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SINOSOFT TECHNOLOGY

2014 annual report

Sinosoft Technology Group Limited
中國擎天軟件科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1297

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Xin Yingmei *(Chairlady)*
Mr. Yu Yifa

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUDIT COMMITTEE

Mr. Kwauk Teh Ming, Walter *(Chairman)*
Mr. Kang Choon Kiat
Mr. Zong Ping

REMUNERATION COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Yu Yifa

NOMINATION COMMITTEE

Ms. Xin Yingmei *(Chairlady)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

INVESTMENT MANAGEMENT COMMITTEE

Mr. Kang Choon Kiat *(Chairman)*
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

AUTHORIZED REPRESENTATIVES

Mr. Yu Yifa
Dr. Ngai Wai Fung

COMPANY SECRETARY

Dr. Ngai Wai Fung *(FCIS, FCS (PE), CPA, FCCA)*

COMPLIANCE ADVISER

TC Capital Asia Limited
Suite 1904, 19th Floor, Tower 6
The Gateway, Harbour City
9 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

No. 26 Tianpu Road
Jiangpu Street
Pukou District
Nanjing City
Jiangsu
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
China Merchants Bank

COMPANY WEBSITE

www.sinosoft-technology.com

STOCK CODE

1297

FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years was as follows -

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**347,849**	280,841	226,728	184,934	152,354
Net profit before tax	**157,030**	112,363	93,880	72,673	48,623
Income tax expense	**(22,501)**	(11,421)	(17,654)	(13,911)	(2,081)
Net profit for the year	**134,529**	100,942	76,226	58,762	46,542

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**176,993**	134,520	97,792	73,144	92,210
Current assets	**641,655**	579,730	317,739	232,417	199,609
Total assets	**818,648**	714,250	415,531	305,561	291,819
Equity and liabilities					
Equity attributable to owners of the Company	**740,997**	621,909	233,395	157,169	164,254
Non-current liabilities	**21,594**	14,055	14,021	8,415	7,393
Current liabilities	**56,057**	78,286	168,115	139,977	120,172
Total liabilities	**77,651**	92,341	182,136	148,392	127,565
Total equity and liabilities	**818,648**	714,250	415,531	305,561	291,819

Notes:

The summary of the consolidated results of the Group for each of the three years ended 31 December 2012 and of the assets, equity and liabilities as at 31 December 2010, 2011 and 2012 have been extracted from the Company's prospectus dated 27 June 2013. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years.

On behalf of the board (the "Board") of directors (the "Directors") of Sinosoft Technology Group Limited (the "Company"), I am pleased to present to the shareholders the annual report and audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

Despite the challenges to the macro economy of the PRC in 2014, the economic structure has been gradually optimizing, with the economic growth of tertiary industry recording 8.1% for the year, higher than the overall economic growth of 7.4%. Among which, economy of new technology and new industries were the largest growth momentum. Against the backdrop of this development trend and the central government constantly increasing investment in information technology, in addition to the intense attention in energy saving and emission reduction, have created a favorable development environment for the Group's core business segments. Leveraging on the Group's leading position and edges in its core business segments, solid results were achieved in 2014 with healthy year-on-year growth across its revenues, earnings and cash flow. Accordingly, The Board has recommended the payment of a final dividend of RMB 1.95 cents per share for the year ended 31 December 2014.

OUTLOOK

The PRC economy is entering into a new stage of steady growth and structural optimization. The economic growth goal for 2015 set by the central government is 7%. Among which, emerging industries such as information technology and energy conservation and environmental protection will be nurtured as dominant industries, supporting the economic growth. Li Keqiang, the Premier of the State Council, has in the latest government work report formulated the "Internet+" action plan, promoted the application of mobile internet, cloud computing, big data and internet of things and facilitated e-commerce. Besides, the goal that the energy consumption intensity in 2015 shall be reduced by over 3.1% and the discharge of major pollutants shall continue to reduce has been clearly set. The government, enterprises and the whole society will have an increased demand for the application of information technology and energy conservation and emission reduction, which will continue to create opportunities for the future development of the Group.

With regard to export tax rebate, the government is committed to improve the export tax rebate system. As expressed in the work report, the government will implement policies for nurturing new competitive advantages in foreign trade to support export growth and expand cross-border e-commerce integrated pilots, which will benefit the overall export trend and the Group's growth in export tax rebate business. In addition, the State Administration of Taxation started to implement differentiated management for tax rebate applications in accordance with the reputation of export enterprises from March 2015. Application procedures will be simplified for enterprises with good tax payment discipline and reputation, and the time required for processing tax rebates will also be substantially reduced. On the contrary, dishonest enterprises which had violated the declaration provisions will have to go through more stringent tax rebate procedures. The policy direction of encouraging enterprises to more strictly handle export tax rebate application will drive export enterprises to use the Group's export tax software and related services more frequently, in order to increase the accuracy of application so as to reduce the risk of non-compliance. The Group will continue to keep abreast of the development of policies and provide different software products, services and training courses that can help improve the reputation of export enterprises and facilitate their export tax rebate applications.

In addition to software products and consultation services, the cooperation with Ant Financial Group Services ("Ant Financial") for launching the unsecured credit loan announced after the reporting period, marked the debut of the Group's financial services. This cooperation with Ant Financial laid the foundation to further areas of cooperation in the future. Capitalising on the Group's professional and extensive experience in export tax industry, competitive advantage in big data analysis and the association with Ant Financial, the Group will strive to provide more financial services for its customers in the future.

The Group's carbon management solutions will continue to benefit from the government's determination of striving to conserve energy, reduce emissions and establish the energy conservation and environmental protection industry into pillar economies. As 2015 is the final assessment year for the implementation of greenhouse gas control by the State Council under the "12th Five Year Plan", both the government and enterprises must step up the effort in energy conservation and emission reduction. All provinces and cities have to speedily complete the basic work of total carbon audit. By combining low carbon consultation and information technology products, the Group is able to standardize and normalize the audit work. Carbon reporting for 10,000 key enterprises in China is the preparation work that must be completed by the central government and all local governments. The Group's reporting system products can build submission platforms for the central government and local governments of all levels, complemented with the corresponding consultation service, to effectively form interaction between government and enterprises in energy conservation and emission reduction.

The government has set several goals in the latest work report in respect of promoting the construction of major ecological engineering projects, expanding key ecological function zones and operating ecological civilized demonstration area, all of which will benefit the Group's ecology cloud platform that can integrate energy and environmental data, and thus create more demand for it. The government's plan to expand the carbon trading pilot markets will benefit the Group's carbon asset management system for enterprise as well.

With regard to e-Government, the latest series of policy documents such as "Guiding Opinions of the General Office of the State Council on Promoting the Coordinated Development of e-Government (國務院辦公廳關於促進電子政務協調發展)" expressly state the objectives and contents in enhancing information technology application, construction and integration, data sharing, analysis and utilization, government decision making and management, public services and office applications. The Group's solutions such as the cloud-based platform for service industry, combined with years of experience in the areas of government decision making and management application as well as technological advantages in big data and cloud computing, will continue to benefit from the government's direction of developing information technology application and integration, decision analysis and management.

Meanwhile, through the successive implementation of judicial reform policies by the central government, combined with the government's keen determination in strengthening legal publicity and education, people's mediation, the improvement of the legal-aid system, the implementation of risk assessment mechanism for major decisions on social stability, the local political and judicial institutions will re-examine the direction of information technology to improve their work efficiency and objectivity by way of intelligence and integration. The Group's products such as judiciary industry management platform and community management platform, which are recognized by the market with leading edges, will continue to benefit from the reform direction of "Rule of Law" and will be promoted to other provinces and cities to seize huge market opportunities.

With core business segments facing favourable market conditions, together with growing research and development capability and competitiveness, the Group is cautiously optimistic that it will experience continuous and healthy growth and provide desirable returns to its Shareholders in the future.

On behalf of the Group, I would like to take this opportunity to express my most sincere gratitude to all the shareholders, customers, banks and to the management and staff for their relentless support to the Group.

Xin Yingmei
Chairlady

Hong Kong, 23 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The sales of the Group rose by 23.9% to RMB 347.8 million for the year ended 31 December 2014 when compared to RMB 280.8 million for the same period in 2013. During the year, the Group's core business segments, namely, export tax software and related services, carbon management solutions and e-Government solutions recorded strong increases in revenue, in turn contributed to the overall revenue.

Export Tax Software and Related Services

During the year ended 31 December 2014, revenue generated from export tax software and related services surged by 34.4% to RMB 91.1 million year-on-year. This is attributable to the resilient demand across the segment's software products, consultation services and training courses.

The PRC persisted in optimizing process of export tax rebate and improving its export tax policies, as well as implementing stringent export tax examination, thus export enterprises must ensure its tax rebate is applied according to the latest policy, in order to obtain rebates in time and maintain stable cash flow. Our various software products, which were designed for different export enterprises to effectively enhance the efficiency and accuracy of export tax rebate application, have been witnessing strong demand from clients. Newly launched smart invoicing software product enables our client to integrate figures related to export tax with their internal management data as per required format and usage, thus, simplifying and improving their internal management. Besides, the Group's new value-added product with functions of self-risk assessment launched in the first half of 2014 is also welcomed by our clients and contributed to the increase in sales of the Group's software products.

In addition to selling export tax software in Jiangsu province, the Group has successfully marketed its export tax products to Shanghai at the end of 2014. The Group is also actively paving the way for sales in other provinces, which is expected to bring new momentum for our future growth.

With the expertise and experience in export tax industry accumulated over a decade, the Group continues to provide consultation services for various export enterprises. Facing complicated export tax issues, export enterprises demand for supporting services by the professional team through our platform, to assist them in enhancing their financial and taxation planning and management capabilities. The Group also launches specific consultation services according to the latest policies for desired clients. Through providing more in-depth and comprehensive consultation services, export enterprises dependence on our services has been increasing continuously and thereby driving the growth in revenue of service fee.

After the reporting period, the Group announced the new unsecured credit loan services to small and mid-cap enterprises jointly launched by the Group and Ant Financial. On top of the solid foundation in export tax segment, the debut of financial services will assist the Group to provide even more value-added services to its customers and further enhance its market position.

