SINOSOFT
TECHNOLOGY

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

ANNUAL REPORT 2016

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Hu Xiaoming, Simon (appointed on 1 January 2017)

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

Baker Tilly Hong Kong Limited

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

Conyers 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				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	518,937	436,545	347,849	280,841	226,728
Net profit before tax	221,304	189,865	157,030	112,363	93,880
Income tax expense	(29,912)	(30,332)	(22,501)	(11,421)	(17,654)
Net profit for the year	191,392	159,533	134,529	100,942	76,226

ASSETS AND LIABILITIES

	As at 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Assets					
Non-current assets	324,699	223,831	176,993	134,520	97,792
Current assets	915,661	766,826	641,655	579,730	317,739
Total assets	1,240,360	990,657	818,648	714,250	415,531
Equity and liabilities					
Equity attributable to owners of the Company	1,035,298	880,342	740,997	621,909	233,395
Non-current liabilities	43,277	31,344	21,594	14,055	14,021
Current liabilities	161,785	78,971	56,057	78,286	168,115
Total liabilities	205,062	110,315	77,651	92,341	182,136
Total equity and liabilities	1,240,360	990,657	818,648	714,250	415,531

Notes:

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

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 2016.

Development in informatization and ecological civilization are two of the important areas in the 13th Five-Year Plan. In 2016, the first year of commencement of the plan, relevant supporting policies continued to be promulgated, together with the increasing spending on information technology of the entire society, which in turn brought more market opportunities to the Group. Under the favourable business environment, the Group proactively launched new products and intensified promotion in different provinces and cities that helped contributed to the solid financial performance. During the year ended 31 December 2016, the Group achieved satisfactory year-on-year growth in revenue, profit and cash flow. Accordingly, the Board has recommended the payment of a final dividend of RMB 2.33 cents per share of the Company (the "Share(s)") for the year ended 31 December 2016.

While maintaining growth in results, the Group seized opportunities under the development trend of utilizing new technologies such as cloud computing, Internet of Things and big data, to enhance e-Government and other professional application software. The Group not only increased its devotion in research and development ("R&D"), but also established strategic partnership with various industry leaders, in order to combine their strengths with the Group's competitiveness in the industry to explore opportunities and prepare for future rapid growth.

During the year under review, the Group started to have in-depth cooperation with Alibaba Cloud Computing Limited ("Alibaba Cloud") , the cloud computing arm of Alibaba Group Holding Limited ("Alibaba Group") and Ant Financial Services Group ("Ant Financial") in different areas, such as low carbon, new smart city and judiciary. The cooperation aims to combine Alibaba Cloud's and Ant Financial's competencies in cloud platform, big data analysis and authentication etc., with the Group's professional knowledge and experience in developing application software for different industries and government services, so that the Group can launch more convenient and efficient products in the area of low carbon information and e-Government, which target to set the benchmark for relevant industries so that the Group can swiftly promote its products in the future.

For tax related business, during the year under review, the Group entered into a strategic cooperative framework agreement with Aisino Corporation ("Aisino"), to jointly establish value-added tax electronic invoicing application and management platform for export enterprises, as well as promote the business of export tax related software, services and training courses across China. Relevant works are in progress and is expected to bring new momentum for the Group's business growth in the near future.

OUTLOOK

Central government has reiterated the importance of developing the new economy and has launched various favourable policies in support. Information technology penetrating to different parts of the society and personal life is already a megatrend. While hardware and technologies are witnessing continuing enhancement, they can function and integrate into application scenarios of different government departments, enterprises, and personal life, to improve efficiency and experience of services only through proper software. As such, there is huge market demand for high-quality software developer. The Group has been focused in tax, low carbon and e-Government areas. With years of experience accumulated and possessing an in-depth understanding of these industries, the Group will continue to seek out opportunities for offering efficient and innovative solutions so as to bring about sustainable growth.

For tax software and related services, the Group will continue to leverage on its experience in export industry, understanding in customers' demand as well as professional knowledge, to provide products and services in a deeper and wider manner. The Group is developing various software products related to invoice verification, customs clearance query etc., with the objective for export enterprises using the Group's products to enhance efficiency and accuracy in scenarios beyond tax rebate. The Group also planned to intensify the promotion of online training program, enabling staffs of export enterprises to participate in training with more flexibility, and help to improve their ability in handling different export related problems. Further, these coming products and services will no longer be restricted to specific region, which can help promote tax software and related services to markets outside of Jiangsu Province so that the proportion of revenue generated outside Jiangsu Province will in turn gradually increase in the long run.

For carbon management solutions, along with central government's increasing effort in promulgating policies for energy saving, low carbon, environmental protection as well as ecological civilization, demand for relevant solutions from different administrative levels and enterprises will in turn also increase. The Group has established enriched product lines and will continue to promote products such as carbon reporting platform, carbon management platform for cities and carbon asset management platform for enterprises to different geographical markets. The newly launched pollution rights trading system which is related to environmental protection, matches the trend of national environmental protection policies and is welcomed by the market. As such, the product is expected to be replicated into more provinces and cities. The Group will also cooperate with Alibaba Cloud proactively, to jointly develop low carbon cloud products so as to open up a larger market.

For e-Government solutions, existing products will continuously be promoted to markets outside of Jiangsu Province with deepening applications to create demand for upgrade. Meanwhile, new products such as new smart city, jointly developed by the Group together with Alibaba Cloud and Ant Financial, are expected to generate revenue for the Group in the near future. The cooperation with Alibaba Cloud and Ant Financial not only provides stronger platform resources and technologies, but also allows all parties to integrate their marketing resources and promotions more efficiently. In the long term, the cooperation represents a meaningful step for the Group's products and businesses migrating to internet-based and seizing greater opportunities in the market.

Riding on the development trend of new economy, together with the competitive edges and prospects in different core business segments, the Group will continue to strengthen its R&D and enhance its competitiveness, to prepare for greater growth in the future.

Xin Yingmei
Chairlady

Hong Kong, 30 March 2017

REVENUE

For the year end 31 December 2016, the Group recorded a total revenue of approximately RMB 518.9 million, representing a growth of approximately 18.9% when compared to RMB 436.5 million for the same period in 2015. During the year under review, all of the Group's core business segments, namely tax software and related services, carbon management solutions and e-Government solutions recorded increase in revenue that in turn contributed to the Group's overall revenue growth.

Tax Software and Related Services

In the first half of 2016, the Group experienced a trough in this segment of the business as a result of a series of reasons including the country's replacement of business tax with value-added tax. The Group then proactively adjusted its strategy in the second half of 2016 and launched high-end customised services that was met with big demand by the market. At the same time, the Group also obtained tax related projects from regions outside of Jiangsu Province, including Qingdao, Shenzhen and Guizhou Province during the period under review. This not only marked an important step for expanding tax related business into other geographical markets, but at the same time, helped to contribute to the increase in revenue. With the completion of the change in tax regime in the beginning of the second half of 2016, enterprises' demand in tax software products resumed to a normal growth in the second half of the year, which helped to significantly improve the Group's revenue generated from tax software and related services from just a marginal growth in the first half. For the year ended 31 December 2016, revenue from tax software and related services was approximately RMB 134.7 million, representing an increase of approximately 10.9% when compared with approximately RMB 121.5 million for the same period in 2015.

Carbon Management Solutions

During the year under review, the Group continued to promote its carbon management solutions to different geographical markets and enterprises, and launched various new products. This helped to drive up the Group's revenue for this segment by approximately 14.8% to approximately RMB 99.5 million for the year ended 31 December 2016, as compared to approximately RMB 86.6 million for the same period in 2015. The Group's carbon management solutions products have been sold to markets including Fujian Province, Inner Mongolia Autonomous Region, Chongqing and Lanzhou. Apart from low carbon related products, the Group also developed an environmental protection related business. During the year under review, the Group launched a pollution rights trading system, in response to the country's development in the direction of payment and trading in exchange for pollution rights. The Group also launched building energy consumption monitoring system based on the policy of Internet + Building Energy Management. Both products successfully broadened the Group's product lines and helped contributed to the revenue.

e-Government Solutions

The Group's effort in developing and enhancing e-Government solutions in recent years has gradually bear fruit. For the year ended 31 December 2016, revenue generated from e-Government solutions recorded approximately RMB 236.0 million, representing an increase of approximately 28.8% when compared with approximately RMB 183.3 million for the same period in 2015. During the year under review, different e-Government solutions continued to be sold to various regions outside Jiangsu Province, such as Beijing, Shanghai, Tianjin, Hebei Province, Gansu Province and Inner Mongolia Autonomous Region. Along with the continuous development in e-Government, the increased in such related spending helped brought about demand in upgrading existing products, which in turn contributed to the increase in revenue.

