

NIIT CHINA (SHANGHAI) LIMITED AND ITS SUBSIDIARIES
(Registered in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017



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, 2017, 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.





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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, 2017, 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

May 14, 2017

NIIT CHINA (SHANGHAI) LIMITED

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2017

(All Amount in RMB unless otherwise stated)

	Note	As at March 31	
		2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,299,411	6,213,806
Intangible assets	7	1,579,323	948,571
Other non-current assets	8	1,383,410	992,220
Deferred income tax assets, net	9	4,288,477	3,526,461
		<u>13,550,621</u>	<u>11,681,058</u>
Current assets			
Inventories	10	15,828	11,271
Trade and other receivables	11	13,148,863	8,109,708
Cash and cash equivalents	12	20,013,619	20,643,508
		<u>33,178,310</u>	<u>28,764,487</u>
Total assets		<u>46,728,931</u>	<u>40,445,545</u>
EQUITY			
Capital and reserves attributable to the investor of the Group			
Paid-up capital	13	4,096,451	4,096,451
General reserve		4,415,367	4,415,367
Retained earnings		2,953,637	(2,274,121)
		<u>11,465,455</u>	<u>6,237,697</u>
Minority interest in equity		<u>3,505,336</u>	<u>4,144,187</u>
Total equity		<u>14,970,791</u>	<u>10,381,884</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	27,285,803	27,762,989
Current income tax liabilities		4,472,337	2,300,672
Total current liabilities		<u>31,758,140</u>	<u>30,063,661</u>
Total equity and liabilities		<u>46,728,931</u>	<u>40,445,545</u>

Director

Director

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



NIIT CHINA (SHANGHAI) LIMITED

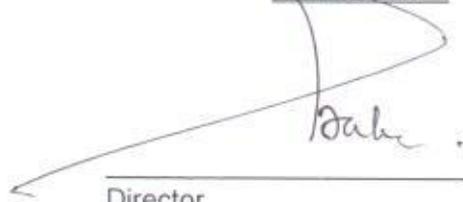
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2017
(All Amount in RMB unless otherwise stated)

	Note	Year ended 31 March	
		2017	2016
Revenue from operations	15	74,074,637	58,318,793
Other income	16	298,028	517,811
Total Revenue		<u>74,372,665</u>	<u>58,836,604</u>
Cost and expenditures	17&18	(65,938,436)	(51,819,681)
Profit before income tax		<u>8,434,229</u>	<u>7,016,923</u>
Income tax expense	19	(3,845,322)	(1,684,478)
Profit after income tax		<u>4,588,907</u>	<u>5,332,445</u>
Attributable to:			
Equity holders of the Company		5,227,758	4,393,380
Minority interest		(638,851)	939,065
Profit after income tax		<u>4,588,907</u>	<u>5,332,445</u>

Director



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, 2017
(All Amount in RMB unless otherwise stated)

	Paid in capital	General reserve	Retained earnings	Minority interest	Total equity
Balance at March 31, 2016	4,096,451	4,415,367	(2,274,121)	4,144,187	10,381,884
Profit for the year	-	-	5,227,758	(638,851)	4,588,907
Balance at March 31, 2017	4,096,451	4,415,367	2,953,637	3,505,336	14,970,791

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, 2017
(All Amount in RMB unless otherwise stated)

	Note	Year ended March 31	
		2017	2016
Cash flows from operating activities			
Cash generated from operations	20	6,047,345	17,933,539
Income tax paid		<u>(2,435,672)</u>	<u>(1,296,524)</u>
Net cash generated from operating activities		<u>3,611,673</u>	<u>16,637,015</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		<u>(4,241,562)</u>	<u>(7,180,217)</u>
Cash flows from financing activities			
Dividend paid to minority shareholder		<u>-</u>	<u>(278,566)</u>
Net (decrease)/increase in cash, cash equivalents			
		(629,889)	9,178,232
Cash and cash equivalents at beginning of the year		<u>20,643,508</u>	<u>11,465,276</u>
Cash and cash equivalents at end of the year		<u>20,013,619</u>	<u>20,643,508</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, 2017

(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, 2017, 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 capital is RMB 400,000.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

(All Amount in RMB unless otherwise stated)

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.