Carbon Management Solutions

With central government's strong determination in implementing energy saving and emission reduction, local governments and enterprises have been intensifying related efforts, helping to drive our revenue from carbon management solutions in the year ended 31 December 2014 to increase by 93.7% to RMB 66.5 million when compared with last year.

During the reporting period, in addition to original solutions designed for providing carbon audit, management, analysis and application for unban urban regions, key energy consumption industries and enterprises, the Group also launched the ecology cloud platform with features of combining figures of energy and environment. Through the ecology cloud platform, the government not only can manage and analyze carbon emission level, but also be able to incorporate indicators for overall environmental conditions in a district, such as air pollution, water quality and forest coverage. This helps to provide objective evidences for local governments in respect of industry development planning, energy distribution and cultivation of citizens' lifestyle.

The Group's carbon management solutions received various international and domestic recognitions during the year and established a leading position in the industry. During the year, the Group built a carbon reporting platform for key energy consumption industries, which also further extended the Group's leading capability in carbon audit software for enterprises. In July 2014, the Group entered into a cooperative framework agreement with CECEP Consulting Co., Ltd. to jointly develop consultation services and information products for low carbon and environmental protection. The cooperation is expected to further enhance the Group's competencies in these relevant areas.

e-Government Solutions

In recent years, the central government has been committed in promoting government informatization and increasing information spending, so as to enhance the efficiency and transparency of administration, strengthen communication among different government agencies and citizens and use big data technology to expedite working processes. These measures taken by the government to facilitate enterprises and citizens doing their business have helped drive up the sales of the Group's e-Government solutions. For the year ended 31 December 2014, revenue generated from e-Government solutions was RMB 149.0 million, representing an increase of 21.6% on a year on year basis.

During the reporting period, the Group continued to deepen the implementation of big data technology to further expand new area of applications for e-Government solutions, and at the same time, to enhance the functions and scope of application for existing products. In particular, the cloud-based platform for service industry, which is used to monitor the operation of service enterprises and the overall industry development trend for the government, as well as to analyze data in order to improve decision making standard, won the favour of relevant authorities in other provinces and cities.

The cloud-based platform for community management, which employs data mining and analysis techniques to establish social security monitoring systems for cities, together with the judiciary industry management platform continued to be sold to different provincial and city governments. In addition, demand for upgrade in previous developed e-Government products also contributed to the growth of sales.

System Integration

System integration solutions is not the Group's key business segment, but a complementing service to the Group's other solutions so as to provide a total solutions service to the Group's customers. During the year ended 31 December 2014, less customers requested for system integration solutions. Revenue generated from this segment registered RMB 41.3 million, as compared to RMB 56.3 million for the same period in 2013.

COST OF SALES

The Company's cost of sales is largely made up by the costs to purchase system and components for the Group's system integration projects as well as development cost and other miscellaneous costs. The reason for the increase in cost of sales during the year ended 31 December 2014 was mainly due to an increase in development costs for new products.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund less cost of sales and research and development costs) grew by approximately 20.8% to approximately RMB 203.1 million for the year ended 31 December 2014 from approximately RMB 168.2 million for the year ended 31 December 2013. The increase was primarily due to an increase in total revenue by 23.9% during the period under review.

The Group's overall segment results margin decreased slightly from 59.9% for the year ended 31 December 2013 to 58.4% for the year ended 31 December 2014. The decrease is firstly due to the overall higher level of research and development costs that is amortised as a result of our increase in R&D commitment as stated during our IPO. This has resulted in a decrease in the segment results margin for all segments.

Secondly, segment results margin of e-Government solutions and carbon management solutions decreased from 56.2% and 89.4% in 2013 to 51.4% and 60.5% in 2014 respectively as a result of certain embedded software requiring hardware complements.

RESEARCH AND DEVELOPMENT COSTS

For the year ended 31 December 2014, the Group's research and development costs increased by approximately 17.7% or RMB 5.0 million due to an increase in the amount of amortization of third party software. Such increase was mainly due to the Group devoting more resources on the research and development of new products.

OTHER INCOME AND GAINS

The increase in the Group's other income and gains was partly the result of the interest income from its cash balances increased from approximately RMB 3.0 million for the year ended 31 December 2013 to approximately RMB 10.6 million for the year ended 31 December 2014.

DISTRIBUTION AND SELLING EXPENSES

During the year ended 31 December 2014, distribution and selling expenses of the Group increased by approximately RMB 7.2 million compared to the same period last year due mainly to the increase in remuneration. However, distribution and selling expenses as a percentage of sales only increased by 0.8% as a result of management's stringent cost control in this area.

ADMINISTRATIVE AND GENERAL EXPENSES

During the year ended 31 December 2014, administrative and general expenses of the Group increased by approximately RMB 4.8 million was partly due to the increase in staff remuneration and bonus and additional cost of maintaining our listing.

OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group decreased significantly by RMB 12.1 million during the year ended 31 December 2014 due to absence of the professional fees amounting to RMB 10.3 million arising from the Company's listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 July 2013.

INCOME TAX EXPENSE

For the year ended 31 December 2014, the Group's income tax expenses increased by approximately RMB 11.1 million as compared to the same period ended 31 December 2013. This increase was a result of the higher profit before tax and due to an absence of a once off reversal of an overprovision of EIT amounting to RMB 7.8 million in 2013 that resulted in the low tax amount for that year. This overprovision was the result of Nanjing Skytech being re-enlisted on 17 February 2013 as a "Key Software Enterprise under the National Plan"(國家規劃佈局內重點軟體企業) for the two years ended 31 December 2012 and was thus entitled to the reduced tax rate of 10% for the period. On December 2013, Nanjing Skytech was re-enlisted as a "Key Software Enterprise under the National Plan" and will be entitled to continue enjoying the reduced tax rate of 10% for the year ended 31 December 2013 and 2014.

NET PROFIT

Net profit of the Group for the year ended 31 December 2014 amounted to approximately RMB 134.5 million, representing an increase of 33.3% as compared with the year ended 31 December 2013. Even though there was an increase in the expenses, the Group's net profit margin managed to record an increase from 35.9% to 38.7% for the period under review.

NET CURRENT ASSETS

As at 31 December 2014, the Group had net current assets of RMB 585.6 million (31December 2013: RMB 501.4 million).

TRADE RECEIVABLES

During the reporting period, the trade receivables turnover improved by 25 days to 237 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2013: 262 days). The Group continues to enforce strict credit terms although there are inevitable delay in payment from certain direct government customers.

FINANCIAL RESOURCES AND LIQUIDITY

During the year ended 31 December 2014, the Group's primary source of funding came from cash generated from operating activities. As at 31 December 2014, the net cash inflow from operating activities amounted to approximately RMB 132.9 million (31 December 2013: approximately RMB 121.0 million) and the Group had cash and cash equivalent of RMB 380.0 million (31 December 2013: RMB 357.6 million).

As at 31 December 2014, the Group had no borrowings (31 December 2013: Nil).

CHARGE ON ASSETS

As at 31 December 2014, the Group had no charge on assets.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is the PRC and its functional currency is RMB. However, certain of the Group's bank balances, other payables and short-term borrowings are denominated in United States Dollar ("USD") and Hong Kong Dollar ("HKD"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

During the period under review, the Group recorded an exchange gain of approximately RMB 3.4 million (31 December 2013 exchange loss: approximately RMB 2.1 million). This exchange gain during the year was a result of the depreciation of RMB against the USD and HKD where during the period under review, we had net assets in USD and HKD.

For the year ended 31 December 2014, the Group did not enter into any hedges against the fluctuation in exchange rates.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalized software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalized software costs of approximately RMB 62.5 million and the addition to purchased software of RMB 31.3 million less the amortization charges for the period under review.

HUMAN RESOURCES

As at 31 December 2014, the Group had a total of 562 (2013: 528) employees. The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department.

The Group has also adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. Further information in relation to the Share Option Scheme are set out on pages 34 to 36 of this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB 0.0195 per share (2013: RMB 0.015 per share) for the year ended 31 December 2014. The proposed final dividend amounts to approximately RMB 20,129,031 (2013: approximately RMB 15,441,000).

The final dividend will be payable in Hong Kong Dollars based on the average of the mean exchange rate for the conversion of Renminbi against Hong Kong Dollars as quoted by the People's Bank of China for the 5 business days immediately preceding the date of the annual general meeting of the Company for the year ended 31 December 2014 proposed to be held on Friday, 22 May 2015 (the "AGM") at which the final dividend was declared. Subject to the approval by the Shareholders at the AGM, the proposed final dividend is expected to be paid on or about 16 June 2015 to the Shareholders whose names are on the registers of members of the Company on 2 June 2015.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2014, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is continuously on the look-out for material investments that can add value to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. XIN Yingmei (辛穎梅), aged 47, is the chairlady, executive Director and chief executive officer of the Company. Ms. Xin was appointed as the Director on 6 January 2011, re-designated as executive Director on 31 October 2012 and re-elected as executive Director on 22 May 2014. She is a co-founder of Nanjing Skytech Co., Limited ("Nanjing Skytech") and is also a director of our subsidiaries, namely Nanjing Skytech, Infotech Holdings Pte. Ltd. ("Infotech Holdings"), Jiangsu Skyinformation Co., Limited, Wuxi Skytech Information Technology (Wuxi) Co., Limited, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited and Zhenjiang Skyinformation Co., Limited. She is primarily responsible for the overall business operations and strategies and policies formulation of the Group. Ms. Xin has over 20 years of experience in the IT industry and is a professional senior engineer. Ms. Xin was accredited as a professional senior engineer by Professional Senior Qualification Accreditation Committee of Jiangsu Province (江蘇省高級專業技術資格評審委員會) on 25 November 2010. Prior to co-founding Nanjing Skytech in 1998, she was a technician of the National Sports Commission Information Centre (國家體委信息中心) from 1987 to 1992. From 1992 to 1995, she was the general manager of Nanjing Olympic Computer Co., Limited (南京奧林匹克電腦有限公司). From 1995 to 1998, she was the general manager and vice chairlady of Honest Electronics Corporation Ltd. (奧尼斯特電子集團有限公司). Ms. Xin obtained her master's degree in business administration from Nanjing University (南京大學) in September 2008. She is a member of the Twelve Chinese People's Political Consultative Conference (第十二屆全國政協委員) and has won several awards for her achievements including "National Key Personnel in the Promotion of the Software Industry" (推動中國軟件產業發展功勳人物), "National Outstanding Entrepreneur in the Software Industry"(中國軟件產業傑出企業家) and "Jiangsu Province Outstanding Entrepreneur in the Software Industry" (江蘇省優秀軟件企業家). Ms. Xin is the spouse of Mr. Wang Xiaogang, a member of the senior management of the Group.

