ANNUAL REPORT 2015

Chinasoft International Limited
中軟國際有限公司*

Incorporated in the Cayman Islands with Limited Liability
Stock Code: 0354

* for identification purpose only

Contents

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Mr. Wang Hui

Non-executive Director

Dr. Zhang Yaqin

Independent non-executive Directors

Mr. Zeng Zhijie
Dr. Leung Wing Yin Patrick
Dr. Lai Guanrong

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Dr. Leung Wing Yin Patrick *(Chairman)*
Dr. Chen Yuhong
Mr. Zeng Zhijie
Dr. Lai Guanrong

AUDIT COMMITTEE

Dr. Leung Wing Yin Patrick *(Chairman)*
Mr. Zeng Zhijie
Dr. Lai Guanrong

NOMINATION COMMITTEE

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Dear Investors,

In 2015, ChinaSoft achieved steady growth and recorded its 12th consecutive years of revenue increase since becoming a listed company on the Hong Kong Stock Exchange. The Group generated more than RMB 5 billion in revenue during the reporting period and has over 30,000 employees as of December 31, 2015. We believe this places the Group firmly in the top tier category in Chinese IT services (difficult to calculate exact market share since many of our peers do not report their service revenue figures). Just as Huawei becomes our strategic shareholder, we are also starting to see a historical opportunity for the Group to leap-frog competitors and experience robust growth in the periods ahead.

1. IT SERVICES INDUSTRY CONTINUES TO EXPAND AND TRANSFORM

The digital revolution is upon us, and it brings tremendous changes in the IT services (ITS) industry. The ITS industry has always been the front-line "soldiers" for the digital revolution, and we see further growth opportunities ahead as billions of lines of code still need to be written in order to help the clients to first transition into and then transform in this digital era. Using the Indian ITS companies as a proxy for our industry for the past few years, a typical global player has annual revenues of over USD 10 billion and maintained revenue growth of 20%. Those with annual service revenue of over USD 10 billion are considered to be in the top 15 ITS and software companies globally. (Note that five years ago a company with USD 10 billion revenue would have ranked in the top 10. The industry is growing rapidly.) More impressively, the ITS companies continued to penetrate different industries, and were able to maintain the profitability at approximately 20%. In the foreseeable future, as IT consumption continues to grow and enterprises continue to leverage new technologies and business models, we see the ITS market continue to grow at 20%. Simultaneously we see continued innovation in the development of new platforms and data analysis along with new solution based IT services.

We believe that the disruption from innovation is already happening in the ITS industry. The digital revolution will impact our industry profoundly. Our enterprise customers are in the middle of transformations themselves, trying to increase IT efficiencies as well as quality. As a result, ITS companies like ourselves all over the world will face continued pricing pressures, and we must find a balance between labor cost and the current rigid developer/employer business model. The good news is that we have already seen new flexible hybrid pricing model using crowd-sourcing methods (shared- economy). This innovation allowed flexible resources to satisfy price sensitive customers. This new model has been proven by innovative companies such as Uber and Airbnb, and we believe it can also be applied to the ITS industry. Idle developers can become more active and fill in the needs for price sensitive small to medium size companies. It will need a platform for this phenomena to unfold, like how Airbnb is disrupting the hospitality industry and Taobao to the retail industry. We see this shared-economy and crowd-sourcing model becoming an exciting force in the ITS industry.

2. THE GROUP'S BIMODAL GROWTH STRATEGY AND ORGANIZATION ADJUSTMENT

As our clients re-adjust their resources to accommodate the digital revolution, we realized that we need to do so as well. It is no longer the best strategy for ourselves to differentiate our business segments by outsourcing vs solutions, because our enterprise customers' traditional separation for needs of solution versus outsourcing services are becoming blurred and often merged into one. In fact, we see that our business groups should be separated according to our client type and project needs: the large clients versus long-tail market clients and projects. The large clients want offline services (continuous demand for IT services) while the long-tail market customers want time framed contracts that can be organized and delivered on the Jointforce platform. During the reporting period, we adjusted/established two new business groups: Technology and Professional Group (TPG) and Internet ITS Group (IIG). TPG will service large customers and large industries (more than half of our traditional clients from before has been reorganized to this group because of our big client strategy). This is what we called the "offline" business because we still need to staff our employees onsite to deliver services. This is very similar to our traditional business, but we are adding new managerial capabilities in addition to SMAC capabilities. We have already proven to our customers that we can provide human capital services to our clients, and we will also prove that we can also provide world class technical services to domestic as well as global clients. IIG, on the other hand, will use the Jointforce platform to service our long-tail customers, mainly in the government and manufacturing industry. These smaller clients as well as clients with projects that have uncertain time commitment tend to be very price sensitive. Our traditional business model cannot fully satisfy them. However, through Jointforce, these clients can find the most cost effective IT resources (whether it's local engineers or engineers in a lower-cost region of China). We believe that the Jointforce platform can help enterprise customers to transform in this digital age, and we believe that Jointforce will become a de-facto platform of choice for the ITS industry, similar to Tencent and Baidu. On Jointforce platform, ChinaSoft will no longer be just a software developer, but a third party integrator for ITS companies, teams, and engineers to provide trusted online services.

Build a Chinaosft Technology Deck – Like most regions in the world, a large number of Chinese enterprises want to migrate their IT systems onto the cloud and use big data analytics. But unlike the enterprises in the U.S. and Europe, most Chinese enterprises are still in the early stages of cloud adaptation. As a matter of fact, most Chinese enterprises are still exploring to see which cloud ecosystem is best suited for them. We believe now is the best time to build our cloud and big data analytic capabilities in order to help our clients make decisions in the cloud and big data market. We see Proof-of-Concept (POC) centers and technology laboratories as a quick and impactful way to reach new customers. During the reporting period, Chinasoft's Cloud Laboratory, using Huawei's Fusion Sphere, developed capabilities to migrate and integrate other cloud components (Huawei HWS for IaaS, R-Cloud and Docker for PaaS, Fusion-Insight for analytics, and other SaaS applications). Our Fusion Insight Big Data Analytics POC Laboratory researched into solutions in bank and finance, transportation, government and manufacturing. We have also developed our own solutions in telecommunications and mobile industry (following Catapult's footsteps) to expand our cloud businesses in China.

Global Layout – Although our businesses expanded quickly in the last few years, we realize that the Chinese market is only a small part of the global ITS industry. The fast growing Chinese market gave us leverage to compete globally, and we are beginning to see many of opportunities globally. Our direction of global expansion is to leverage our existing multinational conglomerates (MNC) clients and win global businesses from them, as well as grow with Huawei to gain global opportunities (not limiting to only telecommunication solutions but also implementations of Huawei cloud and big data platforms), and also grow Catapult's existing cloud businesses and expand its other businesses. Furthermore, we want to expand Jointforce to the global community. We believe that pricing pressures will continue to burden ITS companies, and it is only a matter of time before other global competitors (who enjoys the high margins right now) will begin to face these pressures. We believe that as the IT communities become more social and the crowd-sourcing trend continues to grow, the entire ITS industry will have to become more efficient when it comes to utilizing resources.

3. THE THREE BENEFITS OF HUAWEI'S STRATEGIC PARTNERSHIP

First of all, we will work closely with Huawei in different industry markets to benefit from government policy to use local IT companies. Huawei is on its way to become the service provider of choice in the Chinese ITS industry. The Group has begun to develop pilot projects and new joint solutions (using Huawei products) with Huawei in cloud computing, big data, industry 4.0, and etc. (an end-to-end service model from consultation, design, development, operations, and maintenance).

Secondly, we will work closely with Huawei in key global markets. The foreign ITS market (MNCs) has better pricing environment, and is traditionally dominated by the Indian ITS providers. Huawei has been promoting its cloud and big data solutions globally. For us, this is an opportunity to leap-frog our Indian competitors.

Lastly, we will benefit from Huawei by learning from its strong managerial culture and legendary execution capabilities and then transforming ourselves. We plan to base our new "offline" businesses on Huawei strategies in bank and finance, public transportations, and other big clients and industry verticals. We will upgrade all of our Huawei suite products, especially in cloud computing and big data. The Group's digital revolution plan in 2014 will continue to develop, and our technology and professional services will present its new forms to the customers.

Our future is now powered by the forces from the bimodal (two wheel) structure. The offline business will be anchored on our cooperation with Huawei, and the online business will be supported by the Jointforce platform. We see the online and offline businesses dynamically interact with each other. We plan to have large offline development centers (over 1000 developers) in cities of Shenzhen, Nanjing, Xian, Shanghai, Chengdu, Hangzhou, Wuhan, Dalian and Guangzhou. This established offline infrastructure will enhance the online capabilities on JointForce and in turn support the rapid development of the online business.

Chairman's Letter

We have seen unusually turbulent stock market during 2015. However, we will remain faithful to our goal of finding reliable capital, just like our goal of stick to reliable basic strategies in our business. The Group will actively reach out to investors who understand our business and also approve our online and offline bimodal strategy. We shall seek long term and stable relationship with these investors, and with their support, allow our offline business to rise to new levels while see our On-line business soar to new heights. We see as our dutiful response to our shareholders to seize this historical opportunity to leap-frog our competitors and realize our goal of becoming a truly global player in the IT services industry.

Chen Yuhong
Chairman of the Board

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Business Overview

I) NEW DEVELOPMENT HIGHLIGHT

- **JointForce** launched commercial services and now has over 80,000 registered developers and over 800 developer teams. Registered companies exceeds 6,000.
- Huawei relationship continue to grow strongly. Cooperating in all Huawei business lines, including Fusion Sphere (cloud), Fusion Insight (advanced data analysis platform) and international solution oriented business.
- The Group's Mobile Payment unit and Huawei worked hand-in-hand to make **mobile banking** a reality in the **far corners of the earth**, bringing cutting edge technology to countries such as Tanzania, Congo, and Burma.
- The Group successfully completed BGI-Online Cloud Migration project, the first domestic **cloud-based** DNA research and service platform was created on Ali-Cloud from AWS.
- Catapult's **Solutions as a Service** cloud offerings continued to gain traction in the market and has seen rapid sales increases and is highly regarded by its customers.
- **Public transportation** line of businesses won four-out-of-four bids in the rail transit settlement and payment business in 2015.
- The Group's circulation line of business won integrating contractor for the "**Tobacco industry-wide infrastructure upgrade**" private cloud project (Huawei Cloud) and also for "control systems for tobacco industry security management".

