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

# 2015 ANNUAL REPORT

SINOSOFT
TECHNOLOGY

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# 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)*

## 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 | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **436,545** | 347,849 | 280,841 | 226,728 | 184,934 |
| Net profit before tax | **189,865** | 157,030 | 112,363 | 93,880 | 72,673 |
| Income tax expense | **(30,332)** | (22,501) | (11,421) | (17,654) | (13,911) |
| Net profit for the year | **159,533** | 134,529 | 100,942 | 76,226 | 58,762 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | | | |
| Non-current assets | **223,831** | 176,993 | 134,520 | 97,792 | 73,144 |
| Current assets | **766,826** | 641,655 | 579,730 | 317,739 | 232,417 |
| Total assets | **990,657** | 818,648 | 714,250 | 415,531 | 305,561 |
| **Equity and liabilities** | | | | | |
| Equity attributable to owners of the Company | **880,342** | 740,997 | 621,909 | 233,395 | 157,169 |
| Non-current liabilities | **31,344** | 21,594 | 14,055 | 14,021 | 8,415 |
| Current liabilities | **78,971** | 56,057 | 78,286 | 168,115 | 139,977 |
| Total liabilities | **110,315** | 77,651 | 92,341 | 182,136 | 148,392 |
| Total equity and liabilities | **990,657** | 818,648 | 714,250 | 415,531 | 305,561 |

Notes:

The summary of the consolidated results of the Group for each of the two years ended 31 December 2012 and of the assets, equity and liabilities as at 31 December 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.

# CHAIRLADY STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") 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 2015.

The Chinese economy has entered into the "new normal" in 2015. Despite that the overall economic growth has slowed down, it also means that economic structure must be enhanced and more prominent attention will be focused on the innovative industry. The Chinese government's continuous promotion in "Internet+" and strong encouragement in applying big data analysis in different areas has brought great prospects to the information technology industry. The Group seized the policies opportunities successfully and managed to maintain solid financial performance while intensifying its research and development ("R&D"), and achieved a year-on-year growth across the Group's revenues, earnings and cash flow for the year ended 31 December 2015. Accordingly, the Board has recommended the payment of a final dividend of RMB 2.33 cents per share for the year ended 31 December 2015.

## OUTLOOK

China marches into its first year of Thirteenth Five Year Plan (the "13th Five Year Plan") in 2016. The important goals of the 13th Five Year Plan include keeping medium-high economic growth, steady enhancement in citizens' living standard, and overall improvement in ecology and environment. To achieve these goals, the 13th Five Year Plan proposed innovation, coordination, green, open and sharing as essential development concepts. Information technology is the key means to accomplish these concepts. Using technologies such as big data analysis, cloud computing and mobile technology to create new economic development prospects, strengthen coordination and communication between different government agencies and citizens, increase working efficiency and decision making standard, will enhance overall economic and social development, and bring opportunities to the Group.

Under the concepts of opening to the world economy and balancing internal and external demands, policies of export tax rebate and overseas visitors sales tax refund remain in focus. On the foundation of the Chinese government enhancing export tax rebate policies to support export industry, the Group will continue to keep abreast of market development and seize every opportunity presented by favourable policies, to provide software products, training courses and consultation services for export enterprises, to facilitate them in improving application efficiency and accuracy. Besides the business growth in Jiangsu Province, vigorous promotion in markets outside Jiangsu Province will also create more opportunities for the Group.

The implementation of overseas visitors sales tax refund policies helped bring Chinese value-added tax system in line with international standard, as well as strengthen the development of inbound tourism and promote the export of Chinese featured products. The Group's overseas visitors tax refund platform in Shanghai is enriching, with the number of tax refund counters expected to increase from around 200 currently to over 1,000, bringing about the gradual launch of its complementary services. Moreover, the Group is promoting its overseas visitors tax refund platform to other provinces and cities. Overseas visitors tax refund platforms for Guangdong Province, Anhui Province, Liaoning Province, Qingdao and Jiangsu Province provided by the Group are expected to be launched in 2016. Apart from selling the system, the Group will continue to explore other opportunities and further room for expansion and development, such as mobile application and product sales analysis, with an objective to generate greater revenue as a whole.

Energy saving and emission reduction is the key element of green development and ecological and environmental improvement. In order to control carbon emission level, Chinese government plans to start the national carbon trading in 2017. The first phase will cover 6 industrial departments of 31 provinces and cities. With over 10,000 enterprises involving 4 to 4.5 billion tons of annual carbon emission, which accounts for close to 50% of carbon emission for the whole country, this will become the largest carbon trading market in the world. To prepare for the carbon trading, local governments is anxious to understand the carbon emission levels in their regions and then decide how to allocate the carbon emission quota. The Group has been developing the national key enterprises carbon reporting platform for the National Center for Climate Change Strategy and International Cooperation, and will intensify the promotion of carbon reporting platform for regions, to facilitate local governments in gathering relevant figures and calculating their carbon emission levels, and to apply such data in different areas.

Once the national carbon trading is implemented, enterprises will have greater economic incentive for energy saving and emission reduction. The Group will look to ride on this opportunity and further promote its carbon asset management software for enterprises, which can help enterprises to manage carbon emission efficiently and increase the economic benefits of energy saving and emission reduction through carbon trading.

Under the concept of innovative development in system and technology, government will continue to deepen the application of e-Government. Potential of this segment is encouraging because the current information technology spending by the government benefits the Group's area of R&D that should result in the launch of new e-Government solutions, as well as upgrade demand for our previously developed products. While the Group continues to sell its existing platforms for judiciary industry, community management, service industry management and others, at the same time, the Group is also tapping into new areas of e-Government such as courier industry management, to add new momentum for its future growth.

Mobile e-Government is a new trend for future development. The Group plans to exert additional resources for R&D on e-Government solutions that are for cell phone applications, which are convenient for citizens, efficient for communication, and at the same time able to gather more data for analysis, so as to enhance governments' decision making.

Although it is expected the economic environment will continue to be challenging in 2016, the transformation of economic structure under the "new normal", together with the devotion in innovative development concept, will further nurture the growth of the information technology industry. The Group will continue to strengthen its R&D and enhance its competitiveness, to swiftly seize market opportunities and strive for healthy business growth with a view to bringing desirable returns to its shareholders.

**Xin Yingmei**
*Chairlady*

Hong Kong, 20 March 2016

## REVENUE

For the year end 31 December 2015, the Group's revenue recorded approximately RMB 436.5 million, representing a 25.5% growth as compared to RMB 347.8 million for the year ended 31 December 2014. During the year under review, all of the Group's core business segments, namely export tax software and related services, carbon management solutions and e-Government solutions recorded increase in revenue, which in turn contributed to the overall revenue of the Group.