Mr. YU Yifa (余義發), also known as Er Ngee Huat, aged 40, is the executive Director and chief financial officer of the Company. Mr. Yu was appointed as the Director on 4 April 2011, redesignated as executive Director on 31 October 2012 and re-elected as executive Director on 22 May 2014. He is primarily responsible for supervising the financial reporting, corporate finance, treasury, tax and other related finance matters of the Group. He has over 14 years of experience in finance. Mr. Yu joined the Group as the chief financial officer of Nanjing Skytech in April 2009. Prior to joining the Group, Mr. Yu was an accountant in Kleans Corporation Pte. Ltd. from 2001 to 2002. From 2002 to 2005, Mr. Yu worked in KPMG, Singapore as an audit senior. From 2005 to 2009, he worked as an accountant at Willowglen Services Pte. Ltd. and an accounting manager at JCB Sales Asia Pacific Pte. Ltd., a member of the JCB Group. From April 2009 to December 2010, he was the executive director and chief financial officer of Sinosoft Technology Limited, a company which has been dissolved on 11 February 2014 by way of its members' voluntary winding up. Mr. Yu received his bachelor's degree in commerce (accountancy) from the University of Southern Queensland in April 1999 and a master's degree in commerce, specialising in advanced accounting from the University of New South Wales in July 2000. He is a certified practicing accountant of the CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KANG Choon Kiat (江春杰), aged 51, is the independent non-executive Director. Mr. Kang was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 22 May 2014. He has over 23 years of experience in the finance industry. From 1999 to 2002, Mr. Kang worked at Citibank and last held the position of vice president of the foreign exchange department. Mr. Kang was a managing director in foreign exchange derivatives team, private wealth management of Bank of America Merrill Lynch in Singapore from 2007 to 2012, responsible for developing the private wealth management foreign exchange business of the bank, creating and implementing foreign exchange platforms and systems, supervising the foreign exchange team members, conducting foreign exchange workshops, training sessions and seminars for clients, providing foreign exchange market and trading advisory and managing foreign exchange trading accounts. Mr. Kang received his bachelor's degree in engineering from National University of Singapore in June 1988 and master of business administration degree from Oklahoma City University in December 1996. Mr. Kang was also recognised by Investment Management Consultants Association in August 2002 as a certified investment management consultant.

Mr. KWAUK Teh Ming, Walter (郭德明), aged 62, is the independent non-executive Director. Mr. Kwauk was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 22 May 2014. He has over 25 years of experience in accounting. Mr. Kwauk is currently a consultant of Motorola Solutions, Inc. and serves as a Director of Thunder Power Co., Limited, a company listed on the Taiwan Stock Exchange; WuXi Pharma Tech., where he serves as chairman of the audit committee; China Fordoo Holdings Ltd., where he serves as chairman of the audit committee; Alibaba Group Holding Limited., where he serves as chairman of the audit committee and several private companies. Mr. Kwauk served in KPMG from 1977 to 2002, held a number of senior positions including general manager of KPMG's joint venture accounting firm in Beijing, managing partner in KPMG's Shanghai office and partner in KPMG's Hong Kong office. Mr. Kwauk was a vice president of Motorola Solution Inc. and its director of corporate strategic finance and tax, Asia Pacific from January 2003 to June 2012. Mr Kwauk also served as an independent non-executive director of Alibaba.com Limited from October 2007 to July 2012. Mr. Kwauk is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in science in May 1975 and a licentiate's degree in accounting from the University of British Columbia in May 1977.

Mr. ZONG Ping (宗平), aged 58, is the independent non-executive Director. Mr. Zong was appointed as the independent non-executive Director on 31 October 2012 and re-elected as the independent non-executive Director on 22 May 2014. He has extensive experience in teaching computer science and research in the related field. From 1992 to 1995, Mr. Zong worked as a visiting scholar at Oldenburg University in Germany. From 2002 to 2004, Mr. Zong was a professor at Hohai University (河海大學). From 2004 to present, Mr. Zong has been a professor at Nanjing University of Posts and Telecommunications (南京郵電大學). Mr. Zong is currently a commissioner of system software committee of the China Computer Federation (中國計算機學會系統軟件專業委員會), the vice chairman of education committee of Jiangsu Province Computer Society (江蘇省計算機學會教育專委會) and a member of Information Industry Expert Committee of Jiangsu Province (江蘇信息產業專家委員會). Mr. Zong received a bachelor's degree in computing from East China Engineering School of Water Resources (華東水利學院), now known as Hohai University (河海大學) in May 1982 and a doctorate degree in hydropower engineering from Hohai University (河海大學) in April 2008.

SENIOR MANAGEMENT

Mr. Wang Xiaogang (汪曉剛), aged 52, is the senior vice president of the Company. Mr. Wang is responsible for the overall management and operation of the Group's R&D and technological advancement. Mr. Wang is a co-founder of Nanjing Skytech and is also the vice president and general manager of Nanjing Skytech, where he is primarily responsible for the overall management of the Company's R&D and technological advancement. Mr. Wang is also a director of Nanjing Skytech and Jiangsu Skyinformation. He has over 11 years of experience in the computer software and hardware industry gained in the Group. Mr. Wang received his bachelor's degree in computer engineering from the People's Liberation Army School of Electronic Technology (解放軍電子技術學校), now known as People's Liberation Army Information Engineering University (中國人民解放軍信息工程大學), in July 1985. Mr. Wang also won several awards, namely the "Jiangsu Province Outstanding Technology Technician" (江蘇省優秀科技工作者) award in 2004, "Nanjing Young Industry Technology Leader" (南京市中青年行業技術、學科帶領人) award in 2004 and "Top 10 Nanjing City Leader in Software Industry"(南京市軟件企業十大領軍人物) award in 2008. Mr. Wang is the spouse of Ms. Xin.

Mr. Ma Ming (馬明), aged 45, is the vice president of the Company. Mr. Ma is responsible for the sales and marketing and customer services of the Group. Mr. Ma is a co-founder of Nanjing Skytech and is also the vice president of Nanjing Skytech, where he is primarily responsible for the business development and product marketing of the software division of the company. He is also a director of Nanjing Skytech, Jiangsu Skyinformation, Zhenjiang Skyinformation and a general manager of Zhenjiang Skyinformation. Mr. Ma has over 16 years of experience in the software industry. Prior to co-founding Nanjing Skytech in 1998, he was a department manager in Nanjing Honest Electronics Co., Ltd. (南京奧尼斯特有限公司) from 1994 to 1999. Mr. Ma received a diploma in computer science and technology from Nanjing University of Science and Technology (南京理工大學) in July 1999 through distance learning.

Mr. Zhang Hong (張虹), aged 54, is the vice president of the Company. Mr. Zhang is responsible for the research and development of our computer programmes and software. Mr. Zhang is a co-founder of Nanjing Skytech and is also the chief engineer, where he is primarily responsible for the research and development of software. He is also a director of Nanjing Skytech, Jiangsu Skyinformation and the general manager of Wuxi Skytech. Mr. Zhang has over 13 years of experience in the research and development of software. Prior to co-founding Nanjing Skytech in 1998, Mr. Zhang worked as a researcher in a research centre in Nanjing from 1982 to 1999. Mr. Zhang received a bachelor's degree in wireless technology from Nanjing Institute of Technology (南京工學院), now known as Southeast University (東南大學) in July 1982.

Ms. Xu Fang (徐放), aged 44, is the head of human resource department of the Company. Ms. Xu is responsible for the human resource management of the Group. Ms. Xu joined our Group in 2006 and is a director of Nanjing Skytech Quan Shui Tong and Zhenjiang Skyinformation. She has over 20 years of experience in the human resource management industry. Prior to joining the Group in 2006, she was a human resource manager at Panda Electronics Group (熊貓電子集團). Ms. Xu received her bachelor's degree in management engineering (management science) from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) through part-time studies in July 1998 and a master's degree in business administration from Nanjing University (南京大學) in December 2005.

Save as otherwise disclosed, there is no relationship between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51(B)(1) of the Listing Rules.

The Group recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures. In order to safeguard the interests of shareholders and to enhance corporate values and accountability, the Group is committed to maintaining high standards of corporate governance. The Directors, having reviewed the corporate governance practices of the Company, confirm that the Company has complied with all the applicable code provisions as set out in Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014, save for the deviation of code A.2.1 of the CG Code.

CORPORATE GOVERNANCE PRACTICES

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Xin Yingmei is currently the chairlady and chief executive officer of the Company responsible for overseeing the operations of the Group.

The Board has considered the merits of separating the roles of chairlady and chief executive but it is of the view that it is in the best interests of the Company to vest the two roles in Ms. Xin Yingmei. The Board considers vesting the two roles in Ms. Xin Yingmei will ensure the Company is under a consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiries with the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2014.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairlady and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairlady and chief executive officer and Ms. Xin Yingmei currently holds both positions, as explained in the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors, a written annual confirmation of his independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

THE BOARD

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 38.

Function of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have bought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

Board Composition

Currently, the Board comprises two executive Directors and three independent non-executive Directors. At least one of the independent non-executive Directors possess the appropriate professional accounting qualifications and financial management expertise, which complies with the requirements of the Listing Rules. The Company has complied with rules 3.10 and 3.10A of the Listing Rules. During the year ended 31 December 2014 and to the date of this report, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment.

The non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, auditing, investments and IT. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interest of the Company and its shareholders.

The Board comprises the following Directors:

Executive Directors
Ms. Xin Yingmei *(Chairlady)*
Mr. Yu Yifa

Independent non-executive Directors
Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

There are no relationships (including financial, business, family or other material/relevant relationships) among members of the Board. The brief biographic details of the Directors are set out in the paragraph headed "Biographical Details of Directors and Senior Management" on pages 14 to 16.