System Integration Solutions

System integration solutions is not the Group's key business segment, but a complementary service to the Group's other solutions purporting to provide a total solutions service to the Group's customers. During the year ended 31 December 2016, revenue generated from system integration solutions segment amounted to RMB 48.8 million, representing an increase of approximately 8.0% as compared to RMB 45.2 million for the same period in 2015.

COST OF SALES

The Group's cost of sales is largely made up of amortisation of capitalised software development cost as well as the costs for purchasing system and components for some of its projects. During the year under review, in line with prior periods, the Group intensified its investment in developing new products, which led to increases in both amortisation cost of software development and cost for purchasing system and components. These have resulted in an increase of approximately 28.0% in the Group's cost of sales for the year ended 31 December 2016 from approximately RMB 151.7 million for the year ended 31 December 2015 to approximately RMB 194.3 million for the year ended 31 December 2016.

SEGMENT RESULTS AND SEGMENT RESULTS MARGIN

The Group's total segment results (representing the sum of revenue and value-added tax refund less cost of sales and research and development costs) grew by approximately 13.2% from approximately RMB 246.8 million during the year ended 31 December 2015 to approximately RMB 279.4 million during the year ended 31 December 2016. The increase was primarily due to an increase in the Group's total revenue during the period under review.

The Group's segment results margin decreased from approximately 56.5% in the year ended 31 December 2015 to approximately 53.8% in the year ended 31 December 2016, primarily due to the increase in amortisation of development cost under the intensifying investment for developing new products, especially in carbon management solutions.

RESEARCH AND DEVELOPMENT COSTS

For the year ended 31 December 2016, the Group's R&D costs increased by approximately 24.0% to approximately RMB 62.2 million as compared with approximately RMB 50.2 million for the year ended 31 December 2015, as a result of the Group's increased effort and devotion to new products development.

OTHER INCOME AND GAINS

The Group's other income and gains which was mainly made up of the interest income earned from bank deposits decreased from approximately RMB 15.5 million for the year ended 31 December 2015 to approximately RMB 10.3 million for the year ended 31 December 2016, mainly due to the lower interest rate environment for the year under review.

DISTRIBUTION AND SELLING EXPENSES

For the year ended 31 December 2016, the Group's distribution and selling expenses decreased by approximately 8.0% to approximately RMB 29.4 million, as compared to approximately RMB 32.0 million during the year ended 31 December 2015. The decrease was attributable to the management's effort in stringent cost control as well as the saving in rental costs upon the completion of the acquisition by the Company of the office building in Nanjing during the year under review, which the Company used to occupied as tenant for its headquarter.

ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2016, the Group's administrative and general expenses decreased by approximately 2.9% to approximately RMB 38.5 million, as compared with approximately RMB 39.7 million in the year ended 31 December 2015. The decrease was attributable to the management's effort in stringent cost control as well as the saving in rental costs upon the completion of the acquisition by the Company of the office building in Nanjing during the year under review, which the Company used to occupied as tenant for its headquarter.

OTHER EXPENSES AND LOSSES

Other expenses and losses of the Group decreased from RMB 0.9 million for the year ended 31 December 2015 to RMB 0.5 million for the year ended 31 December 2016.

INCOME TAX EXPENSES

The Group's income tax expenses decreased from approximately RMB 30.3 million for the year ended 31 December 2015 to approximately RMB 29.9 million for the year ended 31 December 2016. The decrease was mainly due to Nanjing Skytech Co., Limited ("Najing Skytech"), one of the Group's major subsidiaries, being eligible for the 10% reduced applicable tax rate under the "Key Software Enterprise under the National Plan" during the year ended 31 December 2016. An applicable tax rate of 15% was used for the corresponding period in 2015 as the application for the same "Key Software Enterprise under the National Plan" had not yet been approved at the then relevant time in 2015. The subsequent approval in the second quarter of 2016 resulted in the write back of income tax expense during the year ended 31 December 2016 amounting to approximately RMB 4.3 million based on the 10% applicable tax rate for relevant period in 2015.

PROFIT AND TOTAL COMPREHENSIVE INCOME

Profit and total comprehensive income of the Group for the year ended 31 December 2016 amounted to approximately RMB 191.4 million, representing an increase of approximately 20.0% as compared with approximately RMB 159.5 million for the year ended 31 December 2015. For the year under review, although costs of sales and research and development costs increased as a result of the Group's increased effort and devotion to new products development, the decreased distribution and selling expenses as well as administrative and general expenses during the year under review enabled the Group to maintain the net profit margin at approximately 36.9%.

NET CURRENT ASSETS

As at 31 December 2016, the Group had net current assets of RMB 753.9 million (31 December 2015: RMB 687.9 million).

TRADE RECEIVABLES

During the year under review, the trade receivables turnover increased by 69 days to 319 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2015: 250 days).

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. At 31 December 2016, 68% of the trade receivables (31 December 2015: 70%) are neither considered as past due nor impaired.

Subsequent to the year under review and as of the date of this annual report, the Group has collected RMB 94.8 million of trade receivables outstanding as of 31 December 2016.

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 2016, the Group's primary source of funding came from cash generated from its operating activities. As at 31 December 2016, the net cash inflow from operating activities amounted to approximately RMB 170.5 million (31 December 2015: approximately RMB 152.6 million) and the Group had cash and cash equivalent of RMB 277.4 million (31 December 2015: RMB 128.4 million).

As at 31 December 2016, the Group had no borrowings (31 December 2015: 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, 22, 23 and 24 to the consolidated financial statements.

BONUS ISSUE OF SHARES AND CHANGE OF BOARD LOT SIZE

On 28 July 2016, the Board proposed a bonus issue of new Shares of the Company on the basis of one bonus Share (the "Bonus Share(s)") for every five existing Shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appeared on the register of members of the Company on 9 September 2016 (the "Bonus Issue"). The Bonus Shares would be credited as fully paid at par by way of capitalisation of an appropriate amount in the share premium account of the Company and the board lot size for trading in the Shares would be changed from 2,000 Shares to 1,000 Shares (the "Change in Board Lot Size").

The Bonus Issue was approved by the shareholders at the extraordinary general meeting of the Company held on 2 September 2016.

As at 9 September 2016, the Company had a total of 1,032,258,000 Shares in issue and therefore, an aggregate of 206,451,600 Bonus Shares were issued by the Company on 19 September 2016. The Change in Board Lot Size took effective from 9:00 a.m. on 20 September 2016. Details of the Bonus Issue and the Change in Board Lot Size were disclosed in the announcement of the Company dated 28 July 2016 and the circular of the Company dated 17 August 2016.

CHARGE ON ASSETS

As at 31 December 2016, the Group had no charge on assets.

CONTINGENT LIABILITIES

As at 31 December 2016, 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 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 which may expose the Group to foreign currency risk.

During the year under review, the Group recorded an exchange loss of approximately RMB 56,000 (31 December 2015: exchange loss of approximately RMB 410,000). This exchange loss was a result of the appreciation of RMB against the USD and HKD as during the year under review, the Group had net assets denominated in USD and HKD.

No currency hedging arrangements were made as at 31 December 2016. The Group will continue to closely monitor and manage its exposure to fluctuation in foreign exchange rates and make appropriate arrangement as and when necessary.

INTANGIBLE ASSETS

The Group's intangible assets consist mainly of capitalised software costs and purchased software. The increase in intangible assets was mainly attributable to the addition to capitalised software costs of approximately RMB 61.7 million (31 December 2015: RMB 60.9 million) and the addition to purchased software of RMB 40.1 million (31 December 2015: RMB 62.7 million) less the amortisation charges for the year under review.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2016, save as disclosed in note 33 to the consolidated financial statements set out on page 96 in this annual report regarding the acquisition of Nanjing Aisita Real Estate Co., Limited ("Nanjing Aisita"), the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company does not have any future plans for significant investments or capital assets as at the date of this annual report.

HUMAN RESOURCES

As at 31 December 2016, the Group had a total of 635 employees (31 December 2015: 598). The Group offered competitive salary packages, as well as discretionary bonuses and contribution to social insurance to its employees. In order to ensure that the Group's employees remain competitive in the industry, the Group has adopted training programs for its employees managed by its human resources department. The Company has also adopted a share option scheme and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme is set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 39 to 41 of this annual report.