### Export Tax Software and Related Services

Benefited from the robust sales of new products and increasing income from service fees, revenue generated from export tax software and related services achieved approximate RMB 121.5 million for the year ended 31 December 2015, representing an approximate 33.4% year-on-year growth as compared to approximately RMB 91.1 million for the year ended 31 December 2014.

Leveraging years of experience and professional knowledge in the export tax industry, the Group was able to swiftly react to the policy change (which disallowed export documents to be printed on paper) by launching products which helped export enterprises to submit their tax filings efficiently during the reporting period. The relevant products were greatly welcomed by the market. In response to customers' demand, the Group launched various new products with features that are able to consolidate financial and tax figures, which were also sought after by the market. Moreover, the Group continued to provide more in-depth and comprehensive consultation services, and extended the scope of training courses to customs and foreign exchange related policies, to provide all-round solutions for export enterprises.

On 1 July 2015, China officially launched overseas visitors sales tax refund policy in pilot cities. The Group was selected as the software developer, to provide relevant overseas visitors tax refund platform for Shanghai. By the end of 2015, there were 182 tax refund counters in Shanghai that issued over 3,000 refund invoices, representing over RMB 20 million of refundable sales value. Leveraging the implementation experience in Shanghai, the Group will strive to expand the overseas visitors tax refund platform to other provinces and cities. Overseas visitors tax refund platforms for Guangdong Province, Anhui Province, Liaoning Province, Qingdao and Jiangsu Province provided by the Group are expected to be launched in 2016.

### Carbon Management Solutions

In order to prepare the national carbon trading which will be launched in 2017, and to achieve the goal of meeting carbon emission peak in 2030, governments of different administrative levels and enterprises are escalating their efforts in energy saving and reducing carbon emissions. This has helped to drive up the Group's revenue from carbon management solutions by approximately 30.2% to approximately RMB 86.6 million for the year ended 31 December 2015, when compared to approximately RMB 66.5 million for the year ended 31 December 2014.

During the year under review, the Group has been developing a national key enterprises carbon reporting platform for the National Center for Climate Change Strategy and International Cooperation. Over ten thousand key energy consumption enterprises will report their carbon emission figures through this platform, so as to prepare data support for the upcoming national carbon trading. Meanwhile, the Group continued to enrich its product lines. Apart from developing the ecology cloud platform extended from carbon management platform, the Group also implemented the first carbon management platform for industrial parks and sold energy management systems to state-owned enterprises.

The Group's carbon management platform received various recognitions on the international stage. The presentation in U.S. — China Climate Leaders Summit and United Nations Climate Change Conference in September 2015 and December 2015 respectively, has immensely impressed the officials and experts around the world. In addition, in May 2015, the Group entered into a cooperative framework agreement with the Shanghai Branch of China Quality Certification Center, pursuant to which the parties agreed to consolidating their market resources and the Group's competences in low carbon information so as to complement each other, to further extend low carbon consultation services.

### e-Government Solutions

With the backdrop of PRC central government intensely encouraging spending of information technology, as well as continuous expansion of the application of e-Government, revenue generated from e-Government solutions for the year ended 31 December 2015 recorded approximately RMB 183.3 million, representing an increase of approximately 23.0% as compared with approximately RMB 149.0 million for the year ended 31 December 2014.

During the year under review, the Group continued to deepen its implementation of technologies such as big data analysis, Internet of Things and mobile technology, so as to develop innovative solutions for various areas of e-Government. These solutions include the first management platform for courier industry, WeChat police platform which is mobile users friendly, and data sharing platform between different departments. Developing e-Government solutions for different industries not only increased the Group's revenue, but also enhanced the Group's ability to broaden development opportunities through analyzing different industries' data.

The Chinese government has been intensifying the application of information technology recently so as to enhance administrative efficiency and transparency, strengthen communication among different government agencies and citizens, and to expedite working process. This not only resulted in more opportunities for developing new products, but also increased the demand for upgrade in previously developed products, which, in turn, helped to contribute to the growth in sales.

### System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementary service to the Group's other solutions which aims to provide a total solutions service to the Group's customers. During the year ended 31 December 2015, revenue generated from system integration solutions segment amounted to RMB 45.2 million, representing an increase of approximately 9.4% as compared to RMB 41.3 million for the year ended 31 December 2014.

## COST OF SALES

The Group's cost of sales is largely made up of amortization of software development cost as well as the cost for purchasing system and components for some of its projects. During the year under review, the Group has been intensifying its investment in developing new products, which led to increases in both amortization cost and cost for purchasing system and components. These have resulted in an approximate 16.9% increase in the Group's cost of sales, from approximately RMB 129.8 million during the year ended 31 December 2014 to approximately RMB 151.7 million during the year ended 31 December 2015.

## 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 R&D costs) grew by approximately 21.5% from approximately RMB 203.1 million for the year ended 31 December 2014 to approximately RMB 246.8 million for the year ended 31 December 2015. The increase was primarily due to an increase in the Group's total revenue for the year under review.

The Group's segment results margin decreased slightly from approximately 58.4% for the year ended 31 December 2014 to approximately 56.5% for the year ended 31 December 2015, primarily due to the increase in amortization of development cost under the intensifying investment for developing new products. The amortization cost of third party software which were used in R&D also increased and resulted in a decrease in segment results margin in export tax software and related services and e-Government solutions.

## RESEARCH AND DEVELOPMENT COSTS

For the year ended 31 December 2015, the Group's R&D costs increased from approximately RMB 33.5 million for the year ended 31 December 2014 to approximately RMB 50.2 million. The increase was primarily due to increased devotion in new products development.

## OTHER INCOME AND GAINS

The Group's other income and gains increased from approximately RMB 15.1 million for the year ended 31 December 2014 to approximately RMB 15.5 million for the year ended 31 December 2015, which was mainly made up of the interest income earned from bank deposits.

## DISTRIBUTION AND SELLING COSTS

For the year ended 31 December 2015, the Group's distribution and selling costs increased by approximately 21.5% to approximately RMB 32.0 million, as compared to approximately RMB 26.3 million during the year ended 31 December 2014. This was mainly due to increase in marketing activities corresponding to the Group's business expansion.

## ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2015, the Group's administrative and general expenses increased by approximately 17.2% to approximately RMB 39.7 million, as compared with approximately RMB 33.9 million in the year ended 31 December 2014. The increase was mainly due to salary increase, higher office rental as well as increase in the benefits given.

## OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group decreased slightly from RMB 1.0 million for the year ended 31 December 2014 to RMB 0.9 million for the year ended 31 December 2015.

## INCOME TAX EXPENSE

The Group's income tax expenses increased from approximately RMB 22.5 million for the year ended 31 December 2014, to approximately RMB 30.3 million for the year ended 31 December 2015. This was due to the higher profit before tax as well as the use of a 15% applicable tax rate for Nanjing Skytech Co., Limited ("Nanjing Skytech"), one of the Group's major subsidiaries, during the year ended 31 December 2015 instead of the 10% reduced applicable tax rate that was used for the year ended 31 December 2014 under the "Key Software Enterprise under the National Plan".

## PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the year ended 31 December 2015 amounted to approximately RMB 159.5 million, representing an increase of approximately 18.6% as compared with RMB 134.5 million for the year ended 31 December 2014. For the year under review, the Group managed to impose efficient control in growth of cost of sales, distribution and selling costs as well as administrative and general expenses, to maintain the net profit margin at a satisfactory level of 36.5%.

## NET CURRENT ASSETS

As at 31 December 2015, the Group had net current assets of RMB 687.9 million (31 December 2014: RMB 585.6 million).

## TRADE RECEIVABLES

During the year under review, the trade receivables turnover (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) increased slightly by 13 days to 250 days (2014: 237 days). Before accepting any new projects, the Group assesses the potential customers' credit quality. In addition, the Group continues to enforce strict credit terms and overdue balances are reviewed regularly by management, although there are inevitable delay in payment from certain direct government customers.

## FINANCIAL RESOURCES, LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2015, the Group's primary source of funding came from cash generated from its operating activities. As at 31 December 2015, the net cash inflow from operating activities amounted to approximately RMB 151.8 million (31 December 2014: approximately RMB 132.9 million) and the Group had cash and cash equivalent of RMB 128.4 million (31 December 2014: RMB 102.6 million).

As at 31 December 2015, the Group had no borrowings (31 December 2014: Nil).

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. For more details, please refer to notes 5, 21, 22 and 23 to the consolidated financial statements.

## CHARGE ON ASSETS

As at 31 December 2015, the Group had no charge on assets.

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

## FOREIGN EXCHANGE EXPOSURE

The primary economic environment in which the Group operates is in the PRC and its functional currency is RMB. However, certain of the Group's bank balances and other payables 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 year under review, the Group recorded an exchange loss of approximately RMB 0.4 million (31 December 2014: exchange gain of approximately RMB 3.4 million). This exchange loss during the year was a result of the appreciation of RMB against the USD and HKD where during the year under review, the Group had net assets in USD and HKD.

No currency hedging arrangements were made as at 31 December 2015. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign 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 60.9 million and the addition to purchased software of RMB 62.7 million less the amortization charges for the period under review.

## HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 598 employees (2014: 562). The Group offered competitive salary packages, as well as discretionary bonuses and contributions 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 which are managed by its human resources department.

## FINAL DIVIDEND

At the meeting of the Board held on 20 March 2016, the Board proposed the payment of a final dividend of RMB 0.0233 per share (2014: RMB 0.0195 per share) for the year ended 31 December 2015. The proposed final dividend amounts to approximately RMB 24,051,611 (2014: approximately RMB 20,129,031), on the basis that no further Shares are issued or repurchased after the date of this Board meeting and up to the record date of entitlement of dividend (i.e. Friday, 8 July 2016) and is subject to approval by the shareholders at the annual general meeting of the Company scheduled to be held on Tuesday, 28 June 2016 (the "AGM").

The final dividend will be payable in Hong Kong Dollars based on the average of the central parity rate 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 AGM at which the final dividend is declared. Subject to the approval by the shareholders at the AGM, the proposed final dividend is expected to be paid on or about Wednesday, 20 July 2016 to the shareholders whose names appear on the Company's registers of members at the close of business on Friday, 8 July 2016.

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

## SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2015, the Group did not have any significant investments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2015, 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 48, 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 2015. She is a co-founder of Nanjing Skytech and is also a director of our subsidiaries, namely Nanjing Skytech, Infotech Holdings Pte. Ltd. ("Infotech Holdings"), Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation"), Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong"), Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Limited and Qingdao Skytech Software 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 41, 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 2015. He is primarily responsible for supervising the financial reporting, corporate finance, treasury, tax and other related finance matters of the Group. He has over 15 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 52, 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 24 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 63, 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; China Fordoo Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") where he serves as chairman of the audit committee; Alibaba Group Holding Limited., a company listed on the New York Stock Exchange, where he serves as chairman of the audit committee and several private companies. Mr. Kwauk served in KPMG from 1977 to 2002, holding 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 59, 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 senior member of the China Computer Federation (中國計算機學會), a member of the council of Jiangsu Province Computer Society (江蘇省計算機學會理事) 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 February 1982 and a doctorate degree in water conservancy and hydropower engineering from Hohai University (河海大學) in April 2008.

## SENIOR MANAGEMENT

**Mr. Wang Xiaogang (汪曉剛)**, aged 53, 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 12 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 46, 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 17 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 55, 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 and Jiangsu Skyinformation. 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 45, 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 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 of members of the Board and senior management, and there is 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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 Company has adopted the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules as its own code 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 the CG Code throughout the year ended 31 December 2015, save for the deviation of code provision A.2.1 of the CG Code.

## CHAIRLADY AND CHIEF EXECUTIVE OFFICER

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. The Company does not segregate the roles of chairlady and chief executive officer and 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 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 2015. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2015.

## 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 2015. 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 38 to 39.

### 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 2015 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 independent 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 section headed "Biographical Details of Directors and Senior Management" on pages 13 to 15.

### 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 with a term of three years commencing on the date of Listing, being 9 July 2013, whereas each of the independent non-executive Directors have entered into a letter of appointment with the Company with a term of three years commencing on 31 October 2015.

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, Mr. Kang Choon Kiat and Mr. Kwauk Teh Ming, Walter, the independent non-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 Mr. Kang Choon Kiat and Mr. Kwauk Teh Ming, Walter as independent non-executive Directors.

The Board and the Nomination Committee recommend their re-appointment. The Company's circular, which will be sent to the Company's shareholders in due course, will contain 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 2015, 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 2015, the Company has arranged 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 but 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 2015 and 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 meetings, committee meetings and general meetings of the Company held during the year ended 31 December 2015:

| | Attendance/Number of Meetings Held | | | | | |
|---|---|---|---|---|---|---|
| Name of Directors | Regular Board Meeting | Audit Committee | Nomination Committee | Remuneration Committee | Investment Management Committee | Annual General Meeting |
| **Executive Directors** | | | | | | |
| Ms. Xin Yingmei | (Chairlady) 4/4 | – | (Chairlady) 2/2 | – | – | 1/1 |
| Mr. Yu Yifa | 4/4 | – | – | 2/2 | – | 1/1 |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Kang Choon Kiat | 4/4 | 2/2 | – | (Chairman) 2/2 | (Chairman) 2/2 | 0/1 |
| Mr. Kwauk Teh Ming, Walter | 4/4 | (Chairman) 2/2 | 2/2 | 2/2 | 2/2 | 0/1 |
| Mr. Zong Ping | 4/4 | 2/2 | 2/2 | – | 2/2 | (Chairman) 1/1 |

## BOARD COMMITTEES

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 2015 had been reviewed by the Audit Committee.