Appointment, Re-Election and Removal of Directors

All Directors are appointed for a specific term. Each of the executive Directors of the Company is under a service contract with the Company commencing from date of Listing on 9 July 2013, whereas each of the independent non-executive Directors have entered into a service contract with the Company commencing from 31 October 2012.

The procedures and process of appointment, re-election and removal of directors are laid down in the articles of association of the Company (the "Articles of Association"). According to the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's annual general meeting. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next annual general meeting.

In accordance with Article 84 of the Articles of Association, Ms. Xin Yingmei and Mr. Yu Yifa, the executive Directors shall retire and being eligible, shall offer themselves for re-election at the AGM.

At the AGM, ordinary resolutions will be proposed to re-elect Ms. Xin Yingmei and Mr. Yu Yifa as executive Directors.

The Board and the Nomination Committee recommend their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above two Directors as required by the Listing Rules.

Directors' Training

All Directors confirmed that they had complied with code provision A.6.5 of the CG Code throughout the year ended 31 December 2014, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2014, the Company has arranged for four in-house training sessions on the Listing Rules, internal controls and PRC laws. These were conducted by the Company's Hong Kong legal adviser, internal control auditor and PRC legal adviser. All relevant training materials have been distributed to the Directors. The topics covered include CG Code, inside information, Listing Rules and disclosure obligations in Hong Kong, notifiable transactions, connected transactions, operational risk, fraud risk management, fundamentals of internal control, etc.

Name of Directors	Topics on training covered
Ms. Xin Yingmei	I, L, P
Mr. Yu Yifa	I, L, P
Mr. Kang Choon Kiat	I, L, P
Mr. Kwauk Teh Ming, Walter	I, L, P
Mr. Zong Ping	I, L, P

Note:

I: Internal Control

L: Listing Rules updates

P: PRC laws

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including by not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year ended 31 December 2014 up to the date of this report, the Company has a solid slate of Directors with diverse perspectives and varied educational background and expertise made-up, from extensive knowledge of the IT industry, experience in international trade, finance, investment and corporate management, to professional qualifications in the accounting and auditing fields. Each Director had accumulated experience in his/her respective field of expertise for over 10 years, all of whom are anchored by the common trait of having a natural aptitude and singular drive for the industry so as to bring sustainable growth to the Company.

Board Meeting and Procedures

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year.

The Board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. An annual general meeting and an extraordinary general meeting called for the passing of a special resolution shall be called by at least 21 clear days' notice in writing, and a meeting of the Company other than an annual general meeting or extraordinary general meeting for the passing of a special resolution shall be called by at least 14 clear days' notice in writing. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, and Director shall abstain from voting on the relevant resolutions and he/she shall not be counted as a quorum in the Board meeting discussing the matter concerned.

Set out below are details of the attendance record of each Director at the Board and committee meetings of the Company held during the year ended 31 December 2014:

	Attendance/Number of Meetings Held				
Name of Directors	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Investment Management Committtee
Executive Directors					
Ms. Xin Yingmei	(Chairlady) 4/4	–	(Chairlady) 2/2	–	–
Mr. Yu Yifa	4/4	–	–	2/2	–
Indpendent Non-executive Directors					
Mr. Kang Choon Kiat	4/4	2/2	–	(Chairman) 2/2	(Chairman) 2/2
Mr. Kwauk Teh Ming, Walter	4/4	(Chairman) 2/2	2/2	2/2	2/2
Mr. Zong Ping	4/4	2/2	2/2	–	2/2

The Board has established four committees, namely, the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the investment management committee (the "Investment Management Committee"), for overseeing particular aspects of the Group's affairs. All committees have been established with defined written terms of reference, which were posted on the Company's website (www.sinosoft-technology.com) and the website of the Stock Exchange (www.hkexnews.hk). All committees should report to the Board on their decisions or recommendations made.

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established on 11 June 2013 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the internal control procedures of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter (Chairman), Mr. Kang Choon Kiat and Mr. Zong Ping. The Group's accounting principles and practices, financial statements and related materials for the year ended 31 December 2014 had been reviewed by the Audit Committee.

During the year ended 31 December 2014, the Audit Committee had held two meetings for discussion on issues arising from the audit and financial reporting matters.

Full minutes of the Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Audit Committee are available on the website of the Company and of the Stock Exchange.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

Nomination Committee

The Nomination Committee was established on 11 June 2013, with specific written terms of reference in compliance with the CG Code for reviewing the Board composition, developing the relevant procedures for nomination and appointment of Directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills and experience. The Nomination Committee comprises a total of three members, being one executive Director, namely, Ms. Xin Yingmei (Chairlady), and two independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2014, the Nomination Committee had held two meetings.

Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings are sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Nomination Committee are available on the website of the Company and of the Stock Exchange.

Remuneration Committee

The Remuneration Committee was established on 11 June 2013, with specific written terms of reference for making recommendations to the Board regarding the Group's policy and structure for all remuneration of Directors and senior management and approving the remuneration package of the individual executive Directors. The Remuneration Committee comprises a total of three members, being one executive Director, namely, Mr. Yu Yifa, and two independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter and Mr. Kang Choon Kiat (Chairman). Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2014, the Remuneration Committee had held two meetings.

Full minutes of the Remuneration Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Remuneration Committee are available on the website of the Company and of the Stock Exchange.

Investment Management Committee

The Investment Management Committee was established on 31 October 2012, with specific written terms of reference to help enhance the effectiveness of the Group's internal control and risk management procedures and to identify and manage the risks which the Group may be exposed to in handling foreign exchange and other investment transactions. The Investment Management Committee comprises a total of three members, all being independent non-executive Directors, namely, Mr. Kwauk Teh Ming, Walter, Mr. Kang Choon Kiat (Chairman) and Mr. Zong Ping. Accordingly, a majority of the members are independent non-executive Directors.

During the year ended 31 December 2014, the Investment Management Committee had held two meetings.

Full minutes of the Investment Management Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Investment Management Committee meetings are sent to all members of the Investment Management Committee for comments and approval and all decisions of the Investment Management Committee are reported to the Board subject to applicable restriction.

The terms of reference of the Investment Management Committee are available on the website of the Company and of the Stock Exchange.

CORPORATE GOVERNANCE FUNCTION

The Audit Committee has been appointed by the Board to perform the corporate governance function. The Company adopted CG Code provision D.3.1 in performing its corporate governance functions. During the year ended 31 December 2014, the Company has performed the following duties in respect of its corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Deloitte Touche Tohmatsu as its external auditor for the year ended 31 December 2014. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 December 2014, the fees payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was approximately RMB 1.9 million. Approximately RMB 50,000 was paid to Deloitte Touche Tohmatsu for the provision of income tax services.

INTERNAL CONTROL

During the year ended 31 December 2014, the Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, operational, and compliance controls and risk management function.

The Company's independent internal control adviser ("Internal Control Adviser"), Baker Tilly Hong Kong Risk Assurance Limited, conducted an assessment of the effectiveness of the internal controls of the Group during the year ended 31 December 2014. The Internal Control Adviser carried out internal control reviews during the periods in mid-February 2014 and late-November 2014 with regards to assessment of the effectiveness of the internal control system set up by the Company, which covered the following review and assessment procedures:

- assessment of the control risk at the operation locations
- evaluation of the existing process and internal control documentation
- revision and/or creation of system processes and internal control documentation
- identification of the key internal controls
- design and performance of the appropriate procedural walkthroughs and internal control compliance tests
- identification of internal control weaknesses and gaps and development of recommendations to remediate or mitigate the weaknesses and fill control gaps
- review of identified internal control weaknesses and recommendations for improvement in management of the facility

The Internal Control Adviser concluded that the results of the internal control assessment for the year ended 31 December 2014 were satisfactory. The internal control review results are reviewed by the Audit Committee, and will be further reviewed and assessed at least once each year by the Board.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Dr. Ngai Wai Fung, the company secretary, is currently the director and chief executive officer of SW Corporate Services Group Limited, a corporate service provider. The primary corporate contact person at the Company is Mr. Yu Yifa, the executive Director.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communications between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

Shareholders of the Company are requested to follow article 58 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 85 of the Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and a notice in writing signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar and transfer office of the Company no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

The procedures for shareholders of the Company to propose a person for election as Director is posted on the website of the Company. Shareholders of the Company may refer to the above procedures for putting forward any other proposals at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Significant Changes in Constitutional Documents

During the reporting period, no amendment had been made to the constitutional documents of the Company.

DIRECTORS' REPORT

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2014.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands Cap.22 (Law 3 of 1961, as consolidated and revised) (the "Companies Law") as an exempted company with limited liability on 6 January 2011. Pursuant to the reorganization arrangements undertaken by the Group in preparation for the listing of the Shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 20 January 2011. For details of the group reorganization, please refer to the paragraph headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 27 June 2013.

The Shares have been listed on the Main Board of the Stock Exchange since 9 July 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 39 to 96.

The Board has recommended the payment of a final dividend of RMB 1.95 cents per share (2013: RMB 1.50 cents per share) for the year ended 31 December 2014, subject to the approval of the shareholders at the AGM.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 19 May 2015.

For the purposes of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2014, the register of members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 28 May 2015.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange in July 2013 and the Company raised net proceeds of approximately HK$ 357.6 million (equivalent to approximately RMB 284.7 million) from the initial public offering. Up to 31 December 2014, the Group had fully utilised all the net proceeds as stated in the company's prospectus dated 27 June 2013.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

SHARE CAPITAL

Details of the movement in share capital of the Company are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

RESERVES

The movement in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise share premium and retained earnings. As at 31 December 2014, the Company's reserve available for distribution to owners was approximately RMB 259.2 million. Under the Companies Law, the Company's share premium account may be applied by the Company in paying distributions or dividend to shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay off its debts as they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2014 amounted to RMB 506,000.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2014, the 5 largest customers of the Group accounted for 44% of the total revenue, while the largest customer accounted for 16% of the total revenue.