FINAL DIVIDEND

At the meeting of the Board held on 30 March 2017, the Board proposed the payment of a final dividend of RMB 2.33 cents per Share for the year ended 31 December 2016 (2015: RMB 1.95 cents per Share was adjusted for Bonus Issue), subject to the approval by the shareholders at the annual general meeting of the Company to be held on Saturday, 10 June 2017 (the "AGM"). For the purpose of comparison, the newly issued 206,451,600 Bonus Shares have been regarded as if these Shares were in issue since 1 January 2015. Final dividend for 2015 were restated accordingly. The proposed final dividend amounts to approximately RMB 28,861,934 (2015: approximately RMB 24,051,611).

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 was declared. Subject to the approval by the shareholders at the AGM, the proposed final dividend is expected to be paid on or before Friday, 7 July 2017 to the shareholders whose names appear on the Company's registers of members at the close of business on Wednesday, 14 June 2017.

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

EXECUTIVE DIRECTORS

Ms. XIN Yingmei (辛穎梅), aged 49, 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 the Group's 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 24 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 42, is the executive Director and chief financial officer of the Company. Mr. Yu was appointed as the Director on 4 April 2011, re-designated 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 16 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 senior auditor. 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.

NON-EXECUTIVE DIRECTOR

Mr. HU Xiaoming, Simon (胡曉明), aged 46, is the non-executive Director of the Company. Mr. Hu was appointed as the non-executive Director with effect from 1 January 2017. He has over 20 years of experience in finance and various management positions. Mr. Hu is currently a senior vice president of Alibaba Group, a company listed on the New York Stock Exchange as well as president of Alibaba Cloud. He is currently also an independent director of Zhejiang Daily Media Group Co., Limited (stock code 600633), a company listed on the Shanghai Stock Exchange, since April 2016. From October 2014 to February 2016, Mr. Hu was also a director of Hundsun Technologies Inc, (stock code 600570), a company listed on the Shanghai Stock Exchange. Prior to his current position as a senior vice president of Alibaba Group, Mr. Hu served in various management positions within the Alibaba Group. From November 2013 to October 2014, he was the chief risk officer of Ant Financial. Prior to this, he served as the general manager of the Small Medium Enterprise Loan business of Alibaba Group. Before joining the Alibaba Group, he spend over 10 years working in various finance roles in financial institutions such as China Construction Bank and China Everbright Bank. Mr. Hu received his bachelor's degree in finance from Zhejiang University in June 2002 and a master's degree in business administration from China Europe International Business School in September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KANG Choon Kiat (江春杰), aged 53, 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 28 June 2016. He has over 25 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 64, 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 28 June 2016. He has over 25 years of experience in accounting. Mr. Kwauk is currently a consultant of Motorola Solutions, Inc. and an independent director of Alibaba Group, a company listed on the New York Stock Exchange, where he serves as chairman of the audit committee. Mr. Kwauk is also the independent non-executive director of 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 60, 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 College of Hydraulic Engineering (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 54, 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 15 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, the chairlady, executive Director and chief executive officer of the Group.

Mr. MA Ming (馬明), aged 47, 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 20 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 56, 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 17 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 24 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2016, 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 2016. The Company was not aware of any incidence of non-compliance with the Model Code by the Directors during the year ended 31 December 2016.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director, 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 2016. 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 Auditor's Report on pages 43 to 48.

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. The Board has delegated the authority and responsibilities to the management for the day-to-day operations of the Group.

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

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director 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 2016 and to the date of this annual 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

Non-executive Director
Mr. Hu Xiaoming, Simon (appointed on 1 January 2017)

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 16.

Appointment and Re-Election 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 for a term of three years commencing on 9 July 2016, the non-executive Director has entered into a letter of appointment with the Company for a term of three years commencing on 1 January 2017, whereas each of the independent non-executive Directors have entered into a letter of appointment with the Company for 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. Yu Yifa, an executive Director, and Mr. Zong Ping, an independent non-executive Director shall retire and being eligible, shall offer themselves for re-election at the AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Hu Xiaoming, Simon will hold office until the AGM, and being eligible, shall offer himself for re-election at the AGM.

At the AGM, ordinary resolutions will be proposed to re-elect Mr. Yu Yifa as an executive Director, Mr. Hu Xiaoming, Simon as a non-executive Director and Mr. Zong Ping as an independent non-executive Director.

The Board and the Nomination Committee recommend their re-appointment. A circular, which will contain detailed information of the above three retiring Directors as required by the Listing Rules will be sent to the Company's shareholders in due course.

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 2016, 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 2016, the Company has arranged two in-house training sessions, covering topics on the Listing Rules updates, 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 2016 and up to the date of this annual 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 2016:

	Attendance/Number of Meetings Held						
Name of Directors	Regular Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	Investment Management Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Ms. Xin Yingmei	(Chairlady) 6/6	–	(Chairlady) 2/2	–	–	1/1	1/1
Mr. Yu Yifa	6/6	–	–	2/2	–	1/1	(Chairman)1/1
Independent Non-executive Directors							
Mr. Kang Choon Kiat	6/6	2/2	–	(Chairman) 2/2	(Chairman) 2/2	0/1	0/1
Mr. Kwauk Teh Ming, Walter	6/6	(Chairman) 2/2	2/2	2/2	2/2	0/1	0/1
Mr. Zong Ping	6/6	2/2	2/2	–	2/2	(Chairman) 1/1	0/1

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 2016 had been reviewed by the Audit Committee.

During the year ended 31 December 2016, 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.

The external auditors were invited to attend the Audit Committee meetings held during the year ended 31 December 2016 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 2016, 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 2016, 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 2016, 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 2016, 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

On 17 February 2017, Deloitte Touche Tohmatsu has resigned as auditor of the Company. The Board has appointed Baker Tilly Hong Kong Limited as the new auditor of the Company to fill the vacancy immediately following the resignation of Deloitte Touche Tohmatsu. 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 2016, the total fees payable to Deloitte Touche Tohmatsu and Baker Tilly Hong Kong Limited in respect of their respective statutory audit services provided to the Company was approximately RMB 1.98 million, including approximately RMB 45,200 being paid to Deloitte Touche Tohmatsu for the provision of income tax services.

SENIOR MANAGEMENT'S REMUNERATIONS

The Group's 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 the four senior management (excluding Directors) by bands for the year ended 31 December 2016 is set out below:

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 December 2016, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

During the year ended 31 December 2016, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

Enterprise Risk Management Framework

The Group established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The Group's risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Principal Risks

For the year ended 31 December 2016, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	**No significant risk identified**
Operational Risks	**Acquisition/Use of products without licence** As the Group is mainly engaged in software development and distribution, which means that the Group has to use the software developed by third party suppliers. In case unlicensed software and/or software whose licence has expired is used by the Group due to whatever reasons, such as careless mistakes and clerical errors, the Group will be subject to claims for compensation by the software suppliers. The Group's response to the risk identified through risk monitoring measures in the following way:— The Group is well aware of the risk, and it was in negotiation with Microsoft Corporation in 2014 for an one-off solution for the issue of copyright it had encountered. Currently, for security reason, customers of the Group provide official licensed software to the Group for software development purposes, and the official licensed software is provided with the software product of the Group to the customers after software development of the software product has been completed. In addition, as the Group is also the supplier of the government agencies which provide official licensed software to the Group each year for facilitating its software development.
Financial Risks	**No significant risk identified**
Compliance Risks	**No significant risk identified**

Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group's risk management activities are performed by management on an ongoing process. The effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

Apart from the internal audit function of the Group, the Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

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

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

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

DIRECTORS' REPORT

The Directors are pleased to present to the shareholders this annual report and the audited consolidated financial statements for the year ended 31 December 2016.

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 36 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 2016, 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. In addition, as the Group is mainly engaged in software development and distribution which the Group requires to use software developed by third party suppliers, there may be operational risk to the Group in the case of unlicensed software and/or software whose license has expired.

Further, 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 Company has also adopted a share option scheme and share award scheme to recognise and motivate contributions of its employees. Further details regarding the share option scheme and share award scheme is set out in the paragraphs headed "Share Option Scheme" and "Share Award Scheme" on pages 39 to 41 of this annual report.

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 annual 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 2016 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 49 to 100.