During the year ended 31 December 2015, the Audit Committee 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 were sent to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee were reported to the Board subject to applicable restriction.

On 23 December 2015, the Board approved to amend the terms of reference of the Audit Committee pursuant to the latest requirements on risk management and internal control in the CG Code. The amended 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 ended 31 December 2015 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 2015, the Nomination Committee held two meetings to review the independence of the independent non-executive directors, current structure of the Board, the Board diversity policy and make recommendations to the Board regarding the nomination of directors.

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 were sent to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee were 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 2015, the Remuneration Committee held two meetings to review the remuneration package of Directors and senior management and submit proposals to the Board.

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 were sent to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee were 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.

During the year ended 31 December 2015, the Investment Management Committee held two meetings to review the current investment policy of the Group and review the investment performance report for the year.

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 were sent to all members of the Investment Management Committee for comments and approval and all decisions of the Investment Management Committee were 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 code provision D.3.1 of the CG Code in performing its corporate governance functions. During the year ended 31 December 2015, 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 2015. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2015, the fees payable to Deloitte Touche Tohmatsu in respect of its statutory audit services provided to the Company was approximately RMB 1.9 million, including approximately RMB 50,000 was paid to Deloitte Touche Tohmatsu for the provision of income tax services.

## SENIOR MANAGEMENT'S REMUNERATIONS

The Senior Management's remunerations are determined by the Board with reference to their duties, responsibilities and performance and the results of the Group. Remuneration paid to a total of four Senior Management (excluding Directors and Supervisors) by bands for the year ended 31 December 2015 is set out below:

| Remuneration band | Number of individuals |
|---|---|
| RMB 1,000,000 and below | 4 |

## INTERNAL CONTROL

During the year ended 31 December 2015, the Board has conducted an annual 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, compliance controls and risk management function and considers they are effective and adequate.

The Company's independent internal control adviser ("Internal Control Adviser"), Baker Tilly Hong Kong Risk Assurance Limited, performed the internal audit function and conducted an assessment of the effectiveness of the internal controls of the Group during the year ended 31 December 2015. The Internal Control Adviser carried out internal control reviews during the months of March 2015 and January 2016 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 2015 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 ("Dr. Ngai"), 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. Dr. Ngai has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## 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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(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.

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2015.

## 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 section 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 32 to the consolidated financial statements.

## BUSINESS REVIEW

Discussion and analysis on business of the Group is set out in the section headed "Management Discussion and Analysis" on pages 7 to 12. Likely future development in the Group's business is discussed in the paragraph headed "Outlook" in the "Chairlady Statement" section on pages 5 to 6 of this annual report.

## ENVIRONMENTAL POLICIES

The Group is committed to the long-term sustainability of the environment and communities. As a pioneer in the carbon management solutions industry, the Group has professional knowledge in efficient use of resources. Energy saving measures have been adopted in the Group's daily operation, including automatic switch on lights during non-office hours, fixed hours operation of water heater system in staff dormitory.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2015, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers R&D as one of the keys to its success. The Group's business may be affected if (i) it is unable to successfully implement its R&D projects, or (ii) it is unable to hire or retain qualified personnel for its R&D efforts.

The Group's businesses are all located in the PRC and are therefore subject to inherent uncertainties of the PRC's economic, political and social conditions.

The Group is exposed to credit risks associated with its customers and its outstanding trade receivables. The turnover days of the Group's trade receivables have remained at a relatively high level during the year under review.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considered its staffs as valuable assets for the Group's continuous development. Thus, it offers competitive salary packages, as well as discretionary bonuses and contributions 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 which are managed by its human resources department.

The Group provides high quality software products and services to its customers from both private sector and public sector, to fulfil their immediate and long-term needs. The Group also communicates with its customers regularly to maintain close relationship with them.

The Group strives to maintain fair and cooperative relationships with its suppliers.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance covering Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 40 to 84.

The Board has recommended the payment of a final dividend of RMB 2.33 cents per share (2014: RMB 1.95 cents per share) for the year ended 31 December 2015, 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 Friday, 24 June 2016 to Tuesday, 28 June 2016, 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 Thursday, 23 June 2016.

For the purposes of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2015, the register of members of the Company will be closed from Wednesday, 6 July 2016 to Friday, 8 July 2016, 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 Tuesday, 5 July 2016.

## 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 26 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 2015.

## 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 2015, the Company's reserve available for distribution to owners was approximately RMB 239.0 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 2015 amounted to RMB 200,000.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2015, the 5 largest customers of the Group accounted for 43% of the total revenue, while the largest customer accounted for 13% of the total revenue.

For the year ended 31 December 2015, the 5 largest suppliers of the Group accounted for 63% of the total purchases, while the largest supplier accounted for 20% of the total purchases.

At all time during the year ended 31 December 2015, none of the Directors or any of their close associates or any shareholders of the Company who, to the knowledge of the Directors, own more than 5% of number of issued shares of the Company 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 annual general meeting, 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 84 of the Articles of Association, Mr. Kang Choon Kiat and Mr. Kwauk Teh Ming, Walter, two independent non-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 13 to 15 of this annual report.

## DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has respectively entered into a service contract commencing on 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 on 31 October 2015 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 2015, 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 | — | 406,859,500 (L) (Note 2) | 65,647,500 (L) (Note 3) | 472,507,000 (L) | 45.77% |
| Mr. Yu Yifa | 975,000 (L) | — | — | 975,000 (L) | 0.09% |

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 2015, 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 2015, 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 | 406,859,500 (L) (Note 2) | 39.41% |
| Telewise Group Limited | Beneficial owner | 65,647,500 (L) (Note 3) | 6.36% |
| Wang Xiaogang | Interest of a controlled corporation | 65,647,500 (L) (Note 3) | 6.36% |
| 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 | 82,770,000 (L) | 8.02% |

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 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance subsisting as of 31 December 2015 or at any time during the year ended 31 December 2015 to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him/her is or was materially interested, either directly or indirectly, exist.

## CONTRACT OF SIGNIFICANCE

Saved as disclosed in this report, no contract of significance has been made between the Company or any one of its subsidiaries and a controlling shareholder or its subsidiaries during the year ended 31 December 2015 or as at the date of this report.

## 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 2015, 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 2015, 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 2015.

## 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 11 to the consolidated financial statements of this annual report.

During the year ended 31 December 2015, 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 2015 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 latest practicable date before printing 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 2015.

## 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 shares as at the date of this report:**

As at the date of this report, 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 2015, 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 that require disclosure in this report for the year ended 31 December 2015.