II) CORPORATE STRATEGY

1. Digital Induced Change

- Decades later historians will call the era that we currently in the Digital Revolution. Not a day goes by without some new smart-product hitting the market that offers users an elevated experience in life or work. Some of these products make incremental improvement over its predecessors, but many contain the seeds that will permanently and fundamentally change the way that we live and work. The bank ATM, the iPhone, Amazon.com and YouTube, are just a few examples that drastically changed how we bank, communicate, purchase everyday goods and entertain. The rate of change is also increasing. From the proliferation of the semiconductor industry in the 1960s to today's latest mobile and cloud networks, we have observed that over the past 50 years technology innovation is moving forward at a non-linear pace; the result is that our lives are changing ever faster. The popularity of the digital camera made the old film cameras obsolete in a short 10 years and we saw Kodak, a hundred year old company, going bankrupt. The digital camera companies had very little time to celebrate as the iPhone single handedly put most of them out of business in just a short few years.

> *The Group's Mobile Payment unit and Huawei worked hand-in-hand to make* ***mobile banking*** *a reality in the far corners of the earth, bringing cutting edge technology from* ***Tanzania*** *to* ***Burma****.*

- History will also note that technological innovations during the past decade in the area of Cloud, Mobile, Social and Analytics have progressed to the point where the combination of these forces (Gartner's Nexus) suddenly implied significant improvement compared to the legacy systems. There is a SMAC "knock-on" effect happening. In the consumer realm there has always been steady introductions of various new products that enter the consumer daily lives at a rather constant rate. But enterprise customers are now faced with strong pressures to first transition to the new IT infrastructure (cloud and mobile), and then transform their own business processes using the new SMAC infrastructure. While Cloud, Mobile and Analytical are all technical in nature, the advent of the social networking through these technologies is changing how we think and communicate. We see this "Social" revolution as having strong long-term and far reaching impact on our society and economy in general.

- The changes are so profound that enterprises must re-think their digital strategy, from digital marketing to digital distribution and to digital delivery. Technology innovation served to dissolve many barriers that previously separated the intermediary layers in businesses. We have already seen the first wave of creative disruption (and sometimes destruction) taken place in the traditional media areas of newspaper and music distribution. The rise of Netflix is perhaps a poignant example of how a media distribution business was transformed to digital delivery and then expanding to media content creation. Most other industries are also facing the digital challenge as new technology is allowing new entrants to disrupt and sometime completely subvert the legacy business model. In many areas traditional industry vertical boundaries are blurred as the digital revolution progresses. Sometimes brand new industries are created (social networking, network security and etc.).

- The Digital Revolution in China is moving forward at blinding speed. The advancement of the internet and related technologies created fundamental changes in how individuals interact with the society. It is important to note that these technological advancement came on the heels of the massive economic reforms in China which started from the 1980s. Along with the recently built sprawling automobile highway and also the high-speed railway system that is reaching every corner of the nation, new digital technology has already brought significant changes to China. One shining example is the e-commerce industry, today represented by TaoBao and JD.com. Internet retail demand has pushed advancement in not just on-line retail industry, but also logistics and internet finance. Via the smart phone, Tencent's WeChat connects hundreds of millions of people with each other and with businesses, and form millions of active online communities. Alibaba-Cloud and Huawei Cloud are among a number of players vying for the new domestic public cloud standards in China. There are surely many more examples that are too numerous to be listed here, and all these innovations have only began in a short few years past. New technology platforms has enabled the customers rather than the producers or promoters to lead product cycles, sometimes disrupting whole industries. Because China lacked the legacy infrastructures in some industries that are already in place in western societies, technical innovation-driven disruptions in China are sometimes faster and broader. That said, the innovations and their impact on society is very uneven in China: with enterprise adoption significantly lagging individual consumers, and third tier cities moving forward far slower than first tier cities.

2. **IT Services Industry and the Digital Revolution**

- The IT services landscape is changing rapidly today due to the Digital Revolution. In recent years with the build-out of the cloud computing systems via IaaS, PaaS and now more of the SaaS products, there are a plethora of new products and services available to enterprise customers. The venture capital industry also funded many new start-ups that produced new and innovative products as well as business processes. Many open sources and public domain software became very popular and created eco systems of their own. As such, enterprise customers today has many different ways to consume IT services.

- Today's IT service industry started decades ago as IT consultant companies. Contrasted with IT product companies (such as Microsoft, Electronic Arts, Oracle) the IT service companies generally work with enterprise customers on custom designed software, implementation, maintenance and operations. Today's global IT service industry heavy hitters are perhaps best represented by a few western giants plus a handful of Indian based companies. Over the past two decades the global IT services industry has succeeded in selling their services to enterprise customers in North America and then to the world. The industry has experienced tremendous growth with the current worldwide annual revenue is estimated to be more than 900 billion of USD.

AWS to Ali-Cloud. China Soft's IIG group successfully completed BGI-Online for 華大基因. Through this Cloud Migration project, the first domestic cloud-based DNA research and service platform was created.

- Demand for IT services is strong. The Digital Revolution is being fought on the frontline by the "soldiers" of the IT services industry. In order for the enterprise customers to transition into, and then to transform into the new digital economy, billions of lines of code need to be written. In some countries such as China, the government is openly supporting the digitalization effort through the Internet+ and Software+ campaigns. Demand is also being brought on by new government regulations on financial institutions as well as requirements on internet security in counties such as the United States. Overall there are much to be done, and this presents a fantastic outlook for the whole IT services industry.

- Most IT services companies are still however managed via traditional method. One interesting observation is that while we are all busy being soldiers of the Digital Revolution, the IT Services business model has not changed. The industry, from the Indian based global leaders to smaller IT services companies in China like ourselves, is still tied to the traditional head-count heavy consulting model. The largest IT consulting companies in the world all have around 300,000 employees. As with all consulting style companies, IT services companies are constantly struggling with utilization rate, balancing between rather inflexible human resources with variations in work demand. In the meantime, the barriers that kept the old business model stable are being broken down as technological innovations produced tools that allow newer and more efficient business processes to emerge.

We believe innovation induced disruptions for the IT services industry is already occurring. The innovation spurred on by the forces of the Digital Revolution will also heavily impact our own industry. The force of this change comes from changes in our customers.

In many enterprises today we are seeing new projects being funded by the Business Units rather than the office of the CIO. These new customers have different behaviors and also expectations from their IT service vendors. They have very different selection criteria for new digital opportunities compared to the traditional IT initiatives, and often they are looking at new service models (such as Solution-as-a-Service). Talent management is another area that may see big changes as technology has enabled the shared economy model to become main stream. Recent research from the Gartner's Group suggests that as much as 20% of the application development for enterprise customers may be done through crowd-sourcing by 2018. The successful IT service provider must be nimble and quick to recognize the changes taking place within their customers' organizations, and sometimes must respond with a bimodal approach to the new environment.

> ***Catapult's** Solutions as a Service cloud offerings continued to gain traction in the market and has seen rapid sales increases and is highly regarded by its customers.*

Most traditional enterprise customers are faced with the difficult task of improving IT efficiency (lower prices) as well as increasing quality during this digital transformation. This in turn translates to unrelenting pricing pressures for the IT services companies, which must also balance between profitability and the rigidity in the current model of employee-employer relationship. We see the emergence of a hybrid model where price elasticity will be supplied by a crowd-sourcing (shared-economy) model. Technology has enabled a more flexible labor force to come into existence to meet more price sensitive consumers. This new model is currently being worked out through companies like Uber and AirBnB. It is important to note that in its current shape AirBnB will not replace the hotel industry, but it will extend the hospitality industry, and it will create its own set of supply and demand. The IT services industry is similar in that excess supply of resources (developers) that would come alive to meet the demand of many price sensitive small to medium enterprises. It needs a platform from which to operate on. Just like AirBnB is disrupting the hospitality industry and TaoBao the retail industry, we see the shared-economy/crowd-sourcing concept becoming a compelling model for the IT service industry as well.

> ***JointForce** launched commercial services and now has over 80,000 registered developers and over 800 developer teams. Registered companies exceeds 6,000.*

3. **ChinaSoft's Strategy in the Digital Revolution:**

- ***Two-Wheel Strategy in China.*** Our customers are re-aligning their resources to transition and transform in the Digital Revolution. We have found that our old way of segmenting our businesses along Professional vs Outsourcing lines is no longer an optimum strategy since the line between "professional" and "outsource" is blurring (and merging) in our enterprise customers. Often the same customer needs both type of services. In fact, we see that our businesses are more clearly separated along the lines of the type of customers/projects: those of very large and those of what we call "long tail". Larger customers continue to require our project infrastructure management capabilities, and most require off-line servicing. The so called "long tail" customers are those that tend to have smaller or limited-timed engagement projects and can be delivered on-line through JointForce. Thus TPG (Technical Professional Group – large customers) and IIG (Internet and IT Group – long tailed market to be services on JF) were born.

    1. TPG: serving larger customers. More than half of our traditional customers fall into the TPG category since we have a history of embracing very large customers. These businesses all have "off-line" characteristics because they require specific man-power commitment as well as location commitment. This is very much like our traditional business but with more modern management style (modelled after Huawei) along with new SMAC technological capabilities. We have already proven that we have fantastic capabilities in providing our customers with human resources, and now we will move to prove that we are also great in providing world class technical capabilities to our customers in China and also to the rest of the world. Operating business lines of Huawei, banking and finance, public services, Great China, Japan-Korea, American-European and mobile all fall under TPG.

    2. IIG: serving "longtail" customers via JointForce. These are smaller customers or projects that are smaller or with limited-time engagements. Very often these customers are quite price sensitive and our traditional pricing structure would not have been satisfactory. However, with JointForce, lower cost resources are available for these customers. These lower cost resources may be from lower cost regions of China or from local programmers enabled by the crowd-sourcing platform of JointForce. Please see the JointForce section below in this annual report.

- **Build a CSI Technology-Stack**

  The Group's "Innovation Patch" is an internal place for idea sharing, learning and general communications. Through this platform and the accompanied knowledge infrastructure, employees can learn and also utilize the knowledge database that was built on the Group's successful cases and experiences to quickly and accurately solve problems encountered during their projects. In turn this will increase employee technical capabilities as well as raising customer satisfaction. The Innovation Patch is also a social platform where employees can communicate with internal Subject-Experts and conduct discussions on popular topics. The Group will promote, validate and provide incentives to bring employees to Innovation Patch. The Group will strive to make the platform a necessary tool so that it becomes a routine part of employee's daily life in terms of working, learning and communications. In the future, the Group will continue to maintain and improve Innovation Patch with the goal of raising employee satisfaction rate and therefore provide our customers with differentiated superior service.