The Board has recommended the payment of a final dividend of RMB 2.33 cents per Share for the year ended 31 December 2016 (2015: RMB 1.95 cents per Share was adjusted for Bonus Issue), subject to the approval of the shareholders at the AGM. Further details regarding the payment of final dividend for the year ended 31 December 2016 is set out in the paragraph headed "Final Dividend" on page 12 of this annual report.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 7 June 2017 to Saturday, 10 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2017.

For the purposes of determining the shareholders' entitlement to the proposed final dividend for the year ended 31 December 2016, the register of members of the Company will be closed from Thursday, 15 June 2017 to Monday, 19 June 2017, 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 Wednesday, 14 June 2017.

FINANCIAL SUMMARY

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

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 accumulated losses. As at 31 December 2016, the Company's reserve available for distribution to owners was approximately RMB 237.4 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 2016 amounted to RMB 400,000.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the 5 largest customers of the Group accounted for 41% of the total revenue, while the largest customer accounted for 13% of the total revenue.

For the year ended 31 December 2016, the 5 largest suppliers of the Group accounted for 60% of the total purchases, while the largest supplier accounted for 39% of the total purchases.

At all time during the year ended 31 December 2016, 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 annual report are:

Executive Directors

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

Non-executive Director

Mr. Hu Xiaoming, Simon (appointed on 1 January 2017)

Independent non-executive Directors

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

Pursuant to the Articles of Association, 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. Further, 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. Yu Yifa, an executive Director and Mr. Zong Ping, an independent non-executive Director, shall retire and being eligible, have offered themselves for re-election at the Company's forthcoming AGM. In accordance with Article 83(3) of the Articles of Association, Mr. Hu Xiaoming, Simon will hold office until the AGM, and being eligible, shall offer himself for re-election at the 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 16 of this annual report.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has respectively entered into a service contract commencing on 9 July 2016 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.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 1 January 2017 and 31 October 2015, respectively, 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 2016, interests or short positions in the Shares of the Company, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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	—	494,912,400 (L) (Note 2)	78,777,000 (L) (Note 3)	573,689,400 (L)	46.31%
Mr. Yu Yifa	1,170,000 (L)	—	—	1,170,000 (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.

(4) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

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 2016, 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 2016, 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	494,912,400 (L) (Note 2)	39.95%
Telewise Group Limited	Beneficial owner	78,777,000 (L) (Note 3)	6.36%
Wang Xiaogang	Interest of a controlled corporation	78,777,000 (L) (Note 3)	6.36%
Alibaba.com Investment Holding Limited	Beneficial owner	165,000,000 (L) (Note 4)	13.32%
Alibaba.com Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4)	13.32%
Alibaba Group Holding Limited	Interest of a controlled corporation	165,000,000 (L) (Note 4)	13.32%
FIL Limited	Investment manager	123,718,800 (L)	9.99%

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.

(5) On 28 July 2016, the Board announced a bonus issue on the basis of one (1) Bonus Share for every five (5) existing Shares held by the Qualifying Shareholders (as defined in the Company's announcement dated 28 July 2016) whose names appear on the register of members of the Company on the then record date. The number of Shares herein is as adjusted by the allotment of Bonus Shares of the Company on 19 September 2016.

Save as disclosed above, as at 31 December 2016, 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 annual report, no transactions, arrangements or contracts of significance subsisting as of 31 December 2016 or at any time during the year ended 31 December 2016 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 annual 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 2016 or as at the date of this annual 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" on page 35 of this annual report and "Share Option Scheme" and "Share Award Scheme" on pages 39 to 41 of this annual report, 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 2016, 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 2016, 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 2016.

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 2016, 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 2016 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.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 and discussed audit issues reported by the auditor. Save as disclosed in the findings of Baker Tilly Hong Kong Limited in their agreed-upon procedures as further set out in the announcement of the Company dated 23 February 2017, the Audit Committee is not aware of any specific or material matters relating to the allegations as stated in the report dated 28 December 2016 and the report dated 30 December 2016 published by Zhongkui Research (the "Zhongkui Reports") and the reason for the resignation of the Company's predecessor auditor that has not been reached an agreement on the scope of the procedures to be performed to address the allegation as stated in the Zhongkui Reports and the audited financial statements of the Group for the year ended 31 December 2016.

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 throughout the period ended 31 December 2016 and as at the latest practicable date before printing this annual 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 2016.

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 annual report, the total number of Shares available for issue under the Share Option Scheme was 100,000,000 Shares, which represented 8.1% 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 under the Share Option Scheme (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants under the Share Option Scheme an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

   (i) motivate the Eligible Participants under the Share Option Scheme 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 under the Share Option Scheme 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 under the Share Option Scheme" or each of whom, the "Eligible Participant under the Share Option Scheme") 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 annual report:**

   As at the date of this annual 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 under the Share Option Scheme 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 under the Share Option Scheme, 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 under the Share Option Scheme 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 2016, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 December 2016 (the "Share Award Scheme") to:

(i) to recognise and motivate the contributions by any employee of the Group and non-executive director of the Company and/or any member of the Group (excluding any employee of the Group and non-executive director of any member of the Group who has tendered his/her resignation or who has been given a notice of dismissal by the Company and/or the relevant member of the Group) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group (the "Eligible Participants under the Share Award Scheme") and to give incentives thereto in order to retain them for the continual operation and development of the Group;

(ii) to attract suitable personnel for further development of the Group; and

(iii) to provide certain Eligible Participants under the Share Award Scheme with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption. Pursuant to the Share Award Scheme, shares will be acquired by the independent trustee at the cost of the Company from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the rules of the Share Award Scheme. Vested shares will be transferred to the selected participants at nil consideration. The Board shall not make any further grant of award of Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the date of adoption of the Share Award Scheme. If the relevant subscription or purchase would result in the independent trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the date of the adoption of the Share Award Scheme, the independent trustee shall not subscribe or purchase any further Shares. Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 December 2016.

On 13 December 2016, the Board has further resolved that a sum of up to HKD 40 million be provided for the purchase of Shares to be awarded to the participants to be selected by the Board.

No shares was awarded under the Share Award Scheme during the year under review.

CONNECTED TRANSACTIONS

There were no transactions that constitute connected transactions as defined in Chapter 14A of the Listing Rules that require disclosure in this annual report for the year ended 31 December 2016.

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

On 17 February 2017, Deloitte Touche Tohmatsu has resigned as auditor of the Company. The Board has appointed Baker Tilly Hong Kong Limited as the new auditor of the Company to fill the vacancy immediately following the resignation of Deloitte Touche Tohmatsu. Save as disclosed above, there were no other change in auditor of the Company during the past three years. Baker Tilly Hong Kong Limited 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 seek Shareholders' approval on the re-appointment of Baker Tilly Hong Kong Limited 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, 30 March 2017

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)

OPINION

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 49 to 100, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter

Revenue recognition

Refer to Note 3 (significant accounting policies) and Note 6 (revenue and segmental information) to the consolidated financial statements.

The Group recognises revenue when the services are rendered and the goods are delivered and title has been passed to customers for sales of goods. We focused on this area due to large volume of revenue transactions generated from various government units and customers, and thus significant time and resources were devoted in this area, in particular relating to the occurrence, accuracy and proper recording period of such transactions.

Our audit procedures included:

— assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with IFRSs;

— testing on a sample basis the effectiveness of the Group's internal controls and the correct timing of the Group's recognition of revenue in accordance with contract terms; and

— assessing the testing results of the cut-off of sales transactions taking place before and after the year-end to ensure that revenue was recognised in the correct period and assessing the accuracy of the recorded sales transactions.