For the year ended 31 December 2014, the 5 largest suppliers of the Group accounted for 76% of the total purchases, while the largest supplier accounted for 29% of the total purchases

At all time during the year ended 31 December 2014, none of the Directors or any of their associates or any shareholders of the Company who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DIRECTORS

The Directors in office at the date of this report are:

Executive Directors

Ms. Xin Yingmei *(Chairlady)*
Mr. Yu Yifa

Independent non-executive Directors

Mr. Kang Choon Kiat
Mr. Kwauk Teh Ming, Walter
Mr. Zong Ping

Every Director shall retire from office once every three years and for this purpose, at each AGM one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to but not less than one-third (1/3) shall retire from office by rotation. The Director to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or was last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the meeting at which he retires. For the avoidance of doubt, each Director shall retire at least once every three (3) years.

In accordance with Article 83(3) of the Articles of Association, Ms. Xin Yingmei, Mr. Yu Yifa, the executive Directors, shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has respectively entered into a service contract commencing from 9 July 2013 with the Company for a term of three years unless terminated by not less than one months' notice in writing served by either party on the other.

Each of the independent non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing from 31 October 2012 unless terminated by not less than one months' notice in writing served by either party on the other.

None of the Directors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, interests or short positions in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name of Director	Personal Interest	Corporate interests	Interest of spouse	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of the Company
Ms. Xin Yingmei	—	424,955,500 (L) (Note 2)	67,447,500 (L) (Note 3)	492,403,000 (L)	47.70%
Mr. Yu Yifa	1,875,000 (L)	—	—	1,875,000 (L)	0.18%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at 31 December 2014, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN SHARES

As at 31 December 2014, the persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of our Company
Long Capital International Limited	Beneficial owner	424,955,500 (L) (Note 2)	41.17%
Telewise Group Limited	Beneficial owner	67,447,500 (L) (Note 3)	6.53%
Wang Xiaogang	Interest of a controlled corporation	67,447,500 (L) (Note 3)	6.53%
Alibaba.com Investment Holding Limited	Beneficial owner	137,500,000 (L) (Note 4)	13.32%
Alibaba.com Limited	Interest of a controlled corporation	137,500,000 (L) (Note 4)	13.32%
Alibaba Group Holding Limited	Interest of a controlled corporation	137,500,000 (L) (Note 4)	13.32%
FIL Limited	Investment manager	102,606,000 (L)	9.94%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) These Shares are held by Long Capital International Limited which is beneficially and wholly-owned by Ms. Xin Yingmei.

(3) These Shares are held by Telewise Group Limited which is beneficially and wholly-owned by Mr. Wang Xiaogang, the spouse of Ms. Xin Yingmei.

(4) Alibaba.com Investment Holding Limited is wholly owned by Alibaba.com Limited which is a subsidiary of Alibaba Group Holding Limited.

Save as disclosed above, as at 31 December 2014, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the year ended 31 December 2014 or at any time during the year ended 31 December 2014.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2014, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes with our business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with our business except where the controlling shareholders of the Company hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

Details of the Deed of Non-Competition were disclosed in the prospectus of the Company dated 27 June 2013 under the section headed "Relationship with Our Controlling Shareholders".

For the year ended 31 December 2014, the Company has received an annual written confirmation from each of the Company's controlling shareholders in respect of their and their associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2014.

REMUNERATION OF DIRECTORS

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established Remuneration Committee to formulate remuneration policies. Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the remuneration committee and the performance and results of the Group. Details of the remuneration of the Company's Directors are set out in Note 12 to the financial statements of this annual report.

During the year ended 31 December 2014, none of the directors of the Company waived his/her emoluments nor has agreed to waive his/her emoluments for the year.

REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2014 in conjunction with the Company's external and internal auditors.

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors: Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping. Mr. Kwauk Teh Ming, Walter serves as the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of independence, and the Company considers that each of them to be independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year ended 31 December 2014.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 11 June 2013. As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 100,000,000 Shares, which represented 9.7% of the Shares in issue.

The following is a summary of the principal terms of the Share Option Scheme:

1. **Purpose of the Share Option Scheme:**

   The Share Option Scheme is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme:

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued share capital as at 31 December 2014:

As at 31 December 2014, no share option has been granted under the Share Option Scheme.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not in aggregate exceed 100,000,000 Shares.

4. Maximum entitlement of each participant under the Share Option Scheme:

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2) (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting.

5. **The period within which the Shares must be exercised under the Share Option Scheme:**

   An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. **The minimum period for which an option must be held before it can be exercised:**

   There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. **The basis of determining the exercise price:**

   Determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary Shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary Share.

8. **The remaining life of the Share Option Scheme:**

   It will remain in force for a period of 10 years. Since the adoption of the Share Option Scheme, no options had been granted under the Share Option Scheme.

During the period ended 31 December 2014, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

CONNECTED TRANSACTIONS

There were no transactions that constitute connected transactions as defined in Chapter 14A of the Listing Rules for the year ended 31 December 2014.

AUDITORS

Deloitte Touche Tohmatsu, the auditors of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 22 May 2015 to seek Shareholders' approval on the appointment of Deloitte Touche Tohmatsu as the Company's auditor until the conclusion of the next AGM and to authorise the Board to fix their remuneration.

By order of the Board

Xin Yingmei
Chairlady
Hong Kong, 23 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SINOSOFT TECHNOLOGY GROUP LIMITED
中國擎天軟件科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sinosoft Technology Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 96, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair value in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	6	**347,849**	280,841
Value-added tax refund	7	**18,561**	16,450
Cost of sales		**(129,809)**	(100,600)
Research and development costs		**(33,490)**	(28,462)
Other income and gains	8	**15,129**	7,191
Distribution and selling costs		**(26,311)**	(19,128)
Administrative and general expenses		**(33,857)**	(29,039)
Other expenses and losses	9	**(1,042)**	(13,176)
Finance costs	10	**—**	(1,714)
Profit before taxation	11	**157,030**	112,363
Taxation	13	**(22,501)**	(11,421)
Profit and total comprehensive income for the year		**134,529**	100,942
		RMB cents	RMB cents
Earnings per share - basic and diluted	14	**13.03**	11.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**8,658**	7,457
Intangible assets	17	**166,335**	125,063
Available-for-sale investments	18	**2,000**	2,000
		176,993	134,520
CURRENT ASSETS			
Inventories	20	**1,034**	1,279
Trade and other receivables	21	**260,602**	220,892
Structured bank deposits	22	**276,500**	70,000
Pledged bank deposits	23	**889**	—
Bank balances and cash	24	**102,630**	287,559
		641,655	579,730
CURRENT LIABILITIES			
Trade payables	25	**19,240**	30,600
Other payables	26	**30,703**	42,458
Tax liabilities		**6,114**	5,228
		56,057	78,286
NET CURRENT ASSETS		**585,598**	501,444
TOTAL ASSETS LESS CURRENT LIABILITIES		**762,591**	635,964
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	**21,594**	14,055
		740,997	621,909
CAPITAL AND RESERVES			
Share capital	27	**8,232**	8,232
Reserves	28	**732,765**	613,677
TOTAL EQUITY ATTIBUTABLE TO OWNERS OF THE COMPANY		**740,997**	621,909

The consolidated financial statements on pages 39 to 96 were approved and authorised for issue by the Board of Directors on 23 March 2015 and are signed on its behalf by:

Xin Yingmei
DIRECTOR

Yu Yifa
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2014

	Equity attributable to owners of the Company					
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2013	8	47,407	2,627	—	183,353	233,395
Profit and total comprehensive income for the year	—	—	—	—	100,942	100,942
Dividend (note 15)	—	—	—	—	(20,440)	(20,440)
Capitalisation issue of shares	5,967	—	—	(5,967)	—	—
Issue of shares in connection with the Global Offering as defined in Note 1 (note 27)	1,992	—	—	286,812	—	288,804
Partial exercise of over- allotment option (note 27)	265	—	—	37,000	—	37,265
Expenses incurred in connection with issue of shares	—	—	—	(18,057)	—	(18,057)
Transfer	—	2,391	—	—	(2,391)	—
At 31 December 2013	8,232	49,798	2,627	299,788	261,464	621,909
Profit and total comprehensive income for the year	—	—	—	—	134,529	134,529
Dividend (note 15)	—	—	—	—	(15,441)	(15,441)
Transfer	—	11,946	—	—	(11,946)	—
At 31 December 2014	8,232	61,744	2,627	299,788	368,606	740,997

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before taxation	157,030	112,363
Adjustments for:		
Depreciation of property, plant and equipment	3,110	2,355
Amortisation of intangible assets	52,634	42,844
Impairment losses reversed on trade receivables, net	—	(2,999)
Loss (gain) on disposal of property, plant and equipment	231	(57)
Finance costs	—	1,714
Interest income	(10,607)	(2,951)
Net foreign exchange loss (gain)	(3,402)	2,124
Operating cash flows before movements in working capital	198,996	155,393
(Increase) decrease in inventories	245	(574)
Increase in trade and other receivables	(39,710)	(17,109)
Increase (decrease) in trade payables	(11,360)	4,851
Increase (decrease) in other payables	(11,755)	105
Cash generated from operations	136,416	142,666
Interest paid	—	(1,714)
Interest received	10,607	2,951
Income tax paid	(14,076)	(22,908)
Net cash from operating activities	132,947	120,995
Investing activities		
Purchase of property, plant and equipment	(5,442)	(2,353)
Payment for the cost incurred of intangible assets	(93,906)	(80,537)
Placement of pledged bank deposits	(889)	(20,350)
Proceeds from release of pledged bank deposits	—	83,656
Proceeds from disposal of property, plant and equipment	900	68
Payments for structured bank deposits	(849,220)	(70,000)
Proceeds from release of structured bank deposits	642,720	—
Net cash used in investing activities	(305,837)	(89,516)
Financing activities		
Dividends paid	(15,441)	(20,213)
Repayment of short-term bank loans	—	(113,643)
New bank loans raised	—	31,331
Issue of shares	—	326,069
Expenses incurred in connection with the issue of shares	—	(18,057)
Net cash (used in) from financing activities	(15,441)	205,487
Net (decrease) increase in cash and cash equivalents	(188,331)	236,966
Cash and cash equivalents at beginning of the year	287,559	52,944
Effect of foreign exchange rate changes	3,402	(2,351)
Cash and cash equivalents at end of the year, representing bank balances and cash	102,630	287,559

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability on 6 January 2011. Pursuant to a reorganisation (the "Reorganisation") as set out in the section headed "History, Reorganisation and Group Structure" in the Company's Prospectus (as defined below), the Company became the holding company of the Group on 20 January 2011. The Company issued a prospectus (the "Prospectus") dated 27 June 2013 in relation to its global offering of the Company's shares (the "Global Offering"). The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 July 2013 (the "Listing Date"). Its parent is Long Capital International Limited (incorporated in the British Virgin Islands, which is wholly owned by Ms. Xin Yingmei ("Ms. Xin"), who is also the Chairman and Managing Director of the Company.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The principal activities of its subsidiaries in the People's Republic of China (the "PRC") are software development, system integration, information integration solutions, sales of related computer products and provision of other related services.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)")

(a) New and revised IFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to IFRSs, and a new Interpretation:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(a) New and revised IFRSs adopted during the year – *continued*

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities – *continued*

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to International Accounting Standard ("IAS") 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(a) New and revised IFRSs adopted during the year – *continued*

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC – Int 21 Levies

The Group has applied IFRIC - Int 21 Levies for the first time in the current year. IFRIC – Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning on or after 1 July 2014.