As it is the case elsewhere in the world, most Chinese enterprises have made the decision to migrate their IT systems into the cloud and to utilize big-data analysis tools. But most Chinese companies are at an earlier cloud-adoption stage compared to the US or European companies. In fact, many Chinese enterprises are still exploring which type of cloud system is best suited for them. Many question remains as to whether private cloud or public cloud (or a hybrid structure) will dominate the eventual Chinese enterprise cloud infrastructure. As of now there are many credible contenders to the public cloud space (Ali-Cloud, Huawei's HWS, Tencent cloud, QingYun, just to name a few). We think this is the perfect time for us to construct a set of cloud capabilities that will help our customers in making of the cloud decision as well as framing the big-data question. Having proof of concept show rooms and laboratories will greatly increase the marketability of our technology and services. The following is a blue print for our plan:

1. Laboratory for a ChinaSoft-Cloud-Stack that uses Huawei's Fusion Sphere but with capacities in implanting various other cloud components (Huawei HWS for IaaS, R-Cloud and Docker or others for PaaS, Fusion-Insight as analysis stack, and other SaaS applications).
2. Proof of Concept (POC) laboratory for big-data analysis based on Huawei Fusion Insight for various verticals (financial, transportation, manufacturing, government).
3. POC for telecom/mobile computing implementations.
4. Explore/Invent CSI's own version of Solution-as-a-Service (follow Catapult's lead) to develop cloud business in China.

- **Going Global**

  Even though our businesses have expanded rapidly in the past few years, we see the Chinese domestic IT services industry as only a small part of our addressable global IT market and community. The fast growing home-market has allowed us to mature into a capable contender on the global scene, and we see tremendous opportunities going forward on the international front. Below are some areas that we plan to focus on in terms of international expansions:

1. Working with current MNC customers to go beyond Chinese border and gain global market share.
2. Teaming up with Huawei to explore international opportunities
    1. Solution software in telecom applications
    2. Opportunities in Huawei cloud implementations
3. Catapult – Grow existing cloud business in the US (via Solution-as-a-Service) and explore ways to expand.
4. AE – Constructing new Offshore Facilities in Seattle Washington and Hungary in Europe.
5. *"Exporting Joint Force"* to the global community. We believe overall pricing pressures will continue to intensify globally as IT services customers are pressed to do more with less. This implies that it is just a matter of time before the more generous profit margins enjoyed by our global competitors begin to feel the squeeze. We believe the growing trend for social and crowd-sourcing in IT services industry is inevitable in the march towards improved resource utilization for our industry. JointForce is just such a platform waiting to connect the buyers and sellers of IT services, with all the right tools and ecosystems for all participants.

4. JointForce

JointForce (JF) is a "Reliable Crowd Sourcing" platform for the IT services industry created by ChinaSoft in 2014. JF began as an internal resource allocation management tool for project managers in order to increase our consultant utilization rate (in simple terms, a job board). We soon realized that developers love JF because they gain the freedom of working on projects of their choice and receive monetary reward for their work. Because most project delivery is through on-line means, JF also allows the programmers to work whenever and from wherever. JF projects also gave our programmers a greater sense of accomplishment when the project is delivered and accepted. The system provides an ecosystem that allows the programmers to create their own JF identity with various ratings on the work that they have completed.

- In June 2015 JF was opened to the public by the release of Joint Force Enterprise Edition: the platform now allows non-employees to become registered programmers and any other business to award projects on JF. On the programmer side new members are added through a referral system. Businesses register as project award entities and can use JF as a flexible human resource pool. The JF platform allows not only freelance developers but also teams and small IT-Services companies to become registered developers.

- Solving the industry's pain points. As one of the largest IT services providers in China, we see clearly the various difficult problems the whole industry is facing.

  From the **freelancer developers**' side (contract executing), there are many pain points, including:

  i. Programmers have no choice as to the type of projects they can work on (or who they work for) since most projects are assigned to them by their managers.
  JF solution: bid only on the projects they are interested in.

  ii. They have very little incentive to do more than assigned work since there are almost no avenue to monetize additional work that they are willing to do.
  JF solution: receive agreed-upon payment for work done.

  iii. Those who take on outside projects (moonlighting) often have trouble collecting on their promised payments.
  JF solution: guaranteed to get paid on milestones when project is delivered and accepted.

If you are a small programming team or small consulting company:

i. Cannot get enough work consistently.
JF solution: continuously bid on projects through JF platform.

ii. Team is too small to satisfy all of the customer requirements.
JF solution: bid on projects that highlights own special capabilities, and work with other groups on the platform to complete the total project.

iii. Cannot effectively showcase own special capabilities or experiences.
JF solution: the JF platform can provide developer profile that highlights experiences, capabilities and past cases and references.

From the business side (contract-awarding):

i. Difficult to always match full time programmers to projects all the time; high bench time for programmers and low utilization rate.
JF solution: hire only what you need from JF and only when needed.

ii. Hard to hire programmers with specific qualifications.
JF solution: select from many qualified programmers for the work. Often the programmer has already done the exact project before, thus reduce error rate and time.

iii. Not sure what to do with programmers with specific skills after project is completed.
JF solution: pay for the project, and nothing to handle once project is completed.

iv. Too expensive to hire qualified programmers local to business, especially true for businesses located in tier-1 cities.
JF solution: JF's online and remote delivery allows programmers from tier-3 cities to work on projects therefore much more cost effective for business.

v. Difficult to describe project needs to developers.
JF solution: JF platform can supply consulting services to these smaller businesses and analyze customer needs and help to express such needs via JF; create overall project planning.

vi. Difficult to select qualified programmers.
JF solution: By using intelligent resource selection tool from JF, also the JF operation team can help recommend appropriate developer resources.

- The JF platform was created to relieve the difficulties facing the industry. Recent technology innovation in SMAC played a pivotal role enabling the platform to exist and operate as intended. Through JF we can offer the industry an alternative to the more traditional IT service delivery model and in the process created a sort of a clearing house for IT services at a price that is agreeable to both the buyer and seller of this service. Like AirBnB, we are tapping into the share-economy/crowd sourcing concept for our industry, in fact, extending the industry. Gartner recently estimates that crowd-sourcing will constitute 20% of all enterprise application development sourcing initiatives by 2018, and that more than 75% of high-performing enterprises will be using some form of crowd-sourcing for business process services. During the reporting period, Gartner, together with Chinasoft, released a report called “Internet + ITS: Jointforce, the Reliable Crowd-Sourcing Platform.” In the report, Gartner gave its recognition to the Jointforce model and its growth prospects.

- As of this writing, we have over 80,000 registered programmers on JF. From the business side we now have over 6,000 number of registered businesses.

III) BUSINESS SCOPE

The Group is positioned to provide integrated software and information services, i.e., end-to-end IT services, including consulting services, technical services, outsourcing services and training services. Our technical services mainly involve IT solutions and outsourcing services, including ITO, BPO, EPO, and more. The Group’s customers are located in various countries including China, the United States, Japan, Hong Kong, etc. Our customers are in industry sectors that possess high growth potentials, such as government and manufacturing, finance, telecommunications and high technology. The Group has always adhered to the policy of technology innovation and own more than 200 software copyrights and patents, such as Resource-One (R1), the middleware platform software that provides application support for industry solutions, and TopLink, the software platform product that supports big-data exchange.

1. New Segment Organization

For many years the Group organized its business according to the type of work it was doing for the customer. Management drew the distinction line and separated what it considered to be solution and consulting work (PSG) from outsourcing work (OSG). It was done in this way because the Group’s customers tend to fall into one of these two groups. Solution work had more capability requirement while outsourcing work revolved more around experienced and structured human resource management. As changes in technology accelerated in the past few years, the Group began to introduce more pioneering technology such as mobile and cloud in the emerging work group (ESG).

Recently, however, management finds technology innovation moving much faster than in the past (driven by the combination of what Gartner called the SMAC nexus), and technology enabled business models began to disrupt the core business model of many industry verticals. Companies such as AirBnB and Uber became giants in their industries virtually overnight. The Group’s customers are also experiencing rapid changes in their business. What used to be solutions customers are suddenly also asking for outsourcing support as well. Some of the Group’s more traditional outsourcing partners also began to request solution support (such as Huawei and other global banks).

During the process of creating Joint Force, it became very clear to management that reliable crowd sourcing as an alternative labor resource will have an important role to play in the next decade in the IT services industry. While crowd sourcing is not new, the Group sees the crowd sourcing as an important part of the new, driven by global IT services customer's unrelenting demand for better results at lower cost. However, just as AirBnB is creating its own demand and is extending (rather than subverting) the lodging and hospitality industry, JointForce will satisfy what we call the "long-tail" demand in IT services. The traditional large customer who needs much off-line support (such as requiring its own OF) will continued to be served in that manner.

During the reporting period, **responding to changes in our customers businesses and their demands, the Group re-organized the company**, forming two major segments along *on-line (JointForce type of projects and customers) and off-line (projects/customers needing traditional on-site solution and outsourcing support)*. We call the on-line group Internet ITS Group, or IIG, and off-line traditional work group Technology Professional Group, or TPG. Management strongly believes that this bimodal approach is best suited for the Group in this new digital era.

i. TPG (Technology & Professional Group)

1. Software Platform Products
2. Strategy and Business Consulting, IT Consulting
3. Vertical and Cross-Industry Application Software and Solution Development
4. System Integration and Services
5. Product Engineering
6. Application Development and Maintenance
7. Enterprise Application Service
8. Business, Engineering and Knowledge Process Outsourcing
9. Mobile Internet Product and Services

ii. (IIG) Internet ITS Group

1. JointForce
2. Cloud Migration and Operation Services
3. Cloud Consulting and SaaS Services
4. PaaS Products and Services
5. Training Business

2. Segment Descriptions

i. (TPG) Technology Professional Business

TPG is the combination of what used to be OSG and most of PSG from our previous professional services group. This is the first "wheel" of our bi-model structure that services large customers and large projects that need the Group's very experienced project management skill sets and human resource capabilities. The focus of TPG will be on what we call "off-line" business, which are businesses that requires dedicated resources at dedicated locations. We see businesses from Huawei and the banking and finance industry to be the leading target for TPG services.

The Group has over the years consistently used the consulting-driven business model, and based on its independently developed software platform products, and has provided end-to-end professional services that combine consulting methodology with the information technology practices of China's enterprises. It adheres to the philosophy to focus on the industry, and prioritize services and strive for customers' success. In addition, the Group has trained a large number of experts in the industries that it serves, and established harmonious reciprocal win-win business environment with its customers, with a high level of market appeal and customer loyalty, which has effectively established the leading position of the Group in the solutions field in China. The Group is also committed to provide global customers with complete, flexible, and scalable high quality IT outsourcing services. With experienced management and technology specialists as well as a variety of delivery models, the Group is able to adapt to changing business and technology environments.

- **Software Platform Products**

  The Group currently has two series of proprietary software platform products, the Resource-One and TopLink/TSA+. The Group integrated the concept of "Products are services and services are products" into the design structure of these products, which also allows the Group to find a balance between stability and changing market demand. The Group continued to invest and improve its software platform products for over a decade to enhance the technical applicability and performance of the products, thereby continuously enhancing the levels and standards of customer services.