We found the revenue recorded to be supported by the available audit evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to Note 4 (key sources of estimation uncertainty) and Note 21 (trade and other receivables) to the consolidated financial statements for the related disclosures	
As at 31 December 2016, gross trade receivables of the Group amounted to approximately RMB 557 million, which accounted for approximately 45% of the Group's total assets. The provision for impairment of trade receivables amounted to RMB 5.5 million, all of which was attributable to customers located in China. Management performed periodic credit monitoring, which included the review of customers' credit worthiness, collection of outstanding balances and individual credit terms. If there is an indicator that the receivables are impaired, management would make specific provision against individual balances with reference to the recoverable amount.	Our audit procedures included: — understanding and validating the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables; — testing on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices, sales contracts and document on date of delivery of goods or rendering of services to customers which approximated the respective dates on which revenue was recognised; and
We focused on this area due to the size of the receivables and the estimations and judgements involved in the determination of the recoverable amounts of trade receivables.	— testing subsequent settlement of trade receivable balances. Where settlement had not been received subsequent to the year end for those unprovided aged receivables beyond the credit period as at year end, we obtained management's assessments of the recoverability of those debts and corroborated management explanations with the historical settlement pattern. We found the estimations and judgements made by management in respect of the collectability of receivables were consistent with the available evidence.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the consolidated financial statements and our auditor's report thereon (the "other information").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road, North Point
Hong Kong, 30 March 2017

Choi Kwong Yu
Practising certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	6	518,937	436,545
Value-added tax refund	7	16,987	12,205
Cost of sales		(194,295)	(151,743)
Research and development costs		(62,217)	(50,179)
Other income and gains	8	10,311	15,538
Distribution and selling expenses		(29,415)	(31,966)
Administrative and general expenses		(38,536)	(39,679)
Other expenses and losses	9	(468)	(856)
Profit before taxation	10	221,304	189,865
Taxation	12	(29,912)	(30,332)
Profit and total comprehensive income for the year		191,392	159,533

		2016 RMB cents	2015 RMB cents (Restated)
Earnings per share — basic and diluted	13	15.45	12.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	107,335	8,052
Lease prepayment for land use rights	16	14,714	—
Intangible assets	17	200,650	213,779
Available-for-sale investments	18	2,000	2,000
		324,699	223,831
CURRENT ASSETS			
Inventories	20	12,796	1,631
Trade and other receivables	21	607,243	381,725
Structured bank deposits	22	—	255,000
Pledged bank deposits	23	18,207	26
Bank balances and cash	24	277,415	128,444
		915,661	766,826
CURRENT LIABILITIES			
Trade and bills payables	25	80,289	31,149
Other payables	26	65,943	37,055
Tax liabilities		15,553	10,767
		161,785	78,971
NET CURRENT ASSETS		753,876	687,855
TOTAL ASSETS LESS CURRENT LIABILITIES		1,078,575	911,686
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	43,277	31,344
NET ASSETS		1,035,298	880,342
CAPITAL AND RESERVES			
Share capital	27	10,009	8,232
Reserves	28	1,025,289	872,110
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,035,298	880,342

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Xin Yingmei
DIRECTOR

Yu Yifa
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2016

	Equity attributable to owners of the Company						
	Share capital RMB'000	PRC statutory reserve RMB'000	Capital reserve RMB'000	Share premium RMB'000	Share held under share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2015	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 and 1 January 2016	8,232	86,200	2,627	299,788	–	483,495	880,342
Profit and total comprehensive income for the year	–	–	–	–	–	191,392	191,392
Dividend (note 14)	–	–	–	–	–	(24,181)	(24,181)
Issue of shares (note 27(b))	1,777	–	–	(1,777)	–	–	–
Purchase of shares under share award scheme (note 31(b))	–	–	–	–	(12,255)	–	(12,255)
Transfer	–	20,290	–	–	–	(20,290)	–
At 31 December 2016	10,009	106,490	2,627	298,011	(12,255)	630,416	1,035,298

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RMB'000	2015 RMB'000
Operating activities		
Profit before taxation	221,304	189,865
Adjustments for:		
Depreciation of property, plant and equipment	5,084	5,349
Amortisation of intangible assets	114,882	76,169
Amortisation of lease prepayment for land use rights	90	—
Loss on disposal of property, plant and equipment	—	219
Impairment of trade receivables	2,818	—
Interest income	(8,340)	(14,381)
Net foreign exchange loss	56	410
Operating cash flows before movements in working capital	335,894	257,631
Increase in inventories	(11,165)	(597)
Increase in trade and other receivables	(226,949)	(121,123)
Increase in trade and bills payables	49,140	11,909
Increase in other payables	28,644	6,352
Cash generated from operations	175,564	154,172
Interest received	8,340	14,381
Income tax paid	(13,378)	(15,929)
Net cash from operating activities	170,526	152,624
Investing activities		
Purchase of property, plant and equipment	(1,547)	(4,970)
Net outflow of cash and cash equivalents from acquisition of a subsidiary accounted for as assets acquisition (Note 33)	(118,582)	—
Payment for the cost incurred of intangible assets	(101,753)	(123,613)
Placement of pledged bank deposits	(18,207)	(26)
Proceeds from release of pledged bank deposits	26	889
Proceeds from disposal of property, plant and equipment	—	8
Payments for structured bank deposits	—	(855,000)
Proceeds from release of structured bank deposits	255,000	876,500
Net cash generated from/(used in) investing activities	14,937	(106,212)
Financing activities		
Dividends paid	(24,181)	(20,188)
Purchase of shares under share award scheme	(12,255)	—
Net cash used in financing activities	(36,436)	(20,188)
Net increase in cash and cash equivalents	149,027	26,224
Cash and cash equivalents at beginning of the year	128,444	102,630
Effect of foreign exchange rate changes	(56)	(410)
Cash and cash equivalents at end of the year, representing bank balances and cash	277,415	128,444

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 IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to a number of IFRSs

The application of the new and 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:

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share option scheme

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options, which is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the counterparties have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to accumulated profits).

Share award scheme

When the trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares is reversed from the share award reserve. The difference arising from such transfer is debited/credited to accumulated profits.

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	3 — 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.

Lease prepayments for land use rights

Lease prepayments for land use rights represent purchase cost of land use rights in the PRC and are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land in the PRC. Amortisation of lease prepayments for land use rights is calculated on a straight-line basis over the lease terms.

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*

Intangible assets – *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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any members of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

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.

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 2016, the carrying amount of trade receivables are RMB 551,685,000 (31 December 2015: RMB 355,596,000), net of allowance for doubtful debts of RMB 5,453,000 (31 December 2015: 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 2016, the carrying amount of intangible assets are RMB 200,650,000 (31 December 2015: RMB 213,779,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Income tax

Certain subsidiaries of the Group were each entitled to a preferential corporate income tax rate for a specified period subject to satisfying certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax on the assumption that the subsidiaries will continue to meet the conditions and qualify for the preferential treatment as evidenced by past records. The consequence of any failure to meet the conditions and any changes in the applicable tax rate is adjusted in the year in which the information becomes known.

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

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

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

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

Categories of financial instruments

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

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**848,672**	743,571
Available-for-sale investments	**2,000**	2,000
	850,672	745,571
Financial liabilities		
Amortised cost	**94,139**	33,192

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

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 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.

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:

	2016 RMB'000	2015 RMB'000
Assets		
USD	6,662	266
HKD	2,710	4,399

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.

	2016 RMB'000	2015 RMB'000
USD impact	333	13
HKD impact	136	220
	469	233

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.

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

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.

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 34% of the carrying amounts of trade receivables as at 31 December 2016 (31 December 2015: 40%). 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 2016 (31 December 2015: 100%).

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

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

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

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The 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 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016							
Financial liabilities							
Trade and bills payables		72,346	387	2,862	4,694	80,289	80,289
Other payables		13,850	–	–	–	13,850	13,850
	–	86,196	387	2,862	4,694	94,139	94,139
At 31 December 2015							
Financial liabilities							
Trade and bills payables		22,164	639	3,139	5,207	31,149	31,149
Other payables		2,043	–	–	–	2,043	2,043
	–	24,207	639	3,139	5,207	33,192	33,192

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.

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

Interest rate risk

The Group's interest rate risk arises primarily from structured bank deposits, pledged bank deposits and bank balances which were contracted at short-term variable rates and expose the Group to cash flow interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate risk

	2016		2015	
	Effective interest rate		Effective interest rate	
	%	**RMB'000**	%	RMB'000
Fixed rate bank deposits	**4.02**	**174,980**	3.65	327,226
Variable rate bank deposits	**0.32**	**120,561**	0.32	56,202

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and accumulated profits by approximately RMB 996,000 (2015: RMB 481,000) respectively. Other components of equity would not be affected (2015: RMB Nil) by changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2015.

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 tax software and related services, carbon management solutions, e-Government solutions and system integration solutions. These products form the basis on which the Group reports its segment information. During the year, the Group renames a product line namely export tax software and related services to tax software and related services so as to reflect the nature of a broader range of tax-related software products and services in this product line. There is no change in comparative figures as a result of this change in the name of the product line.

