<u>(3,566,481)</u>
<b>Cash flows from financing activities</b>			
Capital injected by shareholders		<u>-</u>	<u>2,813,039</u>
<b>Net (decrease)/increase in cash, cash equivalents</b>		(474,850)	835,894
Cash and cash equivalents at beginning of the year		<u>8,110,730</u>	<u>7,274,836</u>
<b>Cash and cash equivalents at end of the year</b>		<u>7,635,880</u>	<u>8,110,730</u>

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

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

#### **1. General Information**

NIIT China (Shanghai) Limited (“the Company”) was incorporated in the People’s Republic of China on August 23, 2000 as a wholly foreign owned enterprise. The Company principally engaged in the producing, selling software and multimedia, providing professional information technology training and services. In January 2013, the registered capital of the Company was increased to USD 2,000,000 from USD 210,000. In November 2012, the shareholder of the Company (i.e., NIIT GC Limited) injected 21% of the increment (i.e., USD 378,000) in form of cash into the Company’s capital account. As of March 31, 2014, the paid-up capital of the Company was USD 588,000.

On March 14, 2008, NIIT Wuxi Service Outsourcing Training School (“Wuxi School”) was jointly set up by the Company and Wuxi An Ai Ai Di Education and Training Company, Limited. Wuxi School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital of Wuxi School is RMB 800,000. The Company owns 60% of equity interest of Wuxi School.

On May 13, 2008, Chongqing NIIT Education Consulting Limited (“Chongqing Consulting”) was jointly set up by the Company and Chongqing Suobosi Business Consulting Company Limited. The registered capital of Chongqing Consulting is RMB 800,000. The Company owns 60% of equity interest of Chongqing Consulting.

On August 22, 2008, NIIT Chongqing Training Center (“Chongqing School”) was established and fully controlled by Chongqing Consulting. Chongqing School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital is RMB 500,000.

On June 19, 2009, Wuxi NIIT Information Technology Consulting Limited (“Wuxi Consulting”) is formed by the Company in association with Wuxi An Ai Ai Di Education Training Company Limited. The registered capital is RMB 800,000. The Company owns 60% of the equity interest. Wuxi Consulting engaged in providing consulting and training services on information technology.

On September 2, 2009, Changzhou NIIT Information Technology Consulting Limited (“Changzhou Consulting”) was set up and fully controlled by Wuxi Consulting. The registered capital is RMB 500,000.

On March 29, 2010, NIIT Changzhou Training Center (“Changzhou School”) was established and fully controlled by Changzhou Consulting. Changzhou School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered



## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

capital is RMB 400,000.

On April 28, 2010, Suzhou NIIT Information Technology Consulting Limited ("Suzhou Consulting") was set up and fully controlled by Wuxi Consulting. The registered capital is RMB 500,000.

On May 10, 2011, Su Zhou NIIT Training Center ("Suzhou School") was set up and fully controlled by Suzhou Consulting. The registered capital is RMB 500,000.

On May 14, 2012, Qingdao NIIT Information Technology Company Limited ("Qingdao Consulting") was set up and fully controlled by the Company. The registered capital is RMB 1,500,000.

On July 11, 2012, Qingdao ETDZ NIIT Service Outsourcing School ("Qingdao School") was set up and fully controlled by Qingdao Consulting. The registered capital is RMB 1,200,000.

On June 5, 2012, Chongqing An Dao Education Consulting Limited ("Chongqing Consulting II") jointly set up by the Company and Chongqing Yan'ao Business Management Consulting Company Limited. The registered capital is RMB 500,000. The Company owns 65% of the equity interest.

On January 11, 2013, Chongqing BeiBuXinQu AnDao Software Out-Source Education School ("Chongqing School II") was set up and fully controlled by Chongqing Consulting II. The registered capital is RMB 500,000.

On September 14, 2012, Zhangjiagang NIIT Information Services Limited ("Zhangjiagang Consulting") was jointly set up by the Company and Zhangjiagang Huizhi Technology Consulting Services Company Limited. The Articles of Association was approved on September 1, 2012. The registered capital is RMB 500,000. The Company owns 60% of the equity interest.

On October 12, 2012, Zhangjiagang NIIT Software and Service Outsourcing Training Center ("Zhangjiagang School") was set up and fully controlled by Zhangjiagang Consulting. The registered capital is RMB 500,000.

On December 19, 2012, Chengmai NIIT Information Technology Company Limited ("Hainan Consulting") was set up and fully controlled by the Company. The registered capital is RMB 500,000.

On August 6, 2013, Hainan NIIT software services and outsourcing training school ("Hainan School") was set up and fully controlled by Hainan Consulting. The registered capital is RMB 500,000.