- **Strategy and Business Consulting, IT Consulting**

  Consulting services sit at the upper end of the business value chain of the Group. By providing strategy and business consulting services, the Group can more clearly understand the intrinsic nature of customers' business and understand their real needs. The Group's consulting products and services are based on rigorous and proven scientific methods and frameworks. In the areas of business processes, technology and outsourcing, the Group analyzes and evaluates the existing environment to determine the optimizing opportunity, and provides customers with the strategic development path that can significantly save costs and increase productivity.

- **Vertical and Cross-Industry Application Software and Solution Development**

  The Group provides customers in a variety of industries with End-To-End process services that include vertical and cross-industry application software and solutions. The Group uses Resource-One application supporting platform to penetrate through the entire project cycle of "Planning – General Design – Development – Overall Integration – Operation and Maintenance", in which the integration methodology of the Group has been incorporated, including:

  ➢ In the planning and design phase, the Group dispatches appropriate industry consultants and qualified designers, armed with in-depth knowledge of the best practices of information technology, to understand the customer's business needs and form a business components map that can be assembled using the R1 platform and an integrated business framework.

➢ In the scalable development and testing phase, the Group's on-site team members will work closely with the customer, keeping up with the customer's changing needs. The Group assigns a large amount of development and testing work to the Center of Excellence (COE) to be conducted in different professional expertise areas including Java,.net applications, cloud computing, and mobile solutions. By using the development tool of the R1 platform, our COE ensures a unified technological architecture and quality, thus effectively increasing repeat usage as well as reducing development time and costs.

➢ In the application integration phase, the Group's implementation engineers will use the integration methodology of Resource-One as well as other robust, scalable and extensible platform tools to conduct integration tests and assemble the components of complex business applications according to their levels and categories.

➢ In the operation and maintenance phase, the Group's platforms, application software and solutions have been adopted by a number of strategic industries nationwide; the Group has simultaneously completed the layout with specialized operation and maintenance teams in all key areas of China.

With years of experience and the successful practice of a large number of projects, the Group has gained industry service capability, customer service capability, regional service capability and large project service capability. Relying upon its R1 platform software, the Group focuses on process control in development and business management, while adhering to standard requirements of quality control systems ISO9001, ISO20000, ISO27001 and CMMI, fully ensuring the service quality and delivery time.

- **System Integration and Services**

  The Group has extensive experience in services with "A" qualification for system integration, and the major services provided include system integration, system maintenance and system operation. Together with other services, the Group covers the entire life cycle of information systems, ensuring smooth construction and operation of medium to large information systems.

- **Product Engineering**

  The Group provides product engineering services to technology product development companies, including independent software vendors and telecommunications equipment developers. The Group's capability of fast delivery can help customers improve the speed of product development, and save development costs, thus gaining the time advantage in marketing their products. The development of products by the Group includes operating system, database, middleware, network protocol, speech recognition and human-machine interface, telecom value-added applications and other software products. The Group can also provide specialized products and services, including product design, development, and quality assurance and testing.

- **Application Development and Maintenance**

  To specific customers, the Group offers application development and management services such as application software development, system maintenance and system optimization, based on the needs of industry customers. The Group's ADM services were designed to help customers realize the scientific management of spending in IT outsourcing, enabling customers to focus more on their core competencies. The Group has experienced and well-structured ADM service teams in application environments such as mainframe computers, client servers, internet and mobile internet, as well as a variety of platform software programs including various mainframe system, Windows series, Linux/ Unix and Android, Symbian, IPhone OS, etc. The Group can deliver the ADM services in its Centers of Excellence (COE) or at customers' sites.

- **Enterprise Application Services**

  The Group provides consulting-driven enterprise application services. While keeping standard functions of system application unchanged, the Group takes into consideration the differences in customized needs of enterprises, managerial needs and proposes an application solution meeting their needs. This enhances management quality of enterprises, and allow customers to realize goals of supporting business of enterprises.

  The Group's enterprise application services cover a number of mainstream ERP systems and e-business packages, including enterprise resource planning (ERP) systems, customer relationship management (CRM), supply chain management (SCM), enterprise application integration (EAI), and etc. Specific services provided by the Group include: packaged software implementation, customized development, maintenance and product upgrades, business intelligence (BI)/data warehouse (DW).

- **BPO, EPO and KPO**

  The Group offers BPO, EPO and KPO services to customers within different fields including finance, manufacturing, medical and healthcare, transportation and logistics, targeting at markets in Japan, Europe, America and the Greater China regions. The Group provides customers with multilingual BPO, EPO and KPO services, including back office processing, shared service centers, data processing, desktop publishing (DTP), CAD, Call Centers, business intelligence and data mining.

- **Mobile Internet product and service**

  The Group is the one of earlier mobile application product designers and is also one of largest professional mobile end developer and adaptation of service providers. The Group provides Instant message, fusion of communication, mobile social, mobile payment, enterprise mobile application, application shopping mall, and internal product design, as well as development and operating marketing service.

ii. **(IIG) Internet IT Services Business**

IIG is the other "wheel" in the Group's bimodal structure. The Internet ITS business is focused on what we call "on-line" business with customers that are more price sensitive and projects that are best handled by flexible resources. Majority of the work in IIG will be performed through our JointForce (JF) platform. With the JF platform, developers from anywhere in the country can freely bid and work on projects listed on the platform, allowing the business to pick and choose the best developers at the lowest cost. At the same time, projects that have only periodical service needs can come to the platform when services are needed and pay no continued fixed costs when the projects are completed. This greatly alleviates the waiting cost in traditional ITS models for projects that have long waiting periods between tasks.

- **JointForce**

  The JF platform was created to relieve the difficulties facing the industry. Recent technology innovation in SMAC played a pivotal role enabling the platform to exist and operate as intended. Through JF we can offer the industry an alternative to the more traditional IT service delivery model and in the process created a sort of a clearing house for IT services at a price that is agreeable to both the buyer and seller of this service. Like AirBnB, we are tapping into the share-economy/crowd sourcing concept for our industry.

- **Cloud migration and operation service**

  Since the corporation with Ali-Cloud, Chinasoft has been carrying out related technical services including light Cloud migration, independent host migration, system configuration, software configuration, data backup, data transfer and system configuration, Clients cover individual user, professional user, as well as enterprise user. It also provides maintenance service for users. In the near future it will cooperate with Ali-Cloud launched new technology and provide more professional services and explore new cooperation and territories.

- **Cloud consulting and SaaS service**

  The era of cloud computing has arrived for those that want to simplify IT, push innovation, increase returns on IT investments, and increase efficiency in operations. The Group entered into a strategic agreement with Ali-Cloud, the leading Chinese cloud computing company, to provide cloud consulting and customized services. Innovation is treated as a standard today, including rich social experience, mobile payment, friendly user interface, structured and unstructured instant search data and regularly and upgrade without interference, The Group's SaaS solution project combine user needs by innovation technology. These innovation functions are able to disrupt the client's core business and enhance its core system performance. Furthermore, the Group already signed strategic cooperation with Alibaba Group to participate in its "Digital Internet City" project. The Group will work on the PaaS level.

- **PaaS (Software interface in the Cloud products) and services**

  Radar Cloud PaaS platform is the Group's proprietary PaaS product that enables cloud development, integration, management, and serves as a portal to link with other cloud partners. Radar Cloud PaaS platform is the result of the Group's business innovation and dedication to products. It is also the result of the Group's strategy to go smart in verticals including government, medicinal, transportation, real estate, education, and etc, The Group focuses on new technology, new models, and will use the Radar Cloud PaaS platform as the base for cloud computation to improve the Group's cloud capabilities, further pushing smart transformation.

- **ETC Training business**

  The Group's Excellence Training Center (ETC) is a practical training base of computer technology for college students, as certified by the Ministry of Education of China. It is one of the industry's leading brands for mid-end to high-end IT training. Through cooperation with colleges and universities, practical training based on real positions and projects are provided for college students majoring in computer sciences or other related areas. So far, the Group has established training centers in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Shenyang.

3. Industry Verticals

The Group has strong presence in the following industry verticals:

i. Government and Enterprises

Over the years, as a pioneer for e-government, the Group has leveraged its extensive industry experience and its understanding of the intrinsic nature of customers' needs and based on Resource-One, has undertaken a number of key national technological projects. As the chief integrator, the Group has achieved outstanding results in a number of national Golden Projects, such as Golden Auditing, Golden Quality, Golden Insurance, Golden Agriculture (Agricultural Management and Service Information System), Golden Macroeconomic Management (Macroeconomic Management Information System) and Golden IC-Card Projects, by which Resource-One was recognized by CCID as the top brand among e-government application support platform products in China, establishing a comprehensive leading position in e-government. According to IDC market research, the Group has maintained among the top three in the overall rankings in the market of government industry solutions for a number of consecutive years. Through cooperation with Ali-Cloud, the Group achieved a breakthrough in the field of government cloud, and became one of the leading providers of government cloud services in China.

ii. **Manufacturing and Circulation (Tobacco)**

Leveraging on the Group's in-depth understanding of manufacturing and circulation industry, combined with its professional IT experience and service capabilities deployed around the country, the Group has made intensive efforts over years in the manufacturing industry with a number of proprietary software systems such as MES and Logistics Execution Systems (LES). The Group provide customers with "end-to-end" services covering from automation system at the bottom to decision support system at the top, from factories application to group management and from management consulting and IT planning to systems development and IT operation and maintenance, while occupying a leading position. The Group's business covers tobacco, military industry machinery, automobile, steel, pharmaceutical, printing, etc. In particular, as a strategic partner in tobacco industry information services, the Group has such core strengths as the leading IT and comprehensive all-rounded capabilities, and is engaged in the establishment of industry application standards, achieving 100% coverage of Chinese cigarette top 100 brands. MES, with its market leading scale and its big data projects of the industry, has further enhanced and accumulated its capabilities in big-data, and expanded its applications to other industries.

iii. **Financial Services and Banking**

Thanks to professional services and TopLink, the payment platform product with proprietary intellectual properties, the Group provides personalized financial services, with secured payment as its core, to its customers in financial and banking sector. The Group has a long history in providing industry solutions, system integration services and related high-end services for its key customers including five major state-owned banks, postal savings banks, a number of joint-stock commercial banks and city commercial banks, as well as foreign-invested financial institutions in China. The Group accumulated extensive experience in industry application and achieved "Three Firsts" in China – the first inter-bank bankcard payment network system, the first financial IC card payment and clearing system and the first e-commerce online payment and settlement system. In particular, the "electronic funds transfer and retail banking application system" was recognized as one of the outstanding projects of the fifteenth National Torch Program. According to IDC market research, the Group was ranked among the top five for many years in the payment and clearing solutions market of the banking industry, and was ranked the first in bank card system markets in 2010. High level of customer recognition has been achieved regarding its capabilities in business advisory and solutions segments of Internet Finance.