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

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Segment revenue				
— Tax software and related services	**134,724**	**26**	121,493	28
— Carbon management solutions	**99,462**	**19**	86,608	20
— e-Government solutions	**235,988**	**46**	183,278	42
— System integration solutions	**48,763**	**9**	45,166	10
Total revenue	**518,937**	**100**	436,545	100

6. REVENUE AND SEGMENTAL INFORMATION – *continued*

	Year ended 31 December			
	2016		2015	
	RMB'000	%	RMB'000	%
Segment results				
— Tax software and related services	118,605	42	104,840	42
— Carbon management solutions	42,703	15	55,694	23
— e-Government solutions	117,481	42	85,131	34
— System integration solutions	623	1	1,163	1
Total segment results	279,412	100	246,828	100
Other income and gains	10,311		15,538	
Distribution and selling expenses	(29,415)		(31,966)	
Administrative and general expenses	(38,536)		(39,679)	
Other expenses and losses	(468)		(856)	
Profit before taxation	221,304		189,865	
Taxation	(29,912)		(30,332)	
Profit and total comprehensive income for the year	191,392		159,533	

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales for current and prior year.

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"), Jiangsu Skyinformation Co., Limited ("Jiangsu Skyinformation") and Nanjing Skytech Quan Shui Tong Information Technology Co., Limited ("Quan Shui Tong").

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	
	2016	2015
	RMB'000	RMB'000
Customer A (Note)	**68,479**	57,242
Customer B (Note)	*	48,731
Customer C (Note)	*	44,812

Note : Revenue generated 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	
	2016	2015
	RMB'000	RMB'000
Value-added tax refund	**16,987**	12,205

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 solution 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	
	2016	2015
	RMB'000	RMB'000
Interest income	**8,340**	14,381
Government grants (Note)	**1,428**	826
Others	**543**	331
	10,311	15,538

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	
	2016	2015
	RMB'000	RMB'000
Donation	**400**	200
Loss on disposal of property, plant and equipment	**—**	219
Net foreign exchange loss	**56**	410
Others	**12**	27
	468	856

10. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Deprecation of property, plant and equipment	5,084	5,349
Amortisation of lease prepayment for land use rights	90	—
Amortisation of intangible assets:		
Amortisation of capitalised software costs (included in cost of sales)	64,539	35,627
Amortisation of other software (included in research and development costs)	50,343	40,542
	120,056	81,518
Auditor's remuneration	2,548	1,933
Research and development costs recognised as an expense	62,217	50,179
Cost of inventories recognised as an expense	130,614	116,115
Impairment of trade receivables	2,818	—
Cost of defined contribution retirement benefit plans	4,597	3,613
Directors' emoluments	3,307	3,065
Employee benefits expenses	69,172	69,656
Total staff cost	77,076	76,334
Less: amount included in capitalised software costs	(47,729)	(43,147)
	29,347	33,187

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

	Ms. Xin	Mr. Yu Yifa	Mr. Zong Ping	Mr. Kang Choon Kiat	Mr. Walter Kwauk	Total 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	86	130	130	346
Other emoluments						
Salaries and benefits	2,108	753	–	–	–	2,861
Contribution to retirement benefits schemes	42	58	–	–	–	100
Total emoluments	2,150	811	86	130	130	3,307

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 2015 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

Ms. Xin and Mr. Yu are also the chief executive and chief financial controller respectively of the Company. Their emoluments disclosed above include their services rendered respectively as the chief executive and chief financial controller.

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 (2015: 2 directors), for the years ended 31 December 2016, whose emoluments are set out above. The emoluments of the remaining 3 (2015: 3) individuals during the year were as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Employees:		
— Salaries and other benefits	**1,138**	1,008
— Contributions to retirement benefit schemes	**78**	75
Total	**1,216**	1,083

During the year ended 31 December 2016, 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 2016.

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

Their emoluments were within the following band:

	Year ended 31 December	
	2016 Number of employees	2015 Number of employees
HKD Nil to HKD 1,000,000	**3**	3

12. TAXATION

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**22,304**	16,882
— Withholding tax on distribution of earnings from the PRC subsidiaries	**—**	4,163
Over provision in prior years	**(4,325)**	(463)
Deferred tax charge:		
— Current year	**11,933**	9,750
	29,912	30,332

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before taxation	**221,304**	189,865
Tax at income tax rate of 25% (2015: 25%)	**55,326**	47,466
Tax effect of expenses not deductible for tax purpose	**10,692**	7,436
Tax effect of income not taxable for tax purpose	**(9,961)**	(5,367)
Effect of PRC EIT exemption and concessions	**(26,291)**	(20,620)
Over provision of PRC EIT in prior years	**(4,325)**	(463)
Tax effect of tax losses not recognised	**2,154**	1,422
Tax effect attributable to the additional qualified tax deduction relating to research and development costs	**(6,683)**	(6,342)
Withholding income tax on undistributed profits attributable to the PRC subsidiaries	**9,000**	6,800
	29,912	30,332

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 and Jiangsu Skyinformation obtained "High-tech Enterprise" certificates. Accordingly, the applicable income tax rate for both Nanjing Skytech and Jiangsu Skyinformation for the year ended 31 December 2016 are 15% (year ended 31 December 2015: 15%).

   In addition to being recognised as a "High-tech Enterprise", enjoying a preferential corporate income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as "Key Software Enterprise under the National Plan" for the year, it can further enjoy a preferential tax rate of 10%. In 2016, Cai Shui [2016] No.49 has been enacted that entity can register for the "Key Software Enterprise under the National Plan" in tax bureau if the entity complies with relevant requirements. Nanjing Skytech was considered to meet those requirements. Therefore Nanjing Skytech used a preferential corporate income tax rate of 10% (2015: High-tech Enterprise income tax rate of 15%) for the year ended 31 December 2016. The application of the preferential tax rate stated above is subject to critical accounting estimates of Group's management based on their past experience.

2. Quan Shui Tong was formerly 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, for the year ended 31 December 2016, Quan Shui Tong had 50% reduction on PRC EIT (year ended 31 December 2015: exempted) and the tax holidays and concessions for Quan Shui Tong will end in the year ending 31 December 2018.

3. The applicable EIT rate for Zhenjiang Skyinformation Co., Limited ("Zhenjiang Skyinformation"), Jiangsu Skytech Investment Management Co., Limited, ("Jiangsu Skytech Investment"), Qingdao Skytech Software Co., Limited ("Qingdao Skytech Software") and Nanjing Aisita Real Estate Co., Limited ("Nanjing Aisita") are 25% for the years ended 31 December 2016 and 2015.

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	
	2016	2015
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**191,392**	159,533

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	
	2016	2015
	'000	'000
		(Restated)
Weighted average number of ordinary shares for purpose of basic earnings per share calculation (Note 1)	**1,238,710**	1,238,710

Note 1: The resolution included a distribution of 1 share for every 5 shares based on the 1,032,258,000 ordinary shares as at 19 September 2016. Among the shares distributed, 206,451,600 shares were converted from share premium of RMB 1,777,000 (Note 27). As at 31 December 2016, the Company's total share capital was approximately 1.24 billion shares. In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2015, the 206,451,600 shares issued by way of capitalisation from reserves have been regarded as if these shares were in issue since 1 January 2015. Earnings per share for 2015 were restated accordingly.

For the year ended 31 December 2016, dilutive earnings per share has not been calculated as there is no potential dilutive shares outstanding.

14. DIVIDENDS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Dividend recognised as distribution during the year:		
Final dividend of RMB 1.95 cents (adjusted for bonus issue) per share for the year ended 31 December 2015	**24,181**	—
Final dividend of RMB 1.63 cents (adjusted for bonus issue) per share for the year ended 31 December 2014	**—**	20,188

14. DIVIDENDS – *continued*

A final dividend of RMB 2.33 cents per share (2015: RMB 1.95 cents per share was adjusted for bonus issue) has been proposed by the directors of the Company on 30 March 2017 and it is subject to the 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 2015	2,503	15,371	3,036	3,338	24,248
Additions	93	2,577	182	2,118	4,970
Disposals	—	(4,350)	(46)	(95)	(4,491)
At 31 December 2015 and 1 January 2016	2,596	13,598	3,172	5,361	24,727
Additions	—	1,328	219	—	1,547
Arising from acquisition of a subsidiary (Note 33)	102,817	—	3	—	102,820
At 31 December 2016	105,413	14,926	3,394	5,361	129,094
DEPRECIATION					
At 1 January 2015	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 1 December 2015 and 1 January 2016	1,781	9,006	2,607	3,281	16,675
Provided for the year	1,467	2,502	295	820	5,084
At 31 December 2016	3,248	11,508	2,902	4,101	21,759
CARRYING VALUES					
At 31 December 2016	102,165	3,418	492	1,260	107,335
At 31 December 2015	815	4,592	565	2,080	8,052

16. LEASE PREPAYMENT FOR LAND USE RIGHTS

	RMB'000
COST	
At 1 January 2015, 31 December 2015 and 1 January 2016	—
Arising from acquisition of a subsidiary (Note 33)	15,118
At 31 December 2016	15,118
AMORTISATION	
At 1 January 2015, 31 December 2015 and 1 January 2016	—
Charge for the year	90
At 31 December 2016	90
CARRYING VALUES	
At 31 December 2016	15,028
At 31 December 2015	—
Analysed for reporting purposes as:	
Current assets (included in trade and other receivables)	314
Non-current assets	14,714
	15,028

Lease prepayment for land use rights represented the land use rights of the land located at No. 26 Tianpu Road, Jiangpu Street, Pukou District, Nanjing City, Jiangsu, the PRC.