The Company, Wuxi School, Chongqing Consulting, Chongqing School, Wuxi

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

Consulting, Changzhou Consulting, Changzhou School, Suzhou Consulting, Suzhou School, Qingdao Consulting, Qingdao School, Chongqing Consulting II, Chongqing School II, Zhangjiagang Consulting, Zhangjiagang School, Hainan Consulting and Hainan School are collectively referred to as the Group.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### **2.2 Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31, 2014.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **2.3 Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's functional and presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'.

All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains – net".

#### **2.4 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized

## NIIT CHINA (SHANGHAI) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives as follows:

	Useful lives
Machinery	5 years
Vehicles	5 years
Furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains - net, in the income statement.

#### **2.5 Intangible assets**

Cost incurred on internal development of courseware and products are capitalized as intangible assets when the following criteria are met

- it is technically feasible to complete the courseware and products so that it will be available for use;
- management intends to complete the courseware and products and use or sell it;
- there is an ability to use or sell the courseware and products;
- it can be demonstrated how the courseware and products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the courseware and products are available; and
- the expenditure attributable to the courseware and products during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the courseware and products include the courseware development employee costs and an

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Courseware and products development costs recognized as assets are amortized over their estimated useful lives.

#### **2.6 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization and are tested periodically for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 value in use. Non-financial assets other than goodwill that suffered on impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **2.7 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

#### **2.8 Financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, trade and other receivables and trade and other payables.

#### **2.9 Trade and other receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the expenditures in the income statement.

#### **2.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### **2.11 Employee benefits**

The Group participates in a mandatory government employee social security plans, including pension, medical, housing and other welfare benefits, arranged by the government authorities in accordance with relevant regulations. According to the relevant regulations, the premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to a certain ceiling and floor. Contributions to the plans are charged to the income statement.

Under the plans, retirement benefits of existing and retired employees are guaranteed by the local authorities and the Group has no further obligation beyond the monthly contributions.

#### **2.12 Provisions**

Provisions are recognized when the Group has a present obligation or constructive obligation as a result of past transactions or events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

obligation. The increase in the provision due to passage of time is recognized as interest expense.

#### **2.13 Revenue recognition**

Revenue comprises the receivable for the provision of services and the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group. The Group's services are provided within the same accounting period, and are recognized as revenue when the services are provided.

Interest income is recognized on a time-proportion basis using the effective interest method.

#### **2.14 Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

#### **2.15 Deferred income tax**

Deferred income tax is recognized, using the comprehensive balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### **3. Financial Risk Management**

#### **3.1 Foreign Risk Factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

Risk management is carried out by finance department under policies approved by the Board of Directors.

#### **a) Foreign exchange risk**

The Group operates domestically and is not significantly exposed to foreign exchange risk arising from any currency exposures. Accordingly, the Group has not used any forward contracts or currency borrowings to hedge its exposure to foreign currency risk.

#### **b) Credit risk**

The Group has no significant concentrations of credit risk. It has policies in place to ensure that technical services are rendered to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

#### **c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents together with adequate banking facilities.

#### **d) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

### **3.2 Fair Value estimation**

The carrying amounts of the following financial assets and financial liabilities approximate their fair value due to their short maturities: cash and cash equivalents, trade and other receivables, trade and others payables.

## **4. Critical Accounting Estimates and Judgments**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.



## **NIIT CHINA (SHANGHAI) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

(1) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision on each of the balance sheet date.

(2) Obsolescence of inventories

Inventories are valued at lower of cost or net realisable value. The provision for obsolescence of inventory is based on the aging analysis. Management reassesses the provision on each of the balance sheet date.

(3) Deferred income tax assets

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and law and best knowledge of profit projections of the Group for the coming years during which the deferred tax assets are expected to be utilized. Management will revise the assumption and profit projections by the balance sheet date.

## **5. Taxation**

(1) Business Tax

Revenue derived from professional services provided by the Company, Chongqing Consulting, Wuxi Consulting, Changzhou Consulting, Suzhou Consulting, Qingdao Consulting, Chongqing Consulting II, Zhangjiagang Consulting and Hainan Consulting is subject to business tax at 5% of gross service income.

Revenue derived from education courses provided by Wuxi School, Chongqing School, Changzhou School, Suzhou School, Qingdao School, Chongqing School II, Zhangjiagang School and Hainan School is subject to business tax at 3% of gross course fee income.

(2) Enterprise Income Tax ("EIT")

The applicable enterprise income tax rate is 25%.

The Group provides for income tax on the basis of its statutory income for financial reporting purpose, adjusting for income and expense items which are not assessable or deductible for income tax purposes and after considering all available tax benefits.

# NIIT CHINA (SHANGHAI) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

### (3) Other taxes

Other taxes are provided in accordance with the prevailing PRC tax regulations.