iv. **Insurance and Securities**

With strong technical strength and extensive experience in the financial industry, the Group has already secured many prestigious customers in the insurance and securities industry, and is highly recognized by the customers for its service practices. In addition, it has established leading technical position in high-end insurance sectors, including core business operations, channels management and marketing support, back desk management, business intelligent (BI) and insurance/securities content and knowledge management. The Group has also penetrated into the core business and high-end business to become a key market player in the insurance and securities industry, helping customers to secure more competitive advantages.

v. **Telecommunications**

The Group is one of the early service providers in wireless Internet platform design, development and operation, and also one of the largest professional service providers in application development and adaptation for mobile clients. As a trusted partner of China's telecommunications operators and equipment makers, the Group provides its customers with product design and development, and operation and promotion services such as mobile payment, mobile instant messaging, mobile SNS, enterprise mini blog, mobile application stores, PTT (push to talk intercom phones), embedded browser, mobile advertising platform, etc. Through development of products for Fetion of China Mobile, its foundation has been laid, and it will promote integrated communication strategy for China Mobile.

vi. **Public Services (Transportation)**

After years of accumulated professional experiences, the Group is in a leading position in the public transportation areas such as subway transport, rail transit and airport management, and has established three"First System in China" – the nation's first smart card payment and settlement system in urban transport, the nation's first one-ticket-transfer payment system in urban rail transit, and the nation's first Automatic Fare Collection system (AFC) with independent intellectual property rights. The Group provides customers in the transportation industry with solutions and professional application integration, operation and maintenance services such as Smart Card, Automatic Fare Collection system (AFC), AFC Clearing Centre (ACC), intelligent transportation, and airport operation management system. The Group's smart-card-type solutions enjoys the largest market share in China, which have been adopted by nearly 30 cities. More than 100 million cards have been issued throughout the network systems and stood up well to the test of very large customer traffic. The Group also has a definite advantage in this space with mobile operations' payment business. Through cooperation with strategic partners, the mobile payment business has been successfully established in the overseas market.

vii. **Electricity Distribution and Energy**

Through years of experience in corporate control, ERP, supply chain management, management services, etc., the Group targets at strengthening the macro-management of enterprises engaging in the provision of electricity and oil in the energy industry, enhancing the overall requirement on corporate control, which allows it to partially enter into the core business system and management information system in the energy industry.

Leveraging on its "end-to-end" service capability and continuously making use of the overall requirement for the industry in the macro economy, the Group laid a solid foundation for the systematization of its customers in the energy industry with the support of a professional team and an excellent operation system. Its clients confirms its capability in electricity sales, operational inspection in terms of material, and its market position is stabilized.

viii. **High-Technology Business**

The Group's high-technology business has clients located in America, Europe, Japan and Greater China, to whom the Group provides comprehensive and tailor-made services. Standardized delivery of services was achieved through delivery centers set up around the world. According to IDC's market research reports, the Group was ranked the top 3 in China's overall offshore outsourcing market, ranked the top 2 in the European and American market. For the 7th consecutive year, the Group was named as "Global Outsourcing 100" by IAOP (International Association of Outsourcing Professionals). The Group's major customers include Huawei, Microsoft, NEC, etc. The Group is Microsoft's first Global Premier Vender in the PRC, Microsoft's most valuable global vendor, and a preferred supplier of Microsoft's MCS (Microsoft Consulting Services) in the PRC. It has also obtained the certification COPC (Customer Operations Performance Center). Meanwhile, the Group's Catapult unit is one of only 32 Microsoft National Solutions Providers, and has expertise across the entire Microsoft stack. In 2015, Catapult Systems held 11 gold Microsoft competencies and 2 silver competencies, and was recognized for various awards including 20 Most Promising Azure Solution Providers. Catapult is an outstanding consulting service provider specializing on Microsoft business, resulting in closer strategic cooperation between the Group and Microsoft, as well as enhancement of the Group's capabilities in cloud computing and serving Microsoft's customers globally.

IV) BUSINESS DEVELOPMENT HISTORY

In February 2000, Chinasoft International was incorporated with headquarter in Beijing. The Group's main businesses were to provide government customers with system integrations and customized software development solutions. In the same year, the Group introduced its proprietary application support platform Resource-One V1.0.

In 2002, Chinasoft International was awarded as the sole service provider for the e-government construction projects in China's top five Economic and Technological Development Zones (Tianjin, Dalian, Harbin, Beijing and Guangzhou), and subsequently the Group won contracts for the construction of office automation projects for the National Audit Office, the Ministry of Transport, the Ministry of Agriculture, the Ministry of Civil Affairs, the Ministry of Construction, and etc..

In 2003, the Group was listed on the Growth Enterprise Market (GEM) board of the Hong Kong Stock Exchange. Supported by the capital platform, the Group adopted a new development model of organic growth + growth via mergers and acquisitions. This led to rapid growth in both financial performance and scale. The vertical industries that the Group served expanded from government to state-guided large-scale manufacturers, and the Group gradually underwent a transformation from a traditional distributor and integrator of hardware and software to a solutions provider. Furthermore, it adhered to independent research and development, upgraded Resource-One to V3.0 based on the SOA architecture, and successfully promoted it to different verticals and industries.

In 2004, the Group entered the IT training field through the acquisition of Computer Training Centre of CS & S.

In 2005, the Group kept up with the changing landscape of the time by entering into the IT outsourcing (ITO) market through successfully merging and integrating with Chinasoft Resources Information Technology Services Limited. It then established strategic partnerships with top international enterprises such as Microsoft, and set up operation in the United States. Later that year, the Group acquired Powerise International and expanded its ITO business to Japan. Leveraging on the flourishing ITO business, the Group successfully expanded from China's domestic market into a broader oversea market.

In 2007, the Group acquired and integrated Hinge Global Resources, and extended its services into financial and transportation industries. In addition, the Group added specialized BPO services. Leveraging its comprehensive capabilities and industry position, the Group became a top SOA partner for International Business Machines Corporation (IBM). Together they built the Group's SOA Innovation Center. In addition, the Group's Excellence Training Centers (ETCs) set up practical training bases in Beijing, Changsha, Dalian, Wuxi, Chongqing, Xiamen, Tianjin, and Nanjing; each with an area of 1,000-5,000 square meters, with total annual training capacity of over 10,000 people.

In 2008, The Group successfully up-listed from the GEM Board to the Main Board of the Hong Kong Stock Exchange (Ticket: HKSE.354).

In 2010, the group acquired Han Consulting, which significantly strengthened the Group's front-end consulting capabilities. The Group has completed its end-to-end capabilities which included IT consulting, technology services, outsourcing services, and training services. In the same year, the Group entered into the telecom and mobile Internet industries through acquisition of MMIM Technologies, Inc.

In 2011, the Group introduced Hony Capital as a strategic investor and formed a strategic partnership. The Group will carry out integration in the information service business as an enterprise that is used as a platform. In the same year, the Group formed a brand new campus (will fit over 10,000 employees) located at the New Software City in Xi'an High-Tech Zone.

2012 was a momentous year for the Group as it partnered with Huawei and launched the joint venture (JV). The Group soon entered into an operational stage with a stable growth trend in performance. The Group became the top vender for Huawei and synergies emerged in the JV early on. In the same year the Group also entered into the electricity industry through the acquisition of a supplier for the State Grid Electric Power.

In 2013, Catapult, a US service provider specialized in consultancy services on Microsoft products and technologies, was acquired to enhance the Group's cloud integration and high-end servicing capabilities in the new technology IT services such as Cloud computing, mobile and social media. This has laid a solid foundation for the development of global market through the strengthened strategic cooperation with Microsoft. The Group achieved a closer cooperation with Ali-Cloud and became a chief promoter of Yunqi Cloud Alliance, the country's first alliance in cloud computing organized by Ali-cloud. The Group worked closely with Ali-Cloud in the promotion of the development of cloud related industry, and together signed an agreement with Zhejiang Province government administration to build a demonstration pilot project of smart cloud, achieving the implementation of homegrown electronic administration cloud solution.

In 2014, the Group's business with Huawei grew strongly. The JV with Huawei provided experience that improved the Group's delivery (global and local) capabilities, service types, and laid out foundations in different industries at its two year anniversary mark. Furthermore, the Group entered into a strategic cooperation with Huawei to become its enterprise business line's gold level agent, completing the first phase of the Group's plan, which is to gain mutual trusts from both partners. The Group now enters into phase two, which is to leverage Huawei and grow. The Group invested in a top SaaS company that is focusing on CaaS through a Silicon Valley startup fund. The Group also strengthened its strategic cooperation with Huawei and Ali-Cloud. The Group also became the only full suite capable cloud service provider in the Ali-Cloud ecosystem, gaining recognition from customers for the Lishui and Guizhou projects. The Group won bids for China Mobile Fetion, unified communication, and 139 mailbox and became the core provider for many of China Mobile's business lines.

2015 was a turning point for the Group's business. As the world entered the "digitalization era", the Group began to re-organize its business according to on-line and off-line IT services. Joint Force, the Group's trusted ITS crowd sourcing platform was first launched late 2014 but officially launched to the enterprise market in mid-year 2015. This the Group's new model for on-line ITS services, with the new group called IIG (Internet ITS Group). Traditional IT services continues to be served by our TPG (Technology Professional Group). Catapult Systems, our US subsidiary, started to market and sell Solution as a Service and began its transformation to the cloud and digital world in earnest.

V) COMPETITIVE LANDSCAPE AND CORE STRENGTHS

1. Rich Industry Experience

The Group has accumulated many years of experiences in consulting, technology services and outsourcing services, and has in-depth expertise in serving the main industry sectors such as government and manufacturing, finance, telecommunications, and hi-tech, which heavily rely on IT services. The Group has formed more than 50 standardized industry solutions, with over 300 software copyrights and a variety of patents, all of which helped to establish its dominant position in the industries and areas.

2. End-to-End Service Model

The foundation for the Group's continued and steady business growth was built upon its end-to-end business model that integrates consulting, technology, outsourcing and training services. The Group provides superior services to its customers because of the rich industry experience it has and also a strong culture of customer service. The Group also provide outsourcing services to its customers, creating cross-sales of different services to increase customer loyalty.

3. Global Delivery Capability

The Group has global delivery capability, with a quick response mechanism in place for business deliveries in different parts of the world such as China, the United States and Japan. By fully leveraging on the industry knowledge and experiences gained from serving its global customers, the Group achieved its business expansion in domestic market, while helping overseas customers to enter the market in China. Through the enhanced interaction of markets at home and abroad, the Group also increased its successful contract signing rate and its industry capabilities, further consolidating its relationship with customers, leading to strategic partnerships with a variety of customers.