## MANAGEMENT CONTRACT

No contract concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## AUDITORS

Deloitte Touche Tohmatsu was appointed as the external auditor of the Company for the year of 2015, and there has been no change in the Company's auditor in any of the preceding three years. Deloitte Touche Tohmatsu 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 28 June 2016 to seek Shareholders' approval on the re-appointment of Deloitte Touche Tohmatsu as the Company's auditor until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

By order of the Board

**Xin Yingmei**
*Chairlady*

Hong Kong, 20 March 2016

# 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 40 to 84, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
20 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

| | NOTES | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| Revenue | 6 | **436,545** | 347,849 |
| Value-added tax refund | 7 | **12,205** | 18,561 |
| Cost of sales | | **(151,743)** | (129,809) |
| Research and development costs | | **(50,179)** | (33,490) |
| Other income and gains | 8 | **15,538** | 15,129 |
| Distribution and selling costs | | **(31,966)** | (26,311) |
| Administrative and general expenses | | **(39,679)** | (33,857) |
| Other expenses and losses | 9 | **(856)** | (1,042) |
| Profit before taxation | 10 | **189,865** | 157,030 |
| Taxation | 12 | **(30,332)** | (22,501) |
| Profit and total comprehensive income for the year | | **159,533** | 134,529 |
| | | **RMB cents** | RMB cents |
| **Earnings per share — basic and diluted** | 13 | **15.45** | 13.03 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

| | NOTES | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | **8,052** | 8,658 |
| Intangible assets | 16 | **213,779** | 166,335 |
| Available-for-sale investments | 17 | **2,000** | 2,000 |
| | | **223,831** | 176,993 |
| CURRENT ASSETS | | | |
| Inventories | 19 | **1,631** | 1,034 |
| Trade and other receivables | 20 | **381,725** | 260,602 |
| Structured bank deposits | 21 | **255,000** | 276,500 |
| Pledged bank deposits | 22 | **26** | 889 |
| Bank balances and cash | 23 | **128,444** | 102,630 |
| | | **766,826** | 641,655 |
| CURRENT LIABILITIES | | | |
| Trade payables | 24 | **31,149** | 19,240 |
| Other payables | 25 | **37,055** | 30,703 |
| Tax liabilities | | **10,767** | 6,114 |
| | | **78,971** | 56,057 |
| NET CURRENT ASSETS | | **687,855** | 585,598 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **911,686** | 762,591 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 18 | **31,344** | 21,594 |
| | | **880,342** | 740,997 |
| CAPITAL AND RESERVES | | | |
| Share capital | 26 | **8,232** | 8,232 |
| Reserves | 27 | **872,110** | 732,765 |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | **880,342** | 740,997 |

The consolidated financial statements on pages 40 to 84 were approved and authorised for issue by the Board of Directors on 20 March 2016 and are signed on its behalf by:

| | |
|---|---|
| **Xin Yingmei** | **Yu Yifa** |
| *DIRECTOR* | *DIRECTOR* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2015

| | 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 2014 | 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 14) | — | — | — | — | (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 |
| Profit and total comprehensive income for the year | — | — | — | — | 159,533 | 159,533 |
| Dividend (note 14) | — | — | — | — | (20,188) | (20,188) |
| Transfer | — | 24,456 | — | — | (24,456) | — |
| **At 31 December 2015** | 8,232 | 86,200 | 2,627 | 299,788 | 483,495 | 880,342 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | 189,865 | 157,030 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 5,349 | 3,110 |
| Amortisation of intangible assets | 76,169 | 52,634 |
| Loss on disposal of property, plant and equipment | 219 | 231 |
| Interest income | (14,381) | (10,607) |
| Net foreign exchange gain | (410) | (3,402) |
| **Operating cash flows before movements in working capital** | 256,811 | 198,996 |
| (Increase) decrease in inventories | (597) | 245 |
| Increase in trade and other receivables | (121,123) | (39,710) |
| Increase (decrease) in trade payables | 11,909 | (11,360) |
| Increase (decrease) in other payables | 6,352 | (11,755) |
| **Cash generated from operations** | 153,352 | 136,416 |
| Interest received | 14,381 | 10,607 |
| Income tax paid | (15,929) | (14,076) |
| **Net cash from operating activities** | 151,804 | 132,947 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (4,970) | (5,442) |
| Payment for the cost incurred of intangible assets | (123,613) | (93,906) |
| Placement of pledged bank deposits | (26) | (889) |
| Proceeds from release of pledged bank deposits | 889 | — |
| Proceeds from disposal of property, plant and equipment | 8 | 900 |
| Payments for structured bank deposits | (855,000) | (849,220) |
| Proceeds from release of structured bank deposits | 876,500 | 642,720 |
| **Net cash used in investing activities** | (106,212) | (305,837) |
| **Financing activities** | | |
| Dividends paid | (20,188) | (15,441) |
| **Net cash used in financing activities** | (20,188) | (15,441) |
| **Net increase (decrease) in cash and cash equivalents** | 25,404 | (188,331) |
| **Cash and cash equivalents at beginning of the year** | 102,630 | 287,559 |
| Effect of foreign exchange rate changes | 410 | 3,402 |
| **Cash and cash equivalents at end of the year,** representing bank balances and cash | 128,444 | 102,630 |

## 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. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 July 2013. Its ultimate controlling party is Ms. Xin Yingmei ("Ms. Xin") who is also the director and chief executive 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 (the Company and subsidiaries are collectively referred to as the "Group") in the People's Republic of China (the "PRC") are software development, system integration, 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:

| | |
|---|---|
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to IFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle |
| Amendments to IFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle |

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these 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[3] |
| IFRS 15 | Revenue from Contracts with Customers[1] |
| IFRS 16 | Leases[4] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[2] |
| Amendments to IAS 1 | Disclosure Initiative[2] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[2] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[2] |
| 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 2012-2014 Cycle[2] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception[2] |
| Amendments to IAS 7 | Disclosure Initiative[6] |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[6] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined
6 Effective for annual periods beginning on or after 1 January 2017

*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.

## 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*

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.

- 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.

## 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 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.

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.

## 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 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.

Except as described above, the directors of the Company consider that the application of the other new IFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

## 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 ("Listing rules") and by the Hong Kong Companies Ordinance ("CO").

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Revenue recognition – *continued*

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.

### 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 recognised 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 of income or expense that are taxable or deductible in other years and 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 deferred tax 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*

### 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 in the consolidated statement of financial position 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 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 policies in respect of impairment losses on non-current assets below). Amortisation for intangible assets with finite useful lives is recognised 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Impairment losses on non-current assets –** *continued*

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 when a group entity becomes a party to the contractual provisions of the instrument.

*Financial assets*

The Group's financial assets are classified into one of the following categories, including loans and receivables 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.