## 6. Property, plant and equipment

	<b>Machinery</b>	<b>Vehicles</b>	<b>Furniture</b>	<b>Total</b>
<b>Cost</b>				
At March 31, 2013	5,165,749	718,064	3,497,650	9,381,463
Addition	2,302,862	-	1,903,545	4,206,407
Disposal	(1,580)	-	-	(1,580)
<b>At March 31, 2014</b>	<b>7,467,031</b>	<b>718,064</b>	<b>5,401,195</b>	<b>13,586,290</b>
<b>Accumulated Depreciation</b>				
At March 31, 2013	(2,137,792)	(262,665)	(1,149,661)	(3,550,118)
Charge	(655,838)	(129,252)	(669,899)	(1,454,989)
Disposal	1,232	-	-	1,232
<b>At March 31, 2014</b>	<b>(2,792,398)</b>	<b>(391,917)</b>	<b>(1,819,560)</b>	<b>(5,003,875)</b>
<b>Net Book Value</b>				
At March 31, 2013	3,027,957	455,399	2,347,989	5,831,345
At March 31, 2014	4,674,633	326,147	3,581,635	8,582,415

## 7. Intangible assets

	<b>Courseware and products</b>	<b>Others</b>	<b>Total</b>
As of March 31 <sup>st</sup> , 2013	182,152	27,983	210,135
Amortized during the year	(182,152)	(27,983)	(210,135)
<b>As of March 31<sup>st</sup>, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 8. Other non-current assets

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Deposits	944,885	814,176

## NIIT CHINA (SHANGHAI) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

#### 9. Deferred income tax

Deferred tax assets and deferred tax liabilities should be offset on the balance sheet only if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Deferred tax assets arise from outstanding expense accrued by management and bad debt provision which are not approved by local tax authority. Above-mentioned outstanding expense and unapproved bad debt provision are temporarily not allowed for deduction before corporate tax under the local tax rule. The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

As of March 31 <sup>st</sup> , 2013	3,610,222
Credit to the income statement	239,544
<b>As of March 31<sup>st</sup>, 2014</b>	<b>3,849,766</b>

Deferred tax liabilities mainly arise from the revenue of Wuxi school, Qingdao School, Zhangjiagang School and Hainan School which is recognized but not taxed until received under the local tax rule. The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

As of March 31 <sup>st</sup> , 2013	2,587,059
Credit to the income statement	(135,287)
<b>As of March 31<sup>st</sup>, 2014</b>	<b>2,451,772</b>

#### 10. Inventories

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Inventories	476,709	476,673
Less: Provision for obsolescence	(468,919)	(468,919)
<b>Inventories, net</b>	<b>7,790</b>	<b>7,754</b>

# NIIT CHINA (SHANGHAI) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

### 11. Trade and other receivables

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Trade receivables	29,582,935	29,931,059
Less: impairment provision	(8,533,377)	(7,033,377)
	<u>21,049,558</u>	<u>22,897,682</u>
Loan		
- Principal	4,100,000	4,460,893
- Interest	1,039,241	752,241
	<u>5,139,241</u>	<u>5,213,134</u>
Prepayment	4,851,266	3,969,354
Prepaid expense	715,948	546,661
Staff advance	196,585	252,491
Deposits	97,009	269,446
Payment on behalf of related companies	126,266	126,267
<b>Total</b>	<b><u>32,175,873</u></b>	<b><u>33,275,035</u></b>

### 12. Cash and cash equivalents

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Cash on hand	153,648	149,652
Cash in banks	7,482,232	7,961,078
<b>Total</b>	<b><u>7,635,880</u></b>	<b><u>8,110,730</u></b>

### 13. Paid-up capital

	<u>USD</u>	<u>RMB equiv.</u>
NIIT GC Limited	588,000	4,096,451

The paid-in capital is USD 588,000 which is fully contributed by NIIT GC Limited. All of the paid-in capital was verified by a local CPA firm.

**NIIT CHINA (SHANGHAI) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

**14. Trade and other payables**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Trade payables	11,977,214	10,614,349
Accrued expenses	5,311,785	6,065,747
Advance from customers	1,749,471	2,788,226
Deferred other income	219,672	-
Business tax and levies payable	191,290	197,082
Salary and welfare payable	58,358	127,015
Staff reimbursement payable	14,753	219,352
Other payables	635,130	379,014
<b>Total</b>	<b>20,157,673</b>	<b>20,390,785</b>

**15. Revenue**

	<b>2014</b>	<b>2013</b>
Course fee	42,357,867	43,666,843
Courseware	3,596,600	2,852,813
Corporate training program	2,271,554	37,000
Faculty fee	1,649,875	1,842,000
Training fee	31,200	55,400
Technical information reference material fee	-	3,000,000
Others	741,957	1,020,798
<b>Total</b>	<b>50,649,053</b>	<b>52,474,854</b>

**16. Other income**

	<b>2014</b>	<b>2013</b>
Interest income on loan (a)	287,000	287,000
Subsidy income	91,617	1,088,400
Foreign exchange gain, net	78,660	58,749
Others	19,268	45,164
<b>Total</b>	<b>476,545</b>	<b>1,479,313</b>

- (a) Interest derived from the personal loan provided to two shareholders of Imperia China and Imperia Jing'an School in this fiscal year. The annual interest rate is 7%.