4. Technological Innovations and Advantages

The Group's R1 platform product benefited from years of practical experiences in the industry's information technology, integrating CMMI, ISO9000, RUP, agile development theory, and the usage of SOA architecture and technologies (including PaaS and SaaS) supported by cloud computing applications. It is an excellent tool for industry managers to perform business application integration and IT system extension when they are faced with complex management objects. The R1 platform has three tiers of capabilities: the first tier is its structuring capabilities consisting of platform based integration of middleware components; the second tier is the R1's project management methods and tools; and the third tier is the capability of rapid development as represented by R1 BizFoundation. Through the three-tiered capabilities, component re-use is strongly supported and development cost is reduced, while the Group accumulates its ERP capabilities.

Significant progress has been achieved for R1 in respect to cloud computing. Through the cooperation with Ali-Cloud to jointly develop PaaS platform, both parties worked together to embed R1 products (including FramePortal, SOA Suite and BizFoundation) in Ali OS, and provided Java-based development services and cloud-based SOA services.

As one of the industry's most widely used support platforms, R1 enjoys a wide range of applications and a great number of successful cases in government, manufacturing and other industries. A number of national and industry level projects that have been successfully implemented are proof that integration of consulting, design, and development using the R1 platform can ensure success for the entire project.

5. Excellent, Stable Workforce and Strong Platform for Talent Supply

The Group has an excellent and stable workface and a strong human supply platform. As up 31 December, 2015, the Group employs 31,504 employees, distributed in regions including China, Hong Kong, Japan, the United States, and the United Kingdom. Among which, project managers, senior technicians and consultants accounted for one tenth (1/10) of the total number of technicians. This elite group has outstanding IT skills, extensive management experience, deep industry knowledge, and most of them had worked in the Group for more than five years, fully identifying themselves with its corporate culture. Meanwhile, in order to maintain the stability of the Group's core staff, the Group has developed a clear mechanism for talent promotion, and also incentive and training programs.

6. **A Win-Win Strategic Cooperation**

The Group established a comprehensive cooperation in investment and business, with a number of world-class strategic partners. This has allowed the partners to share client resources and finally achieve a win-win situation. The Group and Huawei established a joint venture in 2012, aimed at building a business process and IT outsourcing Service Company that gets a foothold in the PRC and serves the globe.

VI) RECENT DEVELOPMENT

- ***JointForce (JF) – Internet Crowd-Sourcing Platform Progress***

During the reporting period, Jointforce launched its commercial services on June 19, achieved high growth, and became the leading IT crowd-sourcing platform in China. There are over 800 teams, 80,000 developers, and 6,000 companies registered on the platform. Contract for bid volume exceeded RMB100 million, while transaction volume is approximately 30% of this figure. The Jointforce platform leveraged Chinasoft's decade long experiences in software services to incorporate basic and also value-added services to provide a cloud-based platform service-chain for its customers.

During the reporting period, the JF team continued to upgrade the website interface and mobile application. This improved user experiences and increased information to the users. The quality of the developers and teams improved as the system became more selective for its registrants. Through collaboration with Shanghai Jiao Tong University, the JF team developed new algorithms to help contract awarding enterprises in the developer selection process on JF. The team also increased transaction success rate and efficiency by upgrading the platform's core transaction assistant-process to better suit enterprises' management process. In addition, the team added the online transaction assistant, quality contract template, and personal payments capabilities. During the reporting period, the JF team introduced a new Internet online payment model and also an online communication community where there are visual and audio conference channels for code testing, code storage, payments, and traces of message in order to help customers to achieve a transparent management process. Jointforce also added crowd testing to its list of services. Through this service, enterprises can receive low cost quality, safety, and capability testing. Jointforce designed an Internet + Accelerator for Wechat corporate accounts and helped small to mid-size company achieve Internet + transformation.

On the marketing front, Jointforce set up channels in all major software zones in China, including Shanghai, Chengdu, Guangzhou, Xi-An, Shenzhen, Dalian, Wuhan, and etc. There are regional centers with professional teams stationed in those areas, and the initial expansion to those areas have been successful. During the reporting period, Jointforce was introduced, showcased and received praise and attention in more than a dozen influential conferences including software conferences, service conferences, Huawei Cloud conferences, Ali-Cloud conferences, and etc. The globally well-known IT consulting firm, Gartner, released a report with Chinasoft called "Internet + ITS: Jointforce, the Reliable Crowd-Sourcing Platform." In the report, Gartner gave its recognition to the Jointforce model and its growth prospects.

- ***Huawei:*** During the reporting period, the Group continued to expand in both scale breadth in its relations with Huawei, engaging with every Business Units within Huawei.

  In the Huawei basic network line of businesses, the Group an unquestioned leading position among all vendors. In Huawei's Consumer line of business, the Group's business doubled its revenue from last year, laying a solid foundation for further growth. The Group also helped Huawei to continue its in-depth research into the next generation core technology within Huawei's 2012 Research Laboratory business line. The team has formed strategic cooperation with Huawei in cloud computing and big data, developing cloud management and middleware joint solutions (implemented and tested in government sector). The team became the core partners in Financial Systems Big Data Alliance and activated a many projects in different banks. Together with one of the largest banks in China, the Group helped to implement the front line portal in its Financial Risk Management System. The mobile payment team of the Huawei software and services line of business continued to lead with its technologies and remained the only Delivery Service Vendor, creating a global blueprint. In the reporting period the Group worked with Huawei to bring mobile payment solutions to countries such as Pakistan, Mauritius, Ghana, Republic of Congo, Tanzania and Burma. In some countries such as Burma, the Group brought to the customer end-to-end solution, including demand analysis, design, implementation and operation support.

  As Huawei's Enterprise Gold Label Agent in China, the Group expanded with Huawei into large enterprises and financial markets, winning bids in various important projects. The team successfully became Huawei's certified service partner (CSP).

  Huawei Cloud: The Group cooperated fully with Huawei's public cloud strategy. Desktop cloud solutions project won bids for the China Customs Bureau. In terms of cloud computing capabilities, the Group's RCloud PaaS platform passed the Huawei-Ready certification program to become a joint solution for cloud management and middleware. The Group worked closely with Huawei to develop, promote, and deliver the enterprise cloud solution, OneBox. In the future the team will provide more joint-cloud solutions using the Hauwei cloud in areas of smart-city, industry clients, governments, and other areas to meet new market demands.

  In terms of big data, as an important member of the Huawei Financial Industry Big Data Alliance, the Group is working with Huawei to build a flourishing financial big data eco-system. The ChinaSoft team provided end-to-end big data solutions, including IoT equipment monitor system, inquiry, merchandise recommendation and precision marketing for clients in energy, financial services, and manufacturing industries. Lastly, the Group's Industry 4.0 solutions was announced at the 2015 HNC Conference by Huawei.

- ***Cloud Migration:*** During the reporting period, the Group's IIG Alibaba Cloud (Ali-Yun) line of business entered into partnership agreement with Ali-Yun to migrate the first and biggest domestic gene testing cloud servicing platform, BGI Online, by BGI Genetics onto Ali-Yun. BGI Online is a computing platform consisting of gene data storage, automated analysis, data transfer, bio-information development, and sharing services. The technology structure is advance and the design is complex. The successful migration of the BGI Online from Amazon's AWS to Ali-Yun, two of the most meaningful cloud platforms in today's world, showcased the team's capabilities. The BGI Online officially went live in October, 2015.

- ***Manufacturing/Tobacco:*** During the reporting period, the Group's Circulation (tobacco) line of business moved swiftly to pursue projects that will quicken our digital transformation and achieved significant results:

    1. Created a web and mobile based platform on which consumers and local retail establishments can interact through Tencent's WeChat mobile platform (Anhui, Zhejiang and Liaoning provinces). This Internet+Services model will be further expanded and marketed in 2016.

    2. Successfully bid and won integrating contractor for the "Tobacco industry-wide infrastructure upgrade" project and also for "control systems for tobacco industry security management". This is a larger than $50 mln RMB opportunity that will allow the Group to participate in the building of cloud infrastructure for the tobacco IT application and operation platform. Using distributed analytics and supported by multi-factored data streams and a single standard security protocols, the Group will be able to implement standardized solutions for the tobacco industry.

    3. Made investment in digital analytics and applications to form expert team revolving big-data analysis and worked with Yunan province tobacco industry to create the "Demand Forecast System" for tobacco market in Yunnan province, along with "Yunnan Tobacco Decision and Command" system. The Group leveraged Huawei's Fusion Insight as well as other open system software such as Hadoop during the implementation. In addition, the Group also created the "Analysis of Ordering Patterns in the cigarette industry" applications, as well as its operational analysis. The Group generated over 15 millon RMB on these bid-data analysis projects.

    4. On the manufacturing front, the Group received a number of awards and recognitions and was selected into the list of "Exemplary Industrial Enterprise" by Ministry of Industry and Communications.

- ***Public Services Industry (Transportation):*** The public transportation line of businesses had a fruitful year in 2015. In the rail transit settlement and payment area, the team won bids in all four projects (100% of projects up for bids) in 2015, furthering establishing its market leading position. In the railway transit automatic ticketing line of businesses, the team achieved a breakthrough and made history in the Group by winning consecutive bids in Lanzhou, Qingdao, Chengdu, Changchun, and etc., and started the project for Shanghai Disney. The settlement & clearing projects were completed early in Chengdu, Qingdao, and Nanchang. The phase two project of number 11 line in Northern Shanghai Railway was awarded the "2015 National Government Exemplary Project". Chengdu and Nanchang railway projects also won multiple awards.

- ***Audit:*** During the reporting period, the Group maintained its leading position in the government auditing industry. The Group's auditing line of business was selected as part of an expert group to recommend specification and features for the next Golden Audit phase. This project included detailed implementation plans and was subsequently approved. Later in the year the team implemented a rapid response software solution for the audit authority at Tianjin, one of the major cities in China. This project later became the model which other audit authorities across the country are measured against. In 2016, the team will continue to build its big data center, and incorporate cloud and mobile into the auditing solutions.

- ***Banking and Financial Services Industry (BFSI)***

  During the reporting period, the Group's BFSI team continued to build on its innovative heritage and pushed forward in areas of Internet finance, mobile payment and big data analytics, provided innovative solutions and system integration platforms to help banks and financial institutions to fully realize their business models and reach their growth potentials. The Group continue to maintain its market leader positions in areas of credit card, credit financing, and payment and settlement business lines (core businesses). In addition, the BFSI team added services for online billing, mobile payment, HCE, ApplePay, credit factory, consumption finance, and unified payment products to its business lines and implemented these new services to banks (domestic and foreign), financial institutions, and consumer finance companies. The finance supply chain line of business successfully implemented its solutions for an energy company, a gold manufacturer, a chain of super markets, and a number of shopping malls. The financial big-data line of businesses established strategic partnership with global enterprises and helped them with framework design and testing. It also assisted a number of large-scale state owned banks in areas of customer identification, effective marketing protocols, risk detection, and rate credit scoring on their mature big data application platform. The risk control and management line of business maintained its leading market position in anti-fraud products and helped various joint-stock banks, city commercial banks, rural credit cooperatives and private banks to build enterprise level risk management systems. In addition, it developed a credit evaluation data system that combined consumer finance, credit factory, and credit card system to increase clients' credit audit accuracy thereby reducing risks. It also helped a large scale state owned bank to implement a full-on, multi factor risk control platform, using data from online credit audit, customer behavior analysis and full channel anti-fraud system.