On April 18, 2014, Dafeng NIIT Information Technology Company Limited ("Dafeng Consulting") was set up and fully controlled by Changzhou Consulting. The

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017 (All Amount in RMB unless otherwise stated)

registered capital is RMB 500,000. The capital has not been injected as of March 31, 2017.

On November 24, 2015, Guizhou NIIT Information Technology Consulting Limited ("Guizhou Consulting") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is RMB 3,000,000.

On December 2, 2016, NIIT (Guizhou) Education Technology Co., Ltd. ("Guizhou Consulting II") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is RMB 5,000,000. The capital has not been injected as of March 31, 2017.

The Company, Wuxi School, Chongqing Consulting, Chongqing School, Wuxi 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, Hainan School, Dafeng Consulting, Guizhou Consulting, and Guizhou Consulting II 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, 2017.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of



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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 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



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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 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.

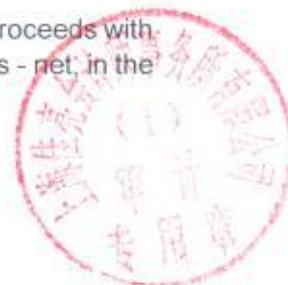
Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives as follows:

	Useful lives
Machinery	3-10 years
Vehicles	5 years
Furniture	5 years
Computers	3 years
Machinery including:	Useful lives
- Computers, printers and related accessories	3 years
- Computers Server and Networks	5 years
- Electronic Equipment	8 years
- Air Conditioners	10 years
- Motor Vehicles	8 years
- Office Equipment	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.



NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017 (All Amount in RMB unless otherwise stated)

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 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



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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 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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All Amount in RMB unless otherwise stated)

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 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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017
(All Amount in RMB unless otherwise stated)**

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.

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.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All Amount in RMB unless otherwise stated)

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.

(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.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

(All Amount in RMB unless otherwise stated)

5. Taxation

(1) Business Tax

Revenue derived from professional services provided by the Company, Chongqing Consulting, Wuxi Consulting, Changzhou Consulting, Suzhou Consulting, Qingdao Consulting, Zhangjiagang Consulting, and Hainan Consulting is subject to business tax at 5% of gross service income before the end of April 2016.

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 before the end of April 2016.

(2) Value-added Tax ("VAT")

Since May 1, 2016, revenue derived from services provided by the Company, Wuxi School, Chongqing School, Guizhou Consulting and Guizhou Consulting II is subject to VAT at 6% of service income, revenue derived from services provided by Chongqing Consulting, Wuxi 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, Hainan School, and Dafeng Consulting is subject to VAT at 3% of service income.

(3) 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.

(4) Other taxes

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



NIIT CHINA (SHANGHAI) LIMITED

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(All Amount in RMB unless otherwise stated)

6. Property, plant and equipment

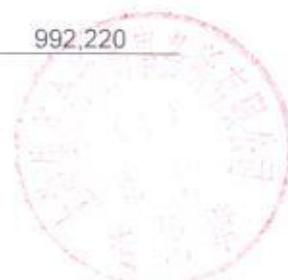
	Machinery	Vehicles	Furniture	Total
Cost				
At March 31, 2016	10,119,860	883,889	6,018,603	17,022,352
Addition	627,299	266,800	2,568,682	3,462,781
Disposal	-	-	-	-
At March 31, 2017	10,747,159	1,150,689	8,587,285	20,485,133
Accumulated Depreciation				
At March 31, 2016	(6,322,744)	(707,468)	(3,778,334)	(10,808,546)
Charge	(1,673,626)	(41,686)	(1,661,864)	(3,377,176)
Disposal	-	-	-	-
At March 31, 2017	(7,996,370)	(749,154)	(5,440,198)	(14,185,722)
Net Book Value				
At March 31, 2016	3,797,116	176,421	2,240,269	6,213,806
At March 31, 2017	2,750,789	401,535	3,147,087	6,299,411