**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.

**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 (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 fair value through profit and loss ("FVTPL").

AFS 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 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*

*Financial assets – 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, in addition, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments –** *continued*

*Financial assets – 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 AFS 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*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Financial liabilities**

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

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

**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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

## 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.

**Impairment of trade receivables**

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

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

### Impairment of trade receivables – *continued*

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 2015, the carrying amount of trade receivables are RMB 355,596,000 (31 December 2014: RMB 243,072,000), net of allowance for doubtful debts of RMB 2,635,000 (31 December 2014: 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 2015, the carrying amount of intangible assets are RMB 213,779,000 (31 December 2014: RMB 166,335,000).

## 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.

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

### Categories of financial instruments

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **750,020** | 626,666 |
| Available-for-sale investments | **2,000** | 2,000 |
| | **752,020** | 628,666 |
| **Financial liabilities** | | |
| Amortised cost | **33,191** | 21,615 |

### Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, 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.

### 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.

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

### Foreign currency risk management – *continued*

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:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| **Assets** | | |
| USD | 333 | 1,484 |
| HKD | 4,399 | 2,938 |
| **Liabilities** | | |
| USD | 3,453 | 5,521 |

*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.

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| USD impact | (154) | (202) |
| HKD impact | 220 | 147 |
| | 66 | (55) |

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

### Other price risk management

At 31 December 2015, 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 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.

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

### 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 discharge 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 33% of the carrying amounts of trade receivables as at 31 December 2015 (31 December 2014: 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 2015 (31 December 2014: 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.

### 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.

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

### Liquidity risk management – *continued*

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 2015** | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | – | 18,978 | 14,214 | – | 33,191 | 33,191 |
| **At 31 December 2014** | | | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | – | 2,923 | 18,692 | – | 21,615 | 21,615 |

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 value.

## 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 four core product lines, 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 | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Segment revenue | | | | |
| – Export tax software and related services | **121,493** | **27.8** | 91,061 | 26.2 |
| – e-Government solutions | **183,278** | **42.0** | 148,981 | 42.8 |
| – Carbon management solutions | **86,608** | **19.8** | 66,535 | 19.1 |
| – System integration solutions | **45,166** | **10.4** | 41,272 | 11.9 |
| Total revenue | **436,545** | **100** | 347,849 | 100 |

## 6. REVENUE AND SEGMENTAL INFORMATION – *continued*

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | RMB'000 | % | RMB'000 | % |
| Segment results | | | | |
| – Export tax software and related services | **104,840** | **42.5** | 85,596 | 42.1 |
| – e-Government solutions | **85,131** | **34.5** | 76,508 | 37.7 |
| – Carbon management solutions | **55,694** | **22.6** | 40,277 | 19.8 |
| – System integration solutions | **1,163** | **0.4** | 730 | 0.4 |
| Total segment results | **246,828** | **100** | 203,111 | 100 |
| Other income and gains | **15,538** | | 15,129 | |
| Distribution and selling expenses | **(31,966)** | | (26,311) | |
| Administrative and general expenses | **(39,679)** | | (33,857) | |
| Other expenses and losses | **(856)** | | (1,042) | |
| Profit before taxation | **189,865** | | 157,030 | |
| Taxation | **(30,332)** | | (22,501) | |
| Profit and total comprehensive income for the year | **159,533** | | 134,529 | |

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.

### 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").

## 6. REVENUE AND SEGMENTAL INFORMATION – *continued*

### 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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Customer A (note) | * | 34,115 |
| Customer B (note) | **57,242** | 54,928 |
| Customer C (note) | **48,731** | * |
| Customer D (note) | **44,812** | * |

Note: 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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Value-added tax refund | **12,205** | 18,561 |

The amount represents the benefit of the refund of value-added tax ("VAT") on Group's sale of export tax software products, e-Government solutions and carbon management solutions 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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Interest income | **14,381** | 10,607 |
| Government grants (note) | **826** | 988 |
| Net foreign exchange gain | **—** | 3,402 |
| Others | **331** | 132 |
| | **15,538** | 15,129 |

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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Donation | **200** | 506 |
| Loss on disposal of property, plant and equipment | **219** | 231 |
| Net foreign exchange loss | **410** | — |
| Others | **27** | 305 |
| | **856** | 1,042 |

## 10. PROFIT BEFORE TAXATION

| | Year ended 31 December | |
|---|---|---|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Depreciation of property, plant and equipment | 5,349 | 3,110 |
| Amortisation of intangible assets: | | |
| Amortisation of capitalised software costs (included in cost of sales) | 35,627 | 27,943 |
| Amortisation of other software (included in research and development costs) | 40,542 | 24,691 |
| | 81,518 | 55,744 |
| Auditor's remuneration | 1,933 | 1,945 |
| Research and development costs recognised as an expense | 50,179 | 33,490 |
| Cost of inventories recognised as an expense | 116,115 | 101,812 |
| Loss on disposal of property, plant and equipment | (219) | (231) |
| Cost of defined contribution retirement benefit plans | 3,613 | 2,663 |
| Directors' emoluments | 3,065 | 3,068 |
| Employee benefits expenses | 63,640 | 54,469 |
| Total staff cost | 70,318 | 60,200 |
| Less: amount included in capitalised software costs | (43,147) | (37,039) |
| | 27,171 | 23,161 |

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2014: 5) directors and the chief executive of the Company were as follows:

| | Ms. Xin | Mr. Yu Yifa | Mr. Zong Ping | Mr. Kang Choon Kiat | Mr. Walter Kwauk | Total 2015 |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fees | – | – | 79 | 119 | 119 | 317 |
| Other emoluments | | | | | | |
| Salaries and benefits | 1,958 | 700 | – | – | – | 2,658 |
| Contribution to retirement benefits schemes | 42 | 48 | – | – | – | 90 |
| Total emoluments | 2,000 | 748 | 79 | 119 | 119 | 3,065 |

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

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The five highest paid individuals in the Group included 2 directors of the Company (2014: 2 directors), for the years ended 31 December 2015, whose emoluments are set out above. The emoluments of the remaining 3 individuals (2014:3) during the year were as follows:

| | Year ended 31 December 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Employees: | | |
| – Salaries and other benefits | **1,008** | 1,046 |
| – Contributions to retirement benefit schemes | **75** | 97 |
| Total | **1,083** | 1,143 |

During the year ended 31 December 2015, 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 2015.