5 Effective for annual periods beginning on or after 1 January 2016.

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

IFRS 9 Financial Instruments – continued

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future will not have any significant impact on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

IFRS 15 Revenue from Contracts with Customers – continued

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions – *continued*

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 Consolidated Financial Statements and to IFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions – continued

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Annual Improvements to IFRSs 2010-2012 Cycle – *continued*

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") – *continued*

(b) New and revised IFRSs issued but not yet effective – *continued*

Annual Improvements to IFRSs 2012-2014 Cycle – *continued*

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to IAS 34 clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of sales related taxes.

When the outcome of a contract for system integration can be estimated reliably, revenue from fixed price contracts is recognised on the percentage of completion method, as measured by the proportion that costs incurred to date to estimated total costs for each contract. When the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred that it is probable that they are recoverable.

Revenue from sales of goods in the normal course of business is recognised when the goods are delivered and title has passed. Deposits received from customers in respect of sales of goods prior to meeting the above criteria on revenue recognition are included in trade and other payables.

After sales service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment after taking into account their estimated residual values, using the straight-line method, over their estimated useful lives as follows:

Building	20 years
Electrical equipment	3 years
Office equipment	5 years
Motor vehicles	8 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets - research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method.

Impairment losses on non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group’s financial assets are classified into one of the following categories, including loans and receivables, FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, structured bank deposits, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity investments, or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Embedded derivatives – continued

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Embedded derivatives – continued

Impairment of financial assets – *continued*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and short-term bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the following financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Impairment of trade receivables

Trade receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of trade receivables are RMB 243,072,000 (31 December 2013: RMB 209,500,000), net of allowance for doubtful debts of RMB 2,635,000 (31 December 2013: RMB 2,635,000).

Useful lives and Impairment of intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Management is satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The management is satisfied that no impairment loss is required to recognise during the year. As at 31 December 2014, the carrying amount of intangible assets are RMB 166,335,000 (31 December 2013: RMB125,063,000),

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	626,666	570,493
Available-for-sale investments	2,000	2,000
	628,666	572,493
Financial liabilities		
Amortised cost	21,615	33,333

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, short-term bank loans, bank balances and cash, structured bank deposits, and pledged bank deposits. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Foreign currency risk management

The primary economic environment in which the Group operates is the PRC and its functional currency is RMB. However, certain of the Group's bank balances, other payables and short-term bank loans are denominated in United States Dollar ("USD") and Hong Kong Dollar ("HKD"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	2014 RMB'000	2013 RMB'000
Assets		
USD	**1,484**	123,691
HKD	**2,938**	102,414
Liabilities		
USD	**5,521**	5,229

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against USD and HKD, represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year.

	2014 RMB'000	2013 RMB'000
USD impact	**(202)**	5,923
HKD impact	**147**	5,121
	(55)	11,044

In the management's opinion, the sensitivity analysis is unrepresentative of foreign currency risk as the year end exposure does not reflect the exposure during the year.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Other price risk management

At 31 December 2014, the Group's other price risk relates primarily to the structured bank deposits, which carries interest at variable rate with reference to the performance of interest rate or gold price during the investment period. In the opinion of the directors of the Company, the Group has no material other price risk exposure due to the short maturity period of the structured bank deposits. Accordingly, no sensitivity analysis is presented.

Credit risk management

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

There is concentration of credit risk as the top five biggest customers account for approximately 44% of the carrying amounts of trade receivables as at 31 December 2014 (31 December 2013: 44%). The management of the Group generally grants credit only to customers with sound historical trading records and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivable is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings or are state owned.

Other than concentration of credit risk on liquid funds which are deposits with several banks with high credit ratings, the Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2014 (31 December 2013: 100%).

Other than concentration of credit risk on trade receivables, other receivables and liquid funds deposited at several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associates with its financial assets.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS – *continued*

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	On demand, or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014						
Financial liabilities						
Trade and other payables	—	2,923	18,692	—	21,615	21,615
At 31 December 2013						
Financial liabilities						
Trade and other payables	—	1,300	32,033	—	33,333	33,333

The amounts included above for non-derivative financial liabilities bearing variable interest rate is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE AND SEGMENTAL INFORMATION

The Group is organised into different business units by products, based on which information is prepared and reported to the Group's chief operating decision maker (the "CODM") (i.e., the board of directors of the Company) for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into five core product lines, namely export tax software and related services, e-Government solutions, carbon management solutions, information integration software and system integration solutions. During the year ended 31 December 2013, the CODM has determined to change the structure of the Group's internal organisation and in a manner that causes the composition of its reportable segments to change. As a result, certain businesses of the reportable segment of information integration software has been merged into the segment of e-Government solutions, and the Group's core product lines are reduced from five to four, namely export tax software and related services, e-Government solutions, carbon management solutions and system integration solutions. These products form the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	Year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Segment revenue				
– Export tax software and related services	**91,061**	**26.2**	67,730	24.1
– e-Government solutions	**148,980**	**42.8**	122,482	43.6
– Carbon management solutions	**66,535**	**19.1**	34,352	12.2
– System integration solutions	**41,272**	**11.9**	56,277	20.1
Total revenue	**347,849**	**100**	280,841	100

6. REVENUE AND SEGMENTAL INFORMATION – *continued*

	Year ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Segment results				
– Export tax software and related services	85,596	42.1	67,358	40.0
– e-Government solutions	76,508	37.7	68,853	40.9
– Carbon management solutions	40,277	19.8	30,700	18.3
– System integration solutions	730	0.4	1,318	0.8
Total segment results	203,111	100	168,229	100
Other income and gains	15,129		7,191	
Other expenses and losses	(1,042)		(13,176)	
Finance costs	—		(1,714)	
Distribution and selling expenses	(26,311)		(19,128)	
Administrative and general expenses	(33,857)		(29,039)	
Profit before tax	157,030		112,363	
Income tax expense	(22,501)		(11,421)	
Profit for the year	134,529		100,942	

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales from prior years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the sum of revenue and value-added tax refund less cost of sales and research and development costs of the relevant product line. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

6. REVENUE AND SEGMENTAL INFORMATION – *continued*

Geographical information

The Group's non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities.

Substantially all of the Group's revenue is derived from the PRC, the place of domicile of the major subsidiaries, Nanjing Skytech Co., Limited ("Nanjing Skytech") and Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation").

Information about major customers

Revenue from major customers which account for 10% or more of the Group's revenue is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Customer A (note 1)	**34,115**	29,798
Customer B (note 2)	**54,928**	*

Note:

1: Revenue from e-Government Solutions and System Integration Solutions.

2: Revenue from e-Government Solutions and System Integration Solutions.

*: The corresponding revenue did not contribute over 10% of the Group's revenue.

7. VALUE-ADDED TAX REFUND

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Value-added tax refund	**18,561**	16,450

The amount represents the benefit of the refund of value-added tax ("VAT") on Group's sale of e-Government solutions, information integration software and export tax software products received or receivable from the PRC tax authorities as part of the PRC government's policy of encouraging software development in the PRC. The sales of software products in the PRC are subject to VAT calculated at 17%. Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT.

8. OTHER INCOME AND GAINS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest income	10,607	2,951
Government grants (note)	988	977
Net foreign exchange gain	3,402	—
Impairment loss recognised on trade receivables, net	—	2,999
Gain on disposal of property, plant and equipment	—	57
Others	132	207
	15,129	7,191

Note: The grants are incentive received by the PRC subsidiaries for eminent contribution to technology development and encouragement of business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred nor related to any assets.

9. OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Listing expenses	—	10,259
Donation	506	630
Loss on disposal of property, plant and equipment	231	—
Net foreign exchange loss	—	2,124
Others	305	163
	1,042	13,176

10. FINANCE COSTS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interests on bank borrowings wholly repayable within five years	—	1,714

11. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,110	2,355
Amortisation of intangible assets:		
Amortisation of capitalised software costs (included in cost of sales)	27,943	20,899
Amortisation of other software (included in research and development costs)	24,691	21,945
	55,744	45,199
Auditor's remuneration	1,945	1,268
Research and development costs recognised as an expense	33,490	32,962
Less: government grants (note)	—	(4,500)
	33,490	28,462
Cost of inventories recognised as an expense	101,812	79,701
Gain (Loss) on disposal of property, plant and equipment	(231)	57
Cost of defined contribution retirement benefit plans	2,663	2,289
Directors' emoluments	3,068	2,457
Employee benefits expenses	54,469	45,784
Total staff cost	60,200	50,530
Less: amount included in capitalised software costs	(37,039)	(31,547)
	23,161	18,983

Note: These grants represent subsidies for expenditures incurred for software development with intended usage. The amounts are recognised as deduction to research and development costs to the extent of related costs already incurred during the year.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2013: 5) directors and the chief executive of the Company were as follows:

	Ms. Xin RMB'000	Mr.Yu Yifa RMB'000	Mr. Zong Ping RMB'000	Mr. Kang Choon Kiat RMB'000	Mr. Walter Kwauk RMB'000	Total 2014 RMB'000
Fees	—	—	80	120	120	320
Other emoluments						
Salaries and benefits	1,958	700	—	—	—	2,658
Contribution to retirement benefits schemes	42	48	—	—	—	90
Total emoluments	2,000	748	80	120	120	3,068

	Ms. Xin RMB'000	Mr.Yu Yifa RMB'000	Mr. Zong Ping RMB'000	Mr. Kang Choon Kiat RMB'000	Mr. Walter Kwauk RMB'000	Total 2013 RMB'000
Fees	—	—	40	60	60	160
Other emoluments						
Salaries and benefits	1,595	614	—	—	—	2,209
Contribution to retirement benefits schemes	40	48	—	—	—	88
Total emoluments	1,635	662	40	60	60	2,457

Ms. Xin is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by herself as the chief executive.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

The five highest paid individuals in the Group included 2 directors of the Company (2013: 2 directors), for the years ended 31 December 2014, whose emoluments are set out above. The emoluments of the remaining 3 individuals during the year were as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Employees:		
– Salaries and other benefits	**1,046**	967
– Contributions to retirement benefit schemes	**97**	63
Total	**1,143**	1,030

During the year ended 31 December 2014, no emoluments were paid by the Group to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No performance related incentive payments were paid to the directors and the five highest paid individuals. None of the directors has waived any emoluments during the year ended 31 December 2014.