Land in the PRC is state-owned or collectively-owned and no individual land ownership rights exists. Lease prepayments for land use rights represent the Group's interests in lands which are held on a medium lease term.

17. INTANGIBLE ASSETS

	Capitalised software costs RMB'000	Other software RMB'000	Total RMB'000
COST			
At 1 January 2015	267,723	119,408	387,131
Additions	60,900	62,713	123,613
At 31 December 2015 and 1 January 2016	328,623	182,121	510,744
Additions	61,654	40,099	101,753
At 31 December 2016	390,277	222,220	612,497
AMORTISATION			
At 1 January 2015	137,843	82,953	220,796
Charge for the year	35,627	40,542	76,169
At 31 December 2015 and 1 January 2016	173,470	123,495	296,965
Charge for the year	64,539	50,343	114,882
At 31 December 2016	238,009	173,838	411,847
CARRYING VALUES			
At 31 December 2016	152,268	48,382	200,650
At 31 December 2015	155,153	58,626	213,779

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

Capitalised software costs	3 years
Other software	2 years

18. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2016	2015
	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., Limited 江蘇賽聯信息產業研究院股份有限公司 ("Cyberunion"), a private entity established in the PRC. The investment in Cyberunion is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

19. DEFERRED TAX

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

	Allowance for doubtful receivables	Withholding tax on undistributed profits	Captalised software costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	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 and 1 January 2016	395	(8,038)	(23,701)	(31,344)
Credit/(charge) to profit or loss	422	(9,000)	(3,355)	(11,933)
At 31 December 2016	817	(17,038)	(27,056)	(43,277)

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 2016, 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.

19. DEFERRED TAX – *continued*

The Group has unused tax losses of RMB 23,288,000 available for offset against future profits as at 31 December 2016 (31 December 2015: RMB 14,671,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the tax losses approximately RMB 20,643,000 (31 December 2015: RMB 13,318,000) arising from the Company may be carried forward indefinitely. The unused tax losses arising from subsidiaries operated in the PRC will expire in three to five (2015: four to five) years for offsetting against future taxable profits. Other than the above amounts, at the end of each reporting period, the Group had no other significant unrecognised deferred taxation.

20. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Purchased system integration solution related products	**12,743**	1,202
Packaging materials	**53**	429
	12,796	1,631

21. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Accounts receivables		
Third parties	**557,138**	358,231
Less: Allowance for doubtful debts	**(5,453)**	(2,635)
	551,685	355,596
Prepayments to suppliers	**24,031**	17,060
Prepayment to the trustee (Note 31(b))	**23,525**	—
Deposits	**1,296**	2,674
VAT recoverable	**2,242**	1,165
Advances to employees	**2,785**	725
Lease prepayment for land use rights (Note 16)	**314**	—
Others	**1,365**	4,505
Total trade and other receivables	**607,243**	381,725

21. TRADE AND OTHER RECEIVABLES – *continued*

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

At 31 December 2016, trade receivables of approximately RMB 230,000,000 (31 December 2015: RMB Nil) were pledged to secure the credit facilities granted to the Group as detailed in Note 32 below.

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
0 — 60 days	**266,958**	178,952
61 — 90 days	**6,513**	6,976
91 — 180 days	**6,642**	14,123
181 — 365 days	**93,423**	47,440
Over 1 year but less than 2 years	**108,815**	72,950
Over 2 years	**69,334**	35,155
	551,685	355,596

At 31 December 2016, 68% of the trade receivables (31 December 2015: 70%) 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 178,149,000 as at 31 December 2016 (31 December 2015: RMB 108,105,000), 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.

21. TRADE AND OTHER RECEIVABLES – *continued*

Ageing of trade receivables which are past due but not impaired

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
1 — 2 years	**108,815**	72,950
Over 2 years	**69,334**	35,155
Total	**178,149**	108,105

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.

Movement in the allowance for doubtful debts for trade receivables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Balance at beginning of the year	**2,635**	2,635
Impairment losses recognised	**2,818**	—
Balance at end of the year	**5,453**	2,635

22. 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% 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.

There were no structured bank deposits entered into by the Group during the year and all the prior year SBDs were matured and released to the Group by those banks.

23. PLEDGED BANK DEPOSITS

At 31 December 2016, pledged bank deposits of the Group represented deposits pledged against certain bank facilities granted, carrying fixed interest rates at 0.30% to 2.80% (31 December 2015: 1.30%) per annum as at 31 December 2016.

24. BANK BALANCES AND CASH

Bank balances of the Group carry interest at market rates of 0.35% to 4.78% per annum at 31 December 2016 (31 December 2015: 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	
	2016	2015
	RMB'000	RMB'000
Denominated in:		
USD	**6,662**	266
HKD	**2,710**	4,399
Balance at end of the year	**9,372**	4,665

25. TRADE AND BILLS PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**47,243**	31,149
Bills payables	**33,046**	—
	80,289	31,149

At 31 December 2016, bills payables were secured by bank deposits and trade receivables (see Note 32).

25. TRADE AND BILLS PAYABLES – *continued*

Trade and bills 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 and bills payables presented based on the invoice date as at end of each reporting period:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
0 to 90 days	**72,346**	22,164
91 to 180 days	**387**	639
181 to 365 days	**2,862**	3,139
Over 1 year	**4,694**	5,207
	80,289	31,149

26. OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Advances from customers	**722**	3,576
Payroll payables	**10,613**	11,141
VAT and other tax payables	**40,758**	20,295
Others	**13,850**	2,043
	65,943	37,055

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Other payables denominated in USD	**–**	3,453

27. SHARE CAPITAL

(a) Shown on the consolidated statement of financial position

	Number of shares '000	RMB'000
At 1 January 2015, 31 December 2015 and 1 January 2016, issued and fully paid shares of HKD 0.01	1,032,258	8,232
Issue of shares (Note (b))	206,452	1,777
	1,238,710	10,009

(b) Issue of shares

On 19 September 2016, the Company issued 206,451,600 ordinary shares of HKD 0.01 each ("Bonus Shares") on the basis of one new share for every five existing shares held (the "Bonus Issue"). The Bonus Shares were credited as fully paid by way of capitalisation of HKD 2,064,516 of the share premium account of the Company. Details of the Bonus Issue are set out in the Company's circular dated 17 August 2016 and announcements dated 2 September 2016 and 19 September 2016.

28. RESERVES

PRC Statutory Reserve

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

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

Capital Reserve

As part of 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. RESERVES – *continued*

Share premium

Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as when they fall in the ordinary course of business.

29. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2016	2015
	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year	**12,447**	15,029

At the end of the reporting period, the Group had outstanding commitments payable under non-cancellable operating leases in respect of its office premises which fall due as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**–**	15,099

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

30. RETIREMENT BENEFIT PLANS

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

30. RETIREMENT BENEFIT PLANS – *continued*

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:

	2016	2015
	RMB'000	RMB'000
Amounts contributed and charged to profit or loss	**1,478**	1,114

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Pre-IPO Share Option Scheme

Pursuant to the written solution passed on 11 June 2013, the Company adopted a pre-IPO share option scheme (the "Share Option Scheme") to (i) motivate the personnel to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the personnel whose contributions are or will be beneficial to the long-term growth of the Group. The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

Under the Share Option Scheme, the Board of Directors of the Company (the "Directors") may grant options to (i) any employees, executives, officers or any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and (ii) any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Directors will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HKD 1 to the Company by way of consideration for the grant. The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 100,000,000 shares. The limit may be renewed at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting. However, 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 of the Company at any time shall not exceed 30% of the shares in issue from time to time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme of the Company to each grantee 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 that 1% of the shares in issue as at the date of grant shall be subject to the issue of a circular by the Company and the approval of shareholders in general meeting. Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Directors propose to grant options to a substantial shareholder or any independent non-executive director or their respective associates in aggregate over 0.1% of the shares in issue; and with aggregate value in excess of HKD 5 million will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

31. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

(a) Pre-IPO Share Option Scheme — *continued*

Options may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the options are deemed to be granted and accepted and prior to the expiry of 10 years from that date. The exercise price is determined by the Directors, and must be at least the higher of (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

As at 31 December 2016, no option has been granted under the Share Option Scheme since its adoption date.

(b) Share Award Scheme

The Company adopted a share award scheme (the "Share Award Scheme") on 13 December 2016 (the "Adoption Date") with a duration of 10 years commencing from the Adoption Date. The objective of the Share Award Scheme are to (i) recognise and motivate the contributions by certain employees and non-executive directors of the Company and/or any member of the Group who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any member of the Group ("Eligible Participants") and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) attract suitable personnel for further development of the Group; and (iii) provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

The Company has engaged ARK Trust (Hong Kong) Limited (the "Trustee") to administer and hold the Company's shares with a sum of up to HKD 40,000,000 (equivalent to RMB 35,780,000) before they are vested and transferred to the Eligible Participants. The Trustee purchases the Company's shares being awarded from the open market with funds provided by the Company by way of contributions.

During the year ended 31 December 2016, 5,550,000 ordinary shares of the Company have been acquired at an aggregate cost of approximately HKD 13,700,000 (equivalent to approximately RMB 12,255,000). As at 31 December 2016, no shares have been granted or agreed to be granted to the Eligible Participants.

32. PLEDGE OF ASSETS

Trade receivables of RMB 230,000,000 (2015: RMB Nil) was pledged to the bank to secure credit facilities to the extent of RMB 15,000,000 (2015: RMB Nil) granted to the Group of which RMB 14,871,000 (2015: RMB Nil) was utilised by the Group.

Bank deposits of approximately RMB 18,175,000 (2015: RMB Nil) was pledged to the bank to secure credit facilities.

33. ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSETS ACQUISITION

On 12 September 2016, Jiangsu Skytech Investment, the wholly-owned subsidiary of the Company, has completed the acquisition of the 100% equity interest in Nanjing Aisita from Nanjing Jingtian Technology Co., Limited, a subsidiary of Team United Investments Limited which is a non-controlling shareholder of the Company, at a cash consideration of RMB 121,395,700. The directors of the Company are of the opinion that the acquisition of Nanjing Aisita is in substance an asset acquisition instead of a business combination, as the net assets of the Nanjing Aisita were mainly properties and lease prepayments for land use rights and Nanjing Aisita was inactive prior to the acquisition by the Group.

Net assets of the Nanjing Asitia acquired:

	RMB'000
Property, plant and equipment	102,820
Lease prepayment for land use rights	15,118
Other receivables	1,073
Bank balances and cash	2,814
Other payables	(244)
Tax liabilities	(185)
	121,396

An analysis of the cash flows in respect of the assets acquisition is as follows:

	RMB'000
Cash consideration	(121,396)
Cash and cash equivalents acquired	2,814
Net outflow of cash and cash equivalents in respect the acquisition	(118,582)

34. RELATED PARTY DISCLOSURES

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:

	2016	2015
	RMB'000	RMB'000
Short term benefits	**4,345**	3,983
Retirement benefits scheme contributions	**178**	165
	4,523	4,148

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investments in subsidiaries	(a)	132,879	132,879
Property, plant and equipment		22	55
		132,901	132,934
Current assets			
Amounts due from subsidiaries		45,680	43,281
Prepayment to the trustee		23,525	—
Dividend receivable		—	16,855
Bank balances and cash		34,597	57,651
		103,802	117,787
Current liabilities			
Other payables		1,581	3,454
		1,581	3,454
Net current assets		102,221	114,333
Net assets		235,122	247,267
Capital and reserves			
Share capital		10,009	8,232
Reserves	(b)	225,113	239,035
Total equity		235,122	247,267

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

(a) A list of the Company's subsidiaries is shown in Note 36 to the consolidated financial statements.

(b) Movement of the Company's reserves

	Share premium RMB'000	Accumulated losses RMB'000	Shares held under share award scheme RMB'000	Total RMB'000
At 1 January 2015	299,788	(40,599)	—	259,189
Profit and total comprehensive income for the year	—	34	—	34
Dividend (note 14)	—	(20,188)	—	(20,188)
At 31 December 2015 and 1 January 2016	299,788	(60,753)	—	239,035
Profit and total comprehensive income for the year	—	24,291	—	24,291
Dividend (note 14)	—	(24,181)	—	(24,181)
Purchase of shares under share award scheme (note 31(b))	—	—	(12,255)	(12,255)
Issue of shares (note 27(b))	(1,777)	—	—	(1,777)
At 31 December 2016	298,011	(60,643)	(12,255)	225,113

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Issued and fully paid share capital/ registered capital	Equity interest held by the Company Direct		Indirect		Principal activities
			2016 %	2015 %	2016 %	2015 %	
Infotech Holdings Pte. Ltd.	Singapore	SGD 27,538,640	100	100	–	–	Investment holding
Nanjing Skytech Co., Limited 南京擎天科技有限公司 (Note 1)	PRC	RMB 200,000,000	–	–	100	100	Software development, system integration, sales of related computer products and provision of solution services
Jiangsu Skyinformation Co., Limited 江蘇擎天信息科技有限公司 (Note 1)	PRC	RMB 35,000,000	–	–	100	100	Software outsourcing service and development on sale of information integration
Nanjing Skytech Quan Shui Tong Information Technology Co., Limited 南京擎天全税通信息科技有限公司 (Note 1)	PRC	RMB 10,000,000	–	–	100	100	Development and sale of export tax software
Zhenjiang Skyinformation Co., Limited 鎮江擎天信息科技有限公司 (Note 1)	PRC	RMB 5,000,000	–	–	100	100	Development and sale of software and system related products and services
Jiangsu Skytech Investment Management Co., Limited 江蘇擎天科技投資管理有限公司 (Note 1)	PRC	USD 83,650,000	–	–	100	100	PRC investment and advisory
Qingdao Skytech Software Co., Limited 青島擎天軟件有限公司 (Note 1)	PRC	RMB 10,000,000	–	–	100	100	Computer products of System integration and software development
Nanjing Aisita Real Estate Co., Limited 南京艾斯特置業有限公司 (Note 1)	PRC	RMB 120,000,000	–	–	100	–	Properties holding

Note 1: The English translation of the name is for reference only. The official name of the entity is in Chinese.

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

37. CONTINGENT LIABILITIES

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. On 15 September 2015, the Group received a court order issued by the Nanjing Intermediate People's Court, ordering the defendants of 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 ("Higher Court"). On 1 July 2016, the Group received the judgement made by the Higher Court to overrule all claims of Janful. On 11 July 2016, the Group issued another defend letter to the Supreme People's Court of The People's Republic of China ("Supreme People's Court"). On 3 August 2016, the Group received a notice of case registration from the Supreme People's Court. In October 2016, the Group issued a supplementary defend letter to the Supreme People's Court. Pursuant to the Company's further announcements dated 6 December 2015, Janful filed an application to the Beijing Fourth Intermediate People's Court (the "Beijing Court") for the revocation of the China International Economic and Trade Arbitration Commission Arbitral Award ("CIETAC") which was given in favour of Nanjing Skytech but after the trials, the Beijing Court made a judgement that the rationale for Janful's application to revoke the CIETAC Arbitral Award was unsubstantiated. On 7 November 2016, the Beijing Court issued a decision to dismiss Janful's application of revoking the CIETAC Arbitral Award. This decision is final and conclusive with effect from 7 November 2016 as per Company's announcement dated 14 November 2016. 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 2016 and prior year.

38. COMPARATIVE FIGURES

As a result of the Bonus Issue which was completed on 19 September 2016 (see note 27(b)), the earnings per share for the year ended 31 December 2015 has been restated accordingly.

Certain comparative figures have been changed in order to conform with the current year's presentation.