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

Their emoluments were within the following bands:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| HKD nil to HKD 1,000,000 | **3** | 3 |

## 12. TAXATION

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Current tax | | |
| – PRC Enterprise Income Tax ("EIT") | **16,882** | 10,063 |
| – Withholding tax on distribution of earnings from the PRC subsidiaries | **4,163** | 4,899 |
| Over provision in prior years | **(463)** | — |
| Deferred tax charge: | | |
| – Current year | **9,750** | 7,539 |
| | **30,332** | 22,501 |

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Profit before taxation | **189,865** | 157,031 |
| Tax at income tax rate of 25% (2014: 25%) | **47,466** | 39,258 |
| Tax effect of expenses not deductible for tax purpose | **7,341** | 4,713 |
| Tax effect of income not taxable for tax purpose | **(4,239)** | (5,445) |
| Effect of PRC EIT exemption and concessions | **(20,629)** | (19,770) |
| Over provision of PRC EIT in prior years | **(463)** | — |
| Tax effect of tax losses not recognised | **398** | 349 |
| Tax effect attributable to the additional qualified tax deduction relating to research and development costs | **(6,342)** | (4,872) |
| Withholding income tax on undistributed profits attributable to the PRC subsidiaries | **6,800** | 8,830 |
| Utilisation of tax losses previously not recognised | **—** | (562) |
| Taxation for the year | **30,332** | 22,501 |

## 12. 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**

The Company's subsidiaries established in the PRC are subject to PRC EIT at rates prevailing under the relevant laws and regulations in the PRC as follows:

1. On 31 October 2014, Nanjing Skytech Co., Limited ("Nanjing Skytech") and Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation") obtained "High-tech enterprise" certificates. Accordingly, the applicable income tax rate for both Nanjing Skytech and Jiangsu Skyinformation for the current year is 15% (year ended 31 December 2014: Nanjing Skytech 10%, Jiangsu Skyinformation 15%).

2. 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, Quan Shui Tong is exempted from PRC EIT in both years and the tax holidays and concessions for Quan Shui Tong will end in the year ended 31 December 2018.

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

## 13. 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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| **Earnings** | | |
| Profit for the year attributable to owners of the Company | **159,533** | 134,529 |

## 13. EARNINGS PER SHARE – *continued*

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 | |
|---|---|---|
| | **2015** | 2014 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share calculation | **1,032,258** | 1,032,258 |

For the year ended 31 December 2015, dilutive earnings per share has not been calculated as there is no potential dilutive shares outstanding.

## 14. DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Dividend recognised as distribution during the year: | | |
| Final dividend of RMB 1.95 cents per share for the year ended 31 December 2014 | **20,188** | — |
| Final dividend of RMB 1.50 cents per share for the year ended 31 December 2013 | **—** | 15,441 |

A final dividend of RMB 2.33 cents per share (2014: RMB 1.95 cents per share) has been proposed by the directors of the Company on 20 March 2016 and its subject to approval by the shareholders in the forthcoming annual general meeting.

## 15. 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 2014 | 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 |
| Additions | 93 | 2,577 | 182 | 2,118 | 4,970 |
| Disposal | — | (4,350) | (46) | (95) | (4,491) |
| At 31 December 2015 | 2,596 | 13,598 | 3,172 | 5,361 | 24,727 |
| **DEPRECIATION** | | | | | |
| At 1 January 2014 | 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 |
| Provided for the year | 772 | 3,244 | 702 | 631 | 5,349 |
| Eliminated on disposals | — | (4,133) | (44) | (87) | (4,264) |
| At 31 December 2015 | 1,781 | 9,006 | 2,607 | 3,281 | 16,675 |
| **CARRYING VALUES** | | | | | |
| At 31 December 2015 | 815 | 4,592 | 565 | 2,080 | 8,052 |
| At 31 December 2014 | 1,494 | 5,476 | 1,087 | 601 | 8,658 |

## 16. INTANGIBLE ASSETS

| | Capitalised software costs RMB'000 | Other software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2014 | 205,201 | 88,024 | 293,225 |
| Additions | 62,522 | 31,384 | 93,906 |
| At 31 December 2014 | 267,723 | 119,408 | 387,131 |
| Additions | 60,900 | 62,713 | 123,613 |
| At 31 December 2015 | 328,623 | 182,121 | 510,744 |
| **AMORTISATION AND IMPAIRMENT** | | | |
| At 1 January 2014 | 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 |
| Charge for the year | 35,627 | 40,542 | 76,169 |
| At 31 December 2015 | 173,470 | 123,495 | 296,965 |
| **CARRYING VALUES** | | | |
| At 31 December 2015 | 155,153 | 58,626 | 213,779 |
| At 31 December 2014 | 129,880 | 36,455 | 166,335 |

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 |

## 17. AVAILABLE-FOR-SALE INVESTMENTS

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | 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.

## 18. 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 2014 | 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) |
| Credit (charge) to profit or loss | — | (6,800) | (7,113) | (13,913) |
| Reversal upon payment of withholding tax | — | 4,163 | — | 4,163 |
| At 31 December 2015 | 395 | (8,038) | (23,701) | (31,344) |

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. As at 31 December 2015, the Group has fully provided the deferred tax liabilities of withholding tax on the undistributed earnings of the PRC subsidiaries.

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.

## 18. DEFERRED TAX – *continued*

The Group has unused tax losses of RMB 2,988,000 available for offset against future profits as at 31 December 2015 (31 December 2014: RMB 1,396,000). 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.

## 19. INVENTORIES

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Purchased system integration solution related products | **1,202** | 778 |
| Packaging materials | **429** | 256 |
| | **1,631** | 1,034 |

## 20. TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Accounts receivable: | | |
| Third parties | **358,231** | 245,707 |
| Less: Allowance for doubtful debts | **(2,635)** | (2,635) |
| | **355,596** | 243,072 |
| Prepayments to suppliers | **17,060** | 10,363 |
| Deposits | **2,674** | 3,105 |
| VAT recoverable | **1,165** | 2,460 |
| Advances to employees | **725** | 1,132 |
| Others | **4,505** | 470 |
| Total trade and other receivables | **381,725** | 260,602 |

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.

## 20. TRADE AND OTHER RECEIVABLES – *continued*

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| 0 – 60 days | **178,952** | 156,522 |
| 61 – 90 days | **6,976** | 5,354 |
| 91 – 180 days | **14,123** | 1,356 |
| 181 – 1 year | **47,440** | 31,545 |
| 1 – 2 years | **72,950** | 27,766 |
| Over 2 years | **35,155** | 20,529 |
| | **355,596** | 243,072 |

At 31 December 2015, 70% of the trade receivables (31 December 2014: 80%) 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 108,105,000 as at 31 December 2015 (31 December 2014: RMB 48,295,000), 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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| 1 – 2 years | **72,950** | 27,766 |
| Over 2 years | **35,155** | 20,529 |
| Total | **108,105** | 48,295 |

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.