Their emoluments were within the following bands:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
HKD nil to HKD 1,000,000	**3**	3

13. TAXATION

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current tax		
– PRC Enterprise Income Tax ("EIT")	10,063	10,761
– Withholding tax on distribution of earnings from the PRC subsidiaries	4,899	7,469
Over provision in prior years (note)	—	(7,795)
Deferred tax charge:		
– Current year	7,539	986
	22,501	11,421

Note: On 17 February 2013, Nanjing Skytech Co., Ltd. ("Nanjing Skytech") was enlisted as a "Key Software Enterprise under the National Plan" for two years ended 31 December 2012 and entitled the reduced tax rate of 10% for those periods. Accordingly, these over-provision of EIT in respect of 2012 and 2011 amounting to RMB 7,795,000 was reversed in 2013.

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before taxation	157,031	112,363
Tax at income tax rate of 25% (2013: 25%)	39,258	28,091
Tax effect of expenses not deductible for tax purpose	4,713	6,557
Tax effect of income not taxable for tax purpose	(5,445)	(4,136)
Effect of PRC EIT exemption and concessions	(19,770)	(11,962)
Over provision of PRC EIT in prior years	—	(7,795)
Tax effect of tax losses not recognised	349	2,668
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	(4,872)	(4,241)
Withholding income tax on undistributed profits attributable to the PRC subsidiaries	8,830	2,239
Utilisation of tax losses previously not recognised	(562)	—
Taxation for the year	22,501	11,421

13. TAXATION – *continued*

Infotech Holdings Pte. Ltd. ("Infotech Holdings")/The Company

The Company and Infotech Holdings, its subsidiary incorporated in Singapore, had no assessable profits subject to income tax in any jurisdictions since their incorporation.

PRC subsidiaries

PRC EIT is calculated at rates prevailing under the relevant laws and regulations in the PRC.

Nanjing Skytech obtained the "High-tech Enterprise" status in 2008 for 3 years and got it renewed in 2011. As a result, Nanjing Skytech enjoys a reduced income tax rate of 15% for the year ended 31 December 2013.

In February and December 2013, Nanjing Skytech was re-enlisted as a "Key Software Enterprise under the National Plan" and enjoys a reduced income tax rate of 10% for the year ended 31 December 2013 and 31 December 2014.

Jiangsu Skyinformation used to be eligible for certain tax holidays and concessions and were exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Jiangsu Skyinformation commenced its first profit-making year in the financial year ended 31 December 2009. Accordingly, the tax holidays and concessions for Jiangsu Skyinformation ended in the year ended 31 December 2013. The applicable tax rate of Jiangsu Skyinformation for year ended 31 December 2013 is 12.5%.

In 2014, Jiangsu Skyinformation obtained "High-tech enterprise" certificate. Accordingly, the applicable income tax rate of Jiangsu Skyinformation for year ended 31 December 2014 is 15%.

Nanjing Skytech Quan Shui Tong Information Technology Co., Ltd. ("Quan Shui Tong") used to be eligible for certain tax holidays and concessions and were exempted from PRC EIT for two years starting from its first profit-making year, followed by a 50% reduction for the following three years. Quan Shui Tong commenced its first profit-making year in the financial year ended 31 December 2014. Accordingly, the tax holidays and concessions for Quan Shui Tong ended in the year ended 31 December 2018.

The applicable EIT rate for Zhenjiang Skyinformation Co., Ltd. ("Zhenjiang Skyinformation") and Jiangsu Skytech Investment Management Co., Ltd, ("Jiangsu Skytech Investment"), the subsidiaries of the Company, is 25% for the year.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**134,529**	100,942

The weighted average number of ordinary shares for the purpose of basic earnings per share reconcile to the weighted average number of ordinary shares used in the calculation of diluted earnings per share as follows:

	Year ended 31 December	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,032,258**	883,981
Effect of dilutive potential ordinary shares:		
Over-allotment option	**—**	4
	1,032,258	883,985

For the year ended 31 December 2013, the weighted average number of ordinary shares applied for calculating earnings per share has been adjusted retrospectively the subdivision of shares in the Company and the Capitalisation Issue as disclosed in note 27.

For the year ended 31 December 2014, dilutive earnings per share has not been calculated as there is no potential dilutive shares outstanding.

15. DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Dividend recognised as distribution during the year:		
Final dividend of HKD 0.019 (approximately RMB 0.015) per share for the year ended 31 December 2013	**15,441**	—
Dividend (note)	—	20,440

Note:

During the year ended 31 December 2013, a dividend amounting to USD 3,261,380, equivalent to approximately RMB 20,440,000, was declared to its then shareholders by the Company at the directors' meeting dated 23 January 2013.

A final dividend of RMB1.95 cents per share (2013: RMB1.50 cents per share) has been proposed by the directors of the Company on 23 March 2015 and its subject to approval by the shareholders in the forthcoming annual general meeting.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electrical equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2013	2,810	9,912	2,623	3,338	18,683
Additions	1,028	1,285	40	—	2,353
Disposal	—	(228)	—	—	(228)
At 31 December 2013	3,838	10,969	2,663	3,338	20,808
Additions	667	4,402	373	—	5,442
Disposal	(2,002)	—	—	—	(2,002)
At 31 December 2014	2,503	15,371	3,036	3,338	24,248
DEPRECIATION					
At 1 January 2013	1,420	6,764	992	2,037	11,213
Provided for the year	147	1,395	463	350	2,355
Eliminated on disposals	—	(217)	—	—	(217)
At 31 December 2013	1,567	7,942	1,455	2,387	13,351
Provided for the year	313	1,953	494	350	3,110
Eliminated on disposals	(871)	—	—	—	(871)
At 31 December 2014	1,009	9,895	1,949	2,737	15,590
CARRYING VALUES					
At 31 December 2014	1,494	5,476	1,087	601	8,658
At 31 December 2013	2,271	3,027	1,208	951	7,457

17. INTANGIBLE ASSETS

	Capitalised software costs RMB'000	Other software RMB'000	Total RMB'000
COST			
At 1 January 2013	147,431	65,257	212,688
Additions	57,770	22,767	80,537
At 31 December 2013	205,201	88,024	293,225
Additions	62,522	31,384	93,906
At 31 December 2014	267,723	119,408	387,131
AMORTISATION AND IMPAIRMENT			
At 1 January 2013	89,001	36,317	125,318
Charge for the year	20,899	21,945	42,844
At 31 December 2013	109,900	58,262	168,162
Charge for the year	27,943	24,691	52,634
At 31 December 2014	137,843	82,953	220,796
CARRYING VALUES			
At 31 December 2014	129,880	36,455	166,335
At 31 December 2013	95,301	29,762	125,063

The above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Capitalised software costs	3 years
Other software	2 years

18. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Unlisted equity securities at cost	**2,000**	2,000

The balance represents 5.26% equity investment in Jiangsu Cyberunion Information Industry Institute Union Co., Ltd. 江蘇賽聯信息產業研究院股份有限公司 ("Cyberunion"), a private entity established in the PRC. The investment in Cyberunion is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

19. DEFERRED TAX

The followings are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the year:

	Allowance for doubtful receivables	Withholding tax on undistributed profits	Capitalised software costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	952	(6,700)	(7,321)	(13,069)
Credit (charge) to profit or loss	(403)	(2,239)	(5,813)	(8,455)
Reversal upon payment of withholding tax	—	7,469	—	7,469
At 31 December 2013	549	(1,470)	(13,134)	(14,055)
Credit (charge) to profit or loss	(154)	(8,830)	(3,454)	(12,438)
Reversal upon payment of withholding tax	—	4,899	—	4,899
At 31 December 2014	395	(5,401)	(16,588)	(21,594)

Under the PRC enterprise income law, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB Nil. (2013: 69,083,000) as at 31 December 2014, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

19. DEFERRED TAX – *continued*

The Group has unused tax losses of RMB 1,396,000 available for offset against future profits as at 31 December 2014 (31 December 2013: RMB 17,622,000). No deferred tax asset has been recognized in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses will expire in four to five years for offsetting against future taxable profits. Other than the above amounts, at the end of each reporting period, the Group had no other significant unrecognised deferred taxation.

20. INVENTORIES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Purchased system integration solution related products	**778**	1,279
Packaging materials	**256**	—
	1,034	1,279

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Accounts receivable:		
Third parties	**245,707**	212,135
Less: Allowance for doubtful debts	**(2,635)**	(2,635)
	243,072	209,500
Prepayments to suppliers	**10,363**	3,885
Deposits	**3,105**	2,611
VAT recoverable	**2,460**	2,919
Advances to employees	**1,132**	1,154
Others	**470**	823
Total trade and other receivables	**260,602**	220,892

21. TRADE AND OTHER RECEIVABLES – *continued*

The Group's trade customers are principally government agencies and the Group offered credit terms to them with reference to the expected timing of settlement from the customers, which was around one year, although a longer credit term may be extended to certain customers, depending on price, the size of the contract, credibility and reputation of the customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised.