7. Intangible assets

	Acquired	Internally generated	Under development	Total
Cost				
At March 31, 2016	279,830	1,821,523	948,571	3,049,924
Addition	-	-	946,942	946,942
Transfer	-	948,571	(948,571)	-
At March 31, 2017	279,830	2,770,094	946,942	3,996,866
Accumulated Amortization				
At March 31, 2016	(279,830)	(1,821,523)	-	(2,101,353)
Charge	-	(316,190)	-	(316,190)
At March 31, 2017	(279,830)	(2,137,713)	-	(2,417,543)
Net Book Value				
At March 31, 2016	-	-	948,571	948,571
At March 31, 2017	-	632,381	946,942	1,579,323

8. Other non-current assets

	March 31, 2017	March 31, 2016
Deposits	1,383,410	992,220



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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 temporarily. 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 st , 2016	4,544,287
Credit to the income statement	1,676,780
As of March 31st, 2017	<u>6,221,067</u>

Deferred tax liabilities mainly arise from the revenue 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 st , 2016	1,017,826
Debit to the income statement	914,764
As of March 31st, 2017	<u>1,932,590</u>

10. Inventories

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Inventories	484,747	480,190
Less: Provision for obsolescence	(468,919)	(468,919)
Inventories, net	<u>15,828</u>	<u>11,271</u>



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11. Trade and other receivables

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Trade receivables	29,740,929	23,373,381
Less: impairment provision	(21,208,754)	(20,219,394)
	<u>8,532,175</u>	<u>3,153,987</u>
Loan		
- Principal	4,100,000	4,100,000
- Interest	1,039,241	1,039,241
Less: impairment provision	(5,139,241)	(5,139,241)
	<u>-</u>	<u>-</u>
Prepayment	6,689,363	7,256,103
Less: impairment provision	(3,931,723)	(3,931,723)
	<u>2,757,640</u>	<u>3,324,380</u>
Prepaid expense	1,068,846	1,048,640
Deposits	416,052	99,629
Staff advance	325,842	434,764
Payment on behalf of related companies	48,308	48,308
Total	<u>13,148,863</u>	<u>8,109,708</u>

12. Cash and cash equivalents

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Cash on hand	133,127	395,204
Cash in banks (a)	19,880,492	20,248,304
Total	<u>20,013,619</u>	<u>20,643,508</u>

(a) The deposits of CNY 300,000 in Chongqing School's and Chongqing School II's accounts were restricted according to the local regulation issued by Chongqing Education Committee. Such deposits were placed to guarantee the ongoing operation if the training center encounters the financial difficulties.

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.



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14. Trade and other payables

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Accrued expenses	12,613,081	6,736,550
Advance from customers	9,628,811	9,286,045
Trade payables	4,073,836	10,569,273
Staff reimbursement payable	557,279	66,469
Salary and welfare payable	92,832	120,796
VAT payable	68,394	-
Business tax and levies payable	32,194	210,222
Deferred other income	-	255,045
Other payables	219,376	518,589
Total	<u>27,285,803</u>	<u>27,762,989</u>

15. Revenue

	<u>2017</u>	<u>2016</u>
Course fee	53,819,186	46,817,709
Courseware	7,878,094	7,202,238
Faculty fee	1,896,930	1,715,000
Corporate training program	8,659,289	956,983
Training fee	-	28,000
Others	1,821,138	1,598,863
Total	<u>74,074,637</u>	<u>58,318,793</u>

16. Other income

	<u>2017</u>	<u>2016</u>
Subsidy income	255,045	436,869
Others	42,983	80,942
Total	<u>298,028</u>	<u>517,811</u>