# NIIT CHINA (SHANGHAI) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

#### 17. Cost and expenditures

	2014	2013
Employee benefit costs (Note 18)	23,965,490	24,128,951
Development, production and execution costs	5,125,801	7,059,566
Business tax and surcharge	1,752,085	1,704,642
Depreciation and amortization	1,665,123	1,563,158
Other expenses	16,517,766	16,070,566
<b>Total</b>	<b>49,026,265</b>	<b>50,526,883</b>

#### 18. Employee benefit costs

	2014	2013
Salary and bonus	19,247,210	19,611,632
Social benefit	3,407,904	3,425,597
Staff welfare	1,310,376	1,091,722
<b>Total</b>	<b>23,965,490</b>	<b>24,128,951</b>

#### 19. Income tax expenses

	2014	2013
Current income tax	1,696,600	511,166
Deferred tax	(374,831)	1,106,189
<b>Total</b>	<b>1,321,769</b>	<b>1,617,355</b>

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the effective tax rate of the Group as follows.

	2014	2013
Profit before tax	2,099,333	3,427,284
Tax calculated at the applicable tax rates	524,834	856,821
Adjustment in respect of prior year	794,152	(202,375)
Benefit from tax loss carried forward	(120,412)	-
Deduct benefit from loss in local book	123,195	962,909
<b>Income tax expenses</b>	<b>1,321,769</b>	<b>1,617,355</b>

**NIIT CHINA (SHANGHAI) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2014**

(All Amount in RMB unless otherwise stated)

**20. Cash generated from operations**

	<b>2014</b>	<b>2013</b>
Profit before tax	2,099,333	3,427,284
Adjustment for		
- Depreciation and amortization	1,665,124	1,563,158
- Provision for impairment of receivables	1,500,000	860,423
- Loss on disposal of PPE	348	37,580
- Interest on loan	(287,000)	(287,000)
Change in working capital		
- (Increase)/Decrease in inventories	(36)	11,559
- Increase in receivables	(880,538)	(868,850)
- Decrease in payables	(348,450)	(1,132,019)
<b>Net cash generated from operations</b>	<b>3,748,781</b>	<b>3,612,135</b>

**21. Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**(a) Names of related companies and nature of relationship:**

<b>Entity Name</b>	<b>Nature of relationship</b>
NIIT Limited	Ultimate parent company
NIIT GC Limited	Parent company
NIIT (USA) Inc.	Controlled by the same ultimate parent company
NIIT Malaysia	Controlled by the same ultimate parent company
NIIT Technologies Limited and its subsidiaries	Under which the ultimate parent company exercises significant influence
Chongqing Suobosi Business Consulting Co. Ltd.	Local partner with whom jointly set up Chongqing Consulting

# NIIT CHINA (SHANGHAI) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

### (b) Significant related party transactions and balances

#### (1) Pricing Policy

The Group's pricing policies on receiving or providing services are determined by internal negotiation with reference to market situation.

#### (2) Significant transaction with related parties

	<b>2014</b>	<b>2013</b>
Rendering of service		
- NIIT Technologies Pte Limited, Singapore	390,766	463,042
- NIIT (USA) Inc.	149,320	167,936
<b>Total</b>	<b>540,086</b>	<b>630,978</b>
Receiving of service		
- Chongqing Suobosi Business Consulting Co. Ltd.	-	636,432

#### (3) Significant balances with related parties

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Trade and other receivables		
- NIIT Technologies Pte Limited, Singapore	489,551	84,428
- NIIT Limited	83,308	83,308
- NIIT Technology Limited – India	1,672	1,672
- NIIT (USA) Inc.	9,766	-
<b>Total</b>	<b>584,297</b>	<b>169,408</b>
Trade and other payables		
- NIIT GC Limited	7,795,944	7,795,944
- NIIT Limited	69,153	69,153
- NIIT Malaysia	593	593
<b>Total</b>	<b>7,865,690</b>	<b>7,865,690</b>



## NIIT CHINA (SHANGHAI) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All Amount in RMB unless otherwise stated)

#### 22. Commitments

##### Operating lease commitments

The operating leases are all composed of leasing offices under non-cancellable operation lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments due under non-cancelable operating leases are as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Less than 1 year	1,730,551	1,171,110
Between 1 and 2 years	310,188	587,308
Between 2 and 3 years	-	96,641
Above 3 years	-	-
<b>Total</b>	<u><b>2,040,739</b></u>	<u><b>1,855,059</b></u>