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0 – 60 days	**156,522**	94,727
61 – 90 days	**5,354**	4,030
91 – 180 days	**1,356**	487
181 – 1 year	**31,545**	58,533
1 – 2 years	**27,766**	33,837
Over 2 years	**20,529**	17,886
	243,072	209,500

At 31 December 2014, 80% of the trade receivables (31 December 2013: 75%) are neither past due nor impaired. No impairment loss is provided for these receivables because they are within the credit period granted to the respective customer and the management considers the default rate to be low for such receivables based on historical information and experience.

Included in the Group's trade receivables are debtors with a carrying amount of RMB 48,295,000 as at 31 December 2014 (31 December 2013: RMB 51,723,000), which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in good credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
1 – 2 years	**27,766**	33,837
Over 2 years	**20,529**	17,886
Total	**48,295**	51,723

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the management believes that no further allowance is required.

21. TRADE AND OTHER RECEIVABLES – *continued*

Movement in the allowance for doubtful debts for trade receivables

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Balance at beginning of the year	**2,635**	5,634
Impairment losses recognised	**—**	1,845
Impairment losses reversed	**—**	(4,844)
Balance at end of the year	**2,635**	2,635

22. STRUCTURED BANK DEPOSITS

At 31 December 2014, the amount represent interest rate or gold price linked structured bank deposits ("SBDs") placed by the Group in certain banks for a term of three months. Pursuant to the relevant underlying agreements, the SBDs carry interest at variable rates from 3.6% to 5.8% per annum with reference to the performance of interest rate or gold price during the investment period and the principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the directors of the Company, the fair value of embedded derivatives is insignificant at 31 December 2014 and 31 December 2013.

23. PLEDGED BANK DEPOSITS

At 31 December 2014, pledged bank deposits of the Group represented deposits pledged as security against certain bank facilities granted, carrying fixed interest rates at 3.30% per annum as at 31 December 2014.

There was no pledged bank deposits at 31 December 2013.

24. BANK BALANCES AND CASH

Bank balances of the Group carry interest at market rates of 0.35% to 4% per annum at 31 December 2014 (31 December 2013: 0.36% to 2%).

The Group's bank balances and cash that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Denominated in:		
HKD	**2,938**	102,414
USD	**1,385**	123,691
Balance at end of the year	**4,323**	226,105

25. TRADE PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	19,240	30,600

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The following is an aged analysis of trade payables presented based on the invoice date as at end of each reporting period:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0 to 90 days	16,543	17,717
91 to 180 days	227	1,061
181 to 1 year	559	10,652
Over 1 year	1,911	1,170
	19,240	30,600

26. OTHER PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Advances from customers	1,254	2,238
Payroll payables	12,270	10,783
VAT payables	14,804	26,704
Others	2,375	2,733
	30,703	42,458

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Other payables denominated in USD	5,571	5,229

27. SHARE CAPITAL

	Number of shares	Share capital HKD
Authorised:		
At 1 January 2013, ordinary shares of HKD0.1 each	3,800,000	380,000
Sun-division of shares from each share of HKD0.1 each into 10 shares at HKD0.01 each	34,200,000	—
Increase in authorised share capital	7,962,000,000	79,620,000
At 31 December 2013 and 31 December 2014, shares of HKD0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At 1 January 2013, ordinary shares of HKD0.1 each	100,000	10,000
Sub-division of shares from each share of HKD0.1 each into 10 shares of HKD0.01 each	900,000	—
Capitalisation issue of shares of HKD0.01 each	749,000,000	7,490,000
New issue of shares upon the Global Offering	250,000,000	2,500,000
New issue of shares from partial exercise of over allotment option	32,258,000	322,580
At 31 December 2013 and 31 December 2014, shares of HKD0.01 each	1,032,258,000	10,322,580

Shown on the consolidated statement of financial position

	RMB'000
At 31 December 2014	8,232
At 31 December 2013	8,232

27. SHARE CAPITAL – *continued*

Notes:

1. On 6 January 2011, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company's initial authorised share capital was HKD 380,000, divided into 3,800,000 shares of a par value of HKD 0.10 each, and issued 100,000 shares amounting to HKD10,000 on the same date.

2. Pursuant to the written resolutions passed on 11 June 2013, (i) the Company subdivided each existing issued and unissued shares of HKD0.10 each in the share capital of the Company into 10 new ordinary shares of HKD 0.01 each, (ii) the authorised share capital of the Company was increased from HKD 380,000 to HKD 80,000,000 by the creation of an additional 7,962,000,000 shares of HKD0.01 each, (iii) conditional on the share premium account of the Company being credited upon listing of the Company's shares on the Stock Exchange (the Capitalisation Issue"), a sum of HKD 7,490,000 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par 749,000,000 shares, such shares were issued on the Listing Date to the shareholders as at 11 June 2013 on a pro rata basis.

3. On the Listing Date, the Company issued 250,000,000 ordinary shares of HKD 0.01 each at HKD 1.45 per share with gross proceeds of approximately HKD 362,500,000.

4. The over-allotment option was partially exercised in respect of 32,258,000 shares of HKD 0.01 each (the "Over-allotment Shares"), and the Over-allotment Shares were issued and allotted by the Company at HKD 1.45 per share on 2 August 2013.

28. RESERVES

PRC Statutory Reserve

Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to these funds are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiaries (the "PRC Accounting Profit").

The subsidiaries are required to transfer 10% of their PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund may be used to make up prior year losses incurred or to increase capital.

Capital Reserve

As part of the Reorganisation, the Company acquired 100% interest in Infotech Holdings in January 2011 and became the holding company of the Group. An amount of RMB 891,000 representing the nominal value of share capital of Infotech Holdings was credited to capital reserve upon the Reorganisation. Further in 2011, an amount of RMB 1,736,000 arising from an indemnification of an equal amount from Ms. Xin was credited to capital reserve.

29. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases during the year	11,546	9,816

At the end of the reporting period, the Group had outstanding commitments payable under non-cancellable operating leases to Nanjing Jingtian Technology Co., Ltd ("Nanjing Jingtian"), a subsidiary of Team United Investments Limited which is a non-controlling shareholder of the Company in respect of office premises which fall due as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Within one year	10,216	8,665

Operating lease payments represented rentals payable by the Group for certain of its offices premises. Leases are negotiated for terms of 1 year at fixed rental.

30. RETIREMENT BENEFIT PLANS

Pursuant to the relevant regulations of the PRC government, Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhengjiang Skyinformation and Jiangsu Skytech Investment have participated in central pension schemes (the "Schemes") operated by the local municipal government and the Group is required to contribute certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhengjiang Skyinformation and Jiangsu Skytech Investment. The only obligation of Nanjing Skytech, Jiangsu Skyinformation, Quan Shui Tong, Zhengjiang Skyinformation and Jiangsu Skytech Investment with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as incurred.

The total amounts contributed by the Group to the Schemes and charged to profit or loss represent contribution payable to the Schemes by the Group at rates specified in the rules of the Schemes and are as follows:

	2014 RMB'000	2013 RMB'000
Amounts contributed and charged to profit or loss	2,663	2,289

As at 31 December 2014, the contributions due in respect of the year that had not been paid over to the Schemes were RMB 339,000 (31 December 2013: RMB 292,000).

31. RELATED PARTY DISCLOSURES

(1) Related party transactions

During the year, the Group had the following related party transactions:

	2014 RMB'000	2013 RMB'000
Rental expense paid to Nanjing Jingtian	10,708	9,540

The following balances were outstanding at the end of the reporting period:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Other receivables		
Nanjing Jingtian	1,634	1,733

Other receivables from Nanjing Jingtian represent rental deposits and rental prepayment.

(2) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year were as follows:

	2014 RMB'000	2013 RMB'000
Short term benefits	4,024	3,336
Retirement benefits scheme contributions	187	151
	4,211	3,487

32. FINANCIAL INFORMATION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
Non-current Assets	4,024	3,336
Investments in subsidiaries	132,879	132,879
Property, plant and equipment	84	—
	132,963	132,879
Current Assets		
Amounts due from subsidiaries	41,263	41,723
Dividend receivable	15,883	15,825
Bank balances and cash	82,883	102,418
	140,029	159,966
Current Liabilities		
Other payables	5,571	6,429
Amounts due to subsidiaries	—	—
	5,571	6,429
Net current assets	134,458	153,537
Total Assets less current liabilities	267,421	286,416
Capital and reserves		
Share capital	8,232	8,232
Reserves	259,189	278,184
	267,421	286,416

32. FINANCIAL INFORMATION OF THE COMPANY

Movement in reserves

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	—	(16,004)	(16,004)
Profit and total comprehensive income for the year	—	14,613	14,613
Dividend	—	(20,213)	(20,213)
Capitalisation issue of shares	(5,967)	—	(5,967)
Issue of shares in connection with the Global Offering	286,812	—	286,812
Partial exercise of over-allotment option	37,000	—	37,000
Expenses incurred in connection with issue of shares	(18,057)	—	(18,057)
At 31 December 2013	299,788	(21,604)	278,184
Loss and total comprehensive expense for the year	—	(3,554)	(3,554)
Dividend	—	(15,441)	(15,441)
At 31 December 2014	299,788	(40,599)	259,189

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Country and date of establishment/ incorporation	Issued and fully paid share capital/ registered capital	Equity interest held by the Company				Principal activities
			Direct		Indirect		
			2014 %	2013 %	2014 %	2013 %	
Infotech Holdings	Singapore/ 15 October 2004	Singapore dollar 108,000	100	100	—	—	Investment holding
Nanjing Skytech	PRC/14 December 1998	RMB200,000,000	—	—	100	100	Software development, system integration, sales of related computer products and provision of solution services
Jiangsu Skyinformation	PRC/8 September 2005	RMB12,000,000	—	—	100	100	Software outsourcing service, development and sale of information integration
Wuxi Skytech (note)	PRC/14 January 2011	RMB5,000,000	—	—	—	100	Software outsourcing service, development and sale of information integration, system integration and related solution services
Quan Shui Tong	PRC/18 December 2013	RMB10,000,000	—	—	100	100	Development and sale of export tax software
Zhenjiang Skyinformation	PRC/5 June 2014	RMB5,000,000	—	—	100	100	Development and sale of software and system related products and services
Jiangsu Skytech Investment	PRC/17 April 2014	US dollar 83,650,000	—	—	100	—	PRC investment and advisory

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Note: During the year, Wuxi Skytech is dissolved.