## 20. TRADE AND OTHER RECEIVABLES – *continued*

**Movement in the allowance for doubtful debts for trade receivables**

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Balance at beginning of the year | **2,635** | 2,635 |
| Impairment losses recognised | **—** | — |
| Impairment losses reversed | **—** | — |
| Balance at end of the year | **2,635** | 2,635 |

## 21. STRUCTURED BANK DEPOSITS

At 31 December 2015, the amount represent interest rate 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 5.4% (2014: 3.6% to 5.8%) per annum with reference to the performance of interest rate 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 2015 and 31 December 2014.

## 22. PLEDGED BANK DEPOSITS

At 31 December 2015, pledged bank deposits of the Group represented deposits pledged against certain bank facilities granted, carrying fixed interest rates at 1.30% (31 December 2014: 3.30%) per annum as at 31 December 2015.

## 23. BANK BALANCES AND CASH

Bank balances of the Group carry interest at market rates of 0.35% to 1.82% per annum at 31 December 2015 (31 December 2014: 0.35% to 4%).

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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Denominated in: | | |
| HKD | **4,399** | 2,938 |
| USD | **266** | 1,385 |
| Balance at end of the year | **4,665** | 4,323 |

## 24. TRADE PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Trade payables | **31,149** | 19,240 |

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 | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| 0 to 90 days | **22,164** | 16,543 |
| 91 to 180 days | **639** | 227 |
| 181 to 1 year | **3,139** | 559 |
| Over 1 year | **5,207** | 1,911 |
| | **31,149** | 19,240 |

## 25. OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Advances from customers | **3,576** | 1,254 |
| Payroll payables | **11,141** | 12,270 |
| VAT payables | **20,295** | 14,804 |
| Others | **2,043** | 2,375 |
| | **37,055** | 30,703 |

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Other payables denominated in USD | **3,453** | 5,571 |

## 26. SHARE CAPITAL

**Shown on the consolidated statement of financial position**

| | RMB'000 |
|---|---|
| At 1 January 2014, 31 December 2014 and 31 December 2015, comprising 1,032,258,000 issued and fully paid shares of HKD 0.01 each | 8,232 |

There was no movement in the Company's share capital for the year ended 31 December 2015 and 31 December 2014.

## 27. 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 a reorganisation (the "Reorganisation") as set out in the section headed "History Reorganisation and Group Structure" in the Company's prospectus dated 27 June 2013 in relation to its global offering of the Company's shares, 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.

## 28. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Minimum lease payments paid under operating leases during the year | 15,029 | 11,546 |

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 | |
|---|---|---|
| | 2015<br>RMB'000 | 2014<br>RMB'000 |
| Within one year | 15,099 | 10,216 |

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.

## 29. 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:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Amounts contributed and charged to profit or loss | 3,613 | 2,663 |

As at 31 December 2015, the contributions due in respect of the year that had not been paid over to the Schemes were RMB 539,000 (31 December 2014: RMB 339,000).

## 30. RELATED PARTY DISCLOSURES

### (1) Related party transactions

During the year, other than as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Rental expense paid to Nanjing Jingtian | 14,124 | 10,708 |

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

| | As at 31 December | |
|---|---|---|
| | 2015<br>RMB'000 | 2014<br>RMB'000 |
| Other receivables | | |
| Nanjing Jingtian | 5,033 | 1,634 |

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:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Short term benefits | 3,984 | 4,024 |
| Retirement benefits scheme contributions | 164 | 187 |
| | 4,148 | 4,211 |

The related party transactions set out in (1) and (2) above do not constitute connected transactions define in Chapter 14A of the Listing Rules.

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVES

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Non-current Assets** | | |
| Investments in subsidiaries | 132,879 | 132,879 |
| Property, plant and equipment | 55 | 84 |
| | 132,934 | 132,963 |
| **Current Assets** | | |
| Amounts due from subsidiaries | 43,281 | 41,263 |
| Dividend receivable | 16,855 | 15,883 |
| Bank balances and cash | 57,651 | 82,883 |
| | 117,787 | 140,029 |
| **Current Liabilities** | | |
| Other payables | 3,454 | 5,571 |
| | 3,454 | 5,571 |
| **Net current assets** | 114,333 | 134,458 |
| **Total Assets less current liabilities** | 247,267 | 267,421 |
| **Capital and reserves** | | |
| Share capital | 8,232 | 8,232 |
| Reserves | 239,035 | 259,189 |
| | 247,267 | 267,421 |

**Movement in reserves**

| | Share premium<br>RMB'000 | Accumulated losses<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| At 1 January 2014 | 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 |
| Profit and total comprehensive income for the year | — | 34 | 34 |
| Dividend | — | (20,188) | (20,188) |
| At 31 December 2015 | 299,788 | (60,753) | 239,035 |

## 32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are as follows:

| Name of subsidiary | Principal country of operation | Date of establishment/ incorporation | Type of entity | Issued and fully paid share capital/ registered capital | Equity interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | | Indirect | | |
| | | | | | 2015 % | 2014 % | 2015 % | 2014 % | |
| Infotech Holdings[1] | Singapore | 15 October 2004 | Limited liability Company | SGD 108,000 | 100 | 100 | – | – | Investment holding |
| Nanjing Skytech | PRC | 14 December 1998 | Limited liability Company | RMB 200,000,000 | – | – | 100 | 100 | Software development, system integration, sales of related computer products and provision of solution services |
| Jiangsu Skyinformation | PRC | 8 September 2005 | Limited liability Company | RMB 12,000,000 | – | – | 100 | 100 | Software outsourcing service, development and sale of information integration |
| Quan Shui Tong | PRC | 18 December 2013 | Limited liability Company | RMB 10,000,000 | – | – | 100 | 100 | Development and sale of export tax software |
| Zhenjiang Skyinformation | PRC | 5 June 2014 | Limited liability Company | RMB 5,000,000 | – | – | 100 | 100 | Development and sale of software and system related products and services |
| Jiangsu Skytech Investment | PRC | 17 April 2014 | Limited liability Company | USD 83,650,000 | – | – | 100 | 100 | PRC investment and advisory |
| Qingdao Skytech Software | PRC | 6 May 2015 | Limited liability Company | USD 10,050,000 | – | – | 100 | – | Computer products of System integration, software development |

[1]Directly held by the Company

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

## 33. CONTINGENT LIABILITIES

Nanjing Skytech Technology Co., Ltd. ('Nanjing Skytech") has been involved in a series of disputes with Janful Limited ("Janful") over a joint venture company set up between Nanjing Skytech and Janful in 2000. Various legal actions were commenced by Janful for claims against the Group, but most of which were dismissed by courts or were subsequently withdrawn. In 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People's Court, ordering the Group to pay a damage of approximately RMB 27,906,000 to Janful. The Group had issued a defend letter and filed an appeal to the Higher People's Court of Jiangsu Province. The directors believe, based on the legal advices, the action can be successfully defended and therefore no losses (including claims for costs) will be incurred. Accordingly, no provision for any of such claims was made in the consolidated financial statements at 31 December 2015.