17. Cost and expenditures

	<u>2017</u>	<u>2016</u>
Employee benefit costs (Note 18)	26,995,376	24,296,870
Development, production and execution costs	14,331,117	5,996,791
Business tax and surcharge	176,232	2,152,209
Depreciation and amortization	3,693,370	2,710,322
Other expenses	20,742,341	16,663,489
Total	<u>65,938,436</u>	<u>51,819,681</u>

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18. Employee benefit costs

	<u>2017</u>	<u>2016</u>
Salary and bonus	21,687,972	19,823,472
Social benefit	3,204,981	3,000,395
Staff welfare	2,102,423	1,473,003
Total	<u>26,995,376</u>	<u>24,296,870</u>

19. Income tax expenses

	<u>2017</u>	<u>2016</u>
Current income tax expense	4,607,337	1,983,020
Deferred tax expense	(762,015)	(298,542)
Total	<u>3,845,322</u>	<u>1,684,478</u>

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.

	<u>2017</u>	<u>2016</u>
Profit before tax	8,434,229	7,016,921
Tax calculated at the applicable tax rates	2,108,558	1,754,230
Adjustment in respect of prior year	(236,129)	(1,050,176)
Benefit from tax loss carried forward	(111,863)	(397,290)
Permanent differences	1,190,122	384,305
Timing difference not recognized on account of prudence	894,634	993,409
Income tax expenses	<u>3,845,322</u>	<u>1,684,478</u>



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20. Cash generated from operations

	2017	2016
Profit before tax	8,434,229	7,016,923
Adjustment for		
- Depreciation and amortization	3,693,370	2,710,323
- Provision for impairment of receivables	989,360	-
Change in working capital		
- Increase in inventories	(4,557)	(3,240)
- (Increase)/Decrease in receivables	(6,239,175)	1,017,022
- (Decrease)/Increase in payables	(825,882)	7,192,511
Net cash generated from operations	6,047,345	17,933,539

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:

Entity Name	Nature of relationship
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

(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.



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(2) Significant transaction with related parties

	<u>2017</u>	<u>2016</u>
Rendering of services		
- NIIT (USA) Inc.	1,188,885	888,594
- NIIT Technologies Pte Limited, Singapore	619,629	315,440
Total	<u>1,808,514</u>	<u>1,204,034</u>
Receiving of services		
- NIIT Limited	2,241,642	1,977,318

(3) Significant balances with related parties

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Trade and other receivables		
- NIIT (USA) Inc.	86,385	347,766
- NIIT Limited	83,648	83,308
- NIIT Technologies Pte Limited, Singapore	56,002	29,974
- NIIT Technology Limited – India	1,672	1,672
Total	<u>227,707</u>	<u>462,720</u>
Trade and other payables		
- NIIT Limited	2,116,541	2,355,900
- NIIT (USA) Inc.	100,829	-
- NIIT Technologies Pte Limited, Singapore	14,358	14,358
- NIIT GC Limited	-	7,795,944
- NIIT Malaysia	-	593
Total	<u>2,231,728</u>	<u>10,166,795</u>



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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, 2017</u>	<u>March 31, 2016</u>
Less than 1 year	2,882,774	1,769,019
Between 1 and 2 years	1,546,048	944,867
Between 2 and 3 years	950,253	238,644
Above 3 years	1,443,212	-
Total	<u>6,822,287</u>	<u>2,952,530</u>

23. Contingent liability

There was a notice sent by Wuxi Xinwu Court in China to NIIT Wuxi School of which NIIT China Shanghai Limited owns 60% share on 9th May 2017. The notice was to freeze the NIIT Wuxi School's Bank account of RMB 2 million or equivalent other assets in respect of dispute on a property lease agreement. The notice was dated 9th May 2017 whereby the Legal Representative of NIIT Wuxi school will have to appear in the court on 8th Jun 2017 to present the case. The matter has been referred to lawyers in China and pending presenting the case on due date, as of the report date, the lawyers were unable to assess the probable result of this case. The amount has been considered as Contingent Liability.