  The Group has been working with a large global bank customer in its effort to re-design its global IT support infrastructure. Technology innovation has created performance pressures that forced the customer to update and transform from its legacy business model. With its strong capabilities as well as pricing that is unmatched anywhere in the world, the Group is well positioned to assist with this transformation. The team worked tirelessly with the client for three years and earned the customer's trust in terms of capabilities and quality and became the customer's China vendor of choice. During the reporting period, the Group generated over RMB 100 million from this project.

- ***Insurance and Securities Industry:*** During the reporting period, the Group continue to expanded its business volume with large customers like CPIC and PICC, and achieved breakthroughs with new clients such as China Association of Actuaries. Meanwhile, with their accumulated experience in the core insurance line of business, the Group helped customers in areas of design, product implementation and marketing. The insurance team won bids to build unified customer sharing platform for one large insurance customer. Furthermore, the insurance team will work with the customer to expand its third-party payment, e-commerce and other areas, strengthening the relationship between the two companies in core insurance businesses, data analytics, and e-commerce. With one core customer, the team was able to leverage the Group's expertise to help the customer start building a big-data analytical engine. The team also expanded its businesses with Huatai Securities and Zhongshan securities.

- ***US & Europe & Catapult:*** During the reporting period, innovations in different business models brought upon more business opportunities. In order to better service the European and American customers, the Group established its first European delivery team for big data, and mobile center in Budapest. The Group's Microsoft team also continued to strengthen its relationship with Microsoft and gained additional localization businesses to become the largest product localization service provider for Microsoft in China.

  Catapult: During the reporting period, Catapult's Solutions as a Service offerings continued to gain traction in the market. Fuse, an employee portal solution, has seen dramatic sales increases and is highly regarded by its customers. Most impressively, customers have seen a 4x growth in their employee engagement after implementing Fuse. Fuse also continues to receive praise at all levels of Microsoft management and has been held up as an example of excellent partner solutions at high-level partner meetings. Most recently, Fuse was developed for AWS TestDrive, allowing the product to be easily demonstrated within an AWS store environment. Catapult Systems also introduced a business process automation platform called Launch. This solution automates common and routine IT tasks, freeing up time for IT to spend on more strategic activities and prevent disruption and minimize strain on personnel. The first solution available on the platform is onboarding and off-boarding of employees to efficiently add, remove and change employee access to systems. Catapult also began to expand their channel marketing programs while maintaining very close ties to Microsoft. In 2015, Catatpult began a relationship with Amazon Web Services, who leads market share in cloud platforms, and Nintex, the world leader in workflow automation. These new channels align closely with Catapult's strategic direction and offer great opportunity for revenue expansion.

  In 2015, Catapult Systems held 11 gold Microsoft competencies and 2 silver competencies, and was recognized for various awards including Forbes 10 Companies that Fascinate Americans the Most, 20 Most Promising Azure Solution Providers, and Best Small and Medium Companies to Work for by Glassdoor.

- ***Greater China & Japan/Korea:*** During the reporting period, the Group strengthened its cooperation with Tencent, increased the area of cooperation on interface, service capabilities, efficiencies, and established new capability centers. The Ali line of business, after winning the bid for large framework service projects and becoming its strategic supplier, moved to deepen cooperation to explore cooperation with Jointforce platform. This will allow rapid response to customer demands by tapping into the vast developer resource pool provided by Jointforce. As China's Internet finance sector becomes more pervasive, the Group, with the traditional finance experience as its foundation, continued to develop different Internet finance solutions and cooperated with life insurance and financial institution Ping An. The team also leveraged the Group's accumulated market leading capabilities and provided new technologies to SF Express, in response to the current explosive growth in logistic big-data analysis. The Group will continue to improve its Internet finance, financial big data, IoT big data, and terminal capabilities to better serve its strategic clients by actively taking on new challenges, and creating value through high value add services. In the process, the Group will grow with our clients.

  Japan/Korea: During the reporting period, the financial line of business expanded its services, acquired new customers, and formed partnerships with existing clients to develop new businesses. The logistic IT line of business achieved high growth. The BPO line of business received praise from customers after improving the processes and quality of the work.

- ***Mobile and Unified Communication:*** During the reporting period, the Group continued to work with China Mobile on Feition wireless product support and RCS unified communication product development, furthering solidifying the Group's position in China Mobile's core business and 4G unified communication strategy. China Mobile's unified communication strategy, which is China Mobile's future plan to upgrade its basic communications, will fully support the different communication demands in a 4G era from video communications, value add communications, open platform, social, and etc. During the reporting period, the Group already implemented China Mobile's unified communication project, and became China Mobile's core partner in this. The Group will continue to actively work with China Mobile and participate in the above areas.

  139 Mailbox: During the reporting period, the team resigned China Mobile's 139 Mobile Mail Client Support Business Operations Project. The 139 mailbox has become the largest mobile mailboxes in China (based on users), and is the top choice of mobile mail for many users. In the future, the 139 Mailbox will become a strong part of China Mobile's family of communication services.

  Unified Payment: During the reporting period, the Group successfully developed China Mobile's three phased unified payment platform. The unified payment platform is China Mobile's strategy to decrease channel operations and cut costs while providing other charging services and businesses, including card recharge, IoT recharge, Fetion recharge, third-party payment recharge, unified payment, and etc. In the future, the unified payment will become even more effective when combined with unified communication to create a streamline of payment and settlement.

- ***China Telcom/Internet Finance:*** During the reporting period, the Group maintained a healthy growth, making records in sales and completions. The Group signed a strategic agreement with eSurfing (Orange Finance) to become one of its largest service providers.

- ***Training (ETC):*** During the reporting period, the ETC signed 5 new partnering universities (total: 73), and jointly built one professional institutes (total: 54). The ETC was rewarded "2015 Second Annual Top Outsourcing Training Institutes: Top 5" by the China outsourcing website.

MANAGEMENT DISCUSSION AND ANALYSES

In 2015, the Group's businesses grew steadily. The turnover, service revenue, profit attributable to the owners of the Company, and EPS increased by 15.8%, 16.5%, 40.0%, and 31.1% YoY respectively. The operating cash flow increased from RMB74.796 million in 2014 to RMB259.561 million in 2015.

	2015 RMB'000	2014 RMB'000	Growth rate
Turnover	5,129,111	4,429,202	15.8%
Service revenue	4,831,722	4,147,015	16.5%
Profit for the year attributable to the owners of the Company	280,056	200,038	40.0%
Basic earnings per share (cents)	14.05	10.72	31.1%
Net cash generated from operating activities	259,561	74,796	247.0%

KEY OPERATING DATA

	2015 RMB'000	2014 RMB'000	% Increase (decrease) over the same period last year
Turnover	5,129,111	4,429,202	15.8%
Service revenue*	4,831,722	4,147,015	16.5%
Cost of sales and services	(3,605,903)	(3,080,046)	17.1%
Gross profit	1,523,208	1,349,156	12.9%
Other income	46,259	60,492	(23.5%)
Other gains or losses	(17,625)	(1,304)	1,251.6%
Selling and distribution costs	(178,581)	(219,789)	(18.7%)
Administrative expenses	(744,516)	(664,752)	12.0%
Research and development costs expensed	(78,066)	(64,161)	21.7%
Allowance for doubtful debts	(62,055)	(27,103)	129.0%
Other expenses	(91,961)	(80,676)	14.0%
Share of results of associates	1,907	1,429	33.4%
Gain on disposal of available-for-sale investments	–	27,568	(100.0%)
Gain on disposal of subsidiaries	111,724	–	N/A
Fair value change on derivative financial instruments	(1,074)	1,074	(200.0%)
Gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	3,283	(310)	(1,159.0%)
EBIT	512,503	381,624	34.3%
Finance costs	(92,509)	(84,385)	9.6%
Profit before taxation	419,994	297,239	41.3%
Income tax expense	(87,010)	(42,183)	106.3%
Profit for the year	332,984	255,056	30.6%
Profit attributable to owners of the Company	280,056	200,038	40.0%
Basic earnings per share (cents)	14.05	10.72	31.1%

PROFITABILITY

In 2015, the adjusted profit attributable to the owners of the Company was RMB251.283 million, representing a YoY growth of 32.3% (2014: RMB189.954 million). Below is the reconciliation from profit for the year attributable to the owners of the Company to adjusted profit for the year attributable to the owners of the Company, after deducting the non-recurring items:

	2015 RMB'000	2014 RMB'000	Growth rate
Profit for the year attributable to the owners of the Company	**280,056**	200,038	40.0%
Gain on disposal of subsidiaries	**(111,724)**	–	N/A
Gain on disposal of available-for-sale investments*	**–**	(26,919)	(100.0%)
Tax on the gain on disposal of subsidiaries	**17,195**	–	N/A
Allowance for doubtful debts for other receivables relating to disposal of available-for-sale investments*	**25,944**	–	N/A
Share option expenses	**13,637**	16,906	(19.3%)
Fair value change on derivative financial instruments	**1,074**	(1,074)	(200.0%)
(Gain)/Loss arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	**(3,283)**	310	(1,159.0%)
Exchange loss arose from loan in USD	**28,384**	693	40.0%
Adjusted profit for the year attributable to the owners of the Company	**251,283**	189,954	32.3%

* After deducting the impact of non-controlling interests.

GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different business segments in 2015 are as follow:

	Turnover			Service revenue			Results		
	2015 RMB'000	2014 RMB'000	Growth rate	**2015 RMB'000**	2014 RMB'000	Growth rate	**2015 RMB'000**	2014 RMB'000	Growth rate
Technical and Professional Services Group (TPG)	**3,780,692**	3,237,830	16.8%	**3,578,708**	3,049,725	17.3%	**300,814**	246,551	22.0%
Internet ITS Group (IIG)	**1,348,419**	1,191,372	13.2%	**1,253,014**	1,097,290	14.2%	**128,574**	97,645	31.7%
Total	**5,129,111**	4,429,202	15.8%	**4,831,722**	4,147,015	16.5%	**429,388**	344,196	24,8%

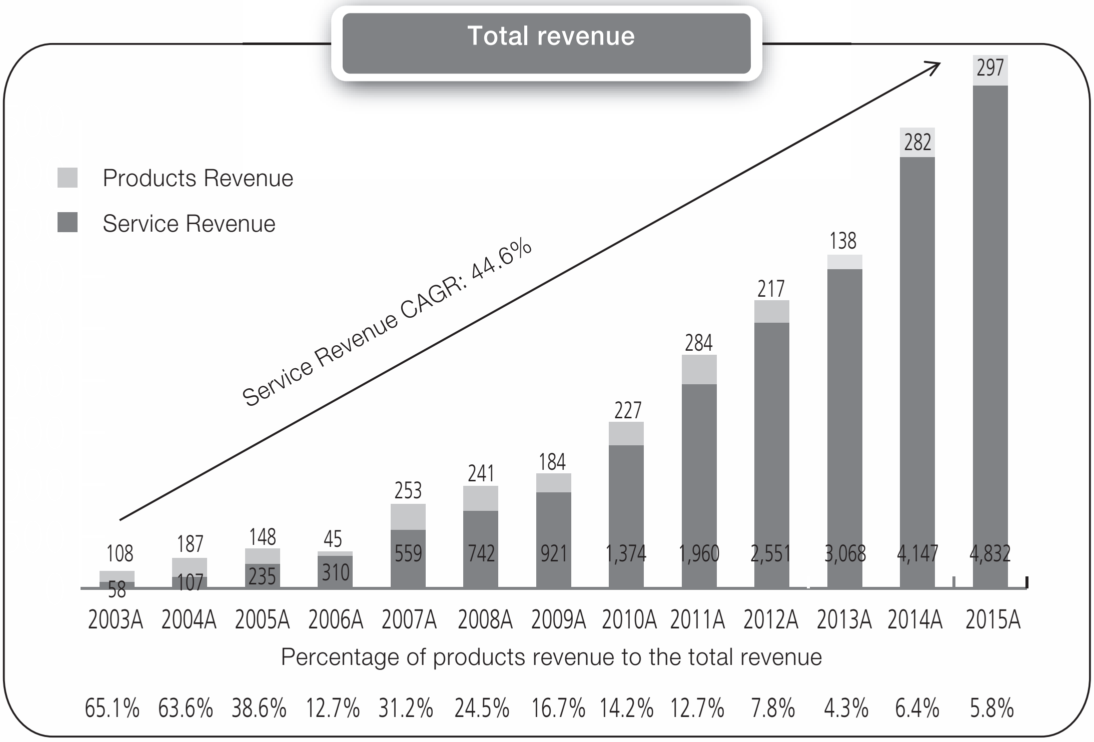
In 2015, the Group restructured to an online and offline business model in order to face the challenges and capture opportunities in Internet, cloud computing, and big data. The IIG will focus on the online IT businesses while the TPG will focus on the traditional technical and professional offline businesses. The IIG is centered around the Jointforce platform in traditional long tail markets including government and manufacturing. Its competitive advantage will come from its ability to organize businesses online to achieve cost-effective and high quality IT services for small to mid-size companies and individuals. In 2015, the excellent training center was also incorporated into the IIG. The TPG will focus on going global and on large customers and big industries including BFSI, telecommunications, Internet, transportation, energy, and etc.. It will provide a full chain of high quality, efficient, and safe IT services and offer solutions specific to different industries.

For service revenue, the TPG and IIG achieved YoY growths of 17.3% and 14.2% respectively. The IIG achieved a 13.2% YoY revenue growth due to the steady increase of business volume from the government and manufacturing industry and Jointforce. In addition, the training business, which is included in IIG, grew steadily. The high growth of Huawei business became the driving growth factor for the TPG.

For segments results, the IIG achieved a YoY growth of 31.7%, much higher than that of its revenue (13.2% YoY) and service revenue (14.2% YoY) mainly because of the utilization of Jointforce that increased employee utilization rate and decreased project costs. The TPG achieved a YoY growth of 22.0%, higher than that of its revenue (16.8% YoY) and service revenue (17.3% YoY). The margin's steady increase was due to the decrease of selling expense because of the Group's established relationships with large customers and industries.

The Group believes that the driving factors for its revenue and margins growth will be when Jointforce scales and becomes more widely used, and when the Group takes on more cloud computing and big data (high margins) businesses.

Since listing on the GEM board in 2003, the Group has maintained a high revenue and service revenue growth, recording a CAGR of 33.1% and 44.6% respectively from 2003-2015. The details are as follow:



CUSTOMERS

The Group's customers include large enterprises headquartered in China, Europe, United States, and Japan. In the high growth China market, the Group has acquired a larger market share in the government and manufacturing, finance and banking, telecommunication, and hi-technology industry. In 2015, the service revenue from the top five and ten customers are 52.7% and 60.1%.

In 2015, the Group has 1,662 active customers and 79 large customers (contributed more than RMB6 million of service revenue within the past 12 months). The new large customers include a leading logistic enterprise, a mobile communication enterprise, and a number of state own enterprises.

MARKET

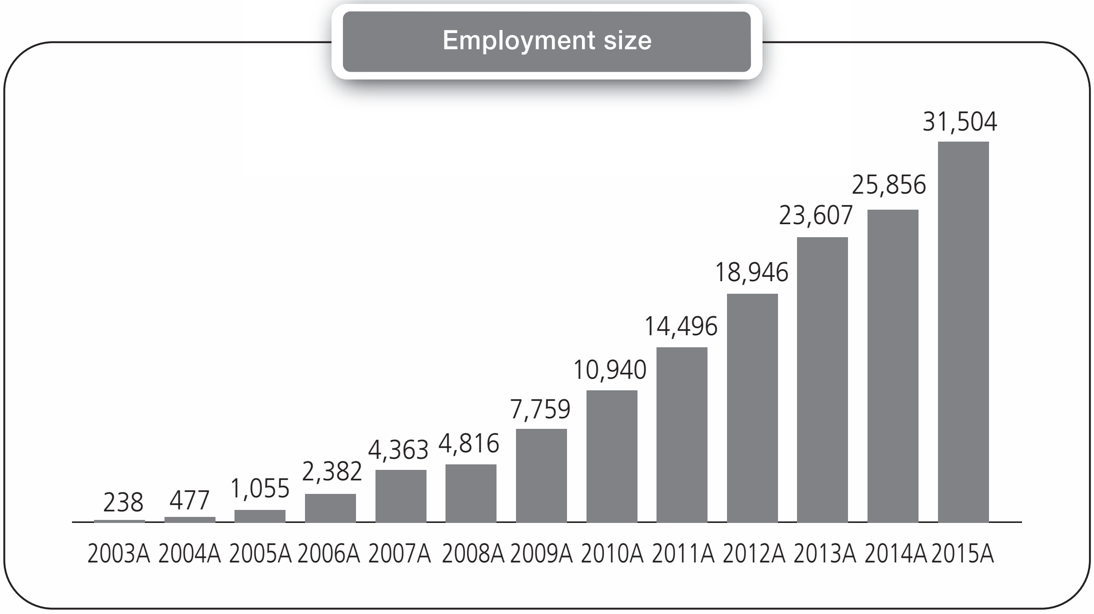
The Group's businesses are concentrated in the Greater China Region. In 2015, the Group continued to set Greater China market as an important area of development. China's strong economic growth and market potentials give rise to long-term growth opportunities for the Group. In addition, the Group continued to expand oversea through Catapult Systems, a Microsoft cloud integration service provider.

HUMAN RESOURCES

As of the end of 2015, the Group has a total of 31,504 employees, representing YOY increase of 21.8% (in 2014: 25,856).

As of the end of 2015, the Group employs 29,753 technical staff (94.4% of total employees). Of which, 8,897 technical staffs are project managers and consultants (core talents), accounting for 29.9% of the technical staff.

The Group's growth in employment size since listing on the Growth Enterprise Market in 2003 is as follows:



OPERATING RESULTS

The Group's consolidated income statements in 2014 and 2015 are as follow:

	2015 RMB'000	Percentage of turnover	Percentage of service revenue	2014 RMB'000	Percentage of turnover	Percentage of service revenue
Revenue	5,129,111			4,429,202		
Service Revenue	4,831,722			4,147,015		
Cost of sales and services	(3,605,903)	(70.3%)	(74.6%)	(3,080,046)	(69.5%)	(74.3%)
Gross profit	1,523,208	29.7%	31.5%	1,349,156	30.5%	32.5%
Other income	46,259	0.9%	1.0%	60,492	1.4%	1.5%
Other gains or losses	(17,625)	(0.3%)	(0.4%)	(1,304)	(0.03%)	(0.03%)
Selling and distribution expenses	(178,581)	(3.5%)	(3.7%)	(219,789)	(5.0%)	(5.3%)
Administrative expenses	(744,516)	(14.5%)	(15.4%)	(664,752)	(15.0%)	(16.0%)
Research and development costs expensed	(78,066)	(1.5%)	(1.6%)	(64,161)	(1.4%)	(1.5%)
Allowance for doubtful debts	(62,055)	(1.2%)	(1.3%)	(27,103)	(0.6%)	(0.7%)
Other expenses	(91,961)	(1.8%)	(1.9%)	(80,676)	(1.8%)	(1.9%)
Finance costs	(92,509)	(1.8%)	(1.9%)	(84,385)	(1.9%)	(2.0%)
Share of results of associates	1,907	0.04%	0.04%	1,429	0.03%	0.03%
Gain on disposal of available-for-sale investments	–	–	–	27,568	0.6%	0.7%
Gain on disposal of subsidiaries	111,724	2.2%	2.3%	–	–	–
Fair value change on derivative financial instruments	(1,074)	(0.02%)	(0.02%)	1,074	0.02%	0.03%
Gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	3,283	0.06%	0.07%	(310)	(0.007%)	(0.007%)
Profit before taxation	419,994	8.2%	8.7%	297,239	6.7%	7.2%
Income tax expense	(87,010)	(1.7%)	(1.8%)	(42,183)	(1.0%)	(1.0%)
Profit for the year	332,984	6.5%	6.9%	255,056	5.8%	6.2%
Profit for the year attributable to the owners of the Company	280,056	5.5%	5.8%	200,038	4.5%	4.8%

Comparison of the annual results between 2015 and 2014.

REVENUE

In 2015, the Group's revenue was RMB5,129.111 million, representing a YoY growth of 15.8% (in 2014: RMB4,429.202 million). The Group's service revenue was RMB4,831.722 million, representing a YoY growth of 16.5% (in 2014: RMB4,147.015 million). The growth came from the growing customer base, maintaining the core business, and diversifying services.

In 2015, TPG and IIG represented 73.7% and 26.3% of the Group's total revenue (in 2014: 73.1%, 26.9%). The segments' growths are as follow:

	2015 RMB'000	Weight	2014 RMB'000	Weight	Growth rate
TPG	3,780,692	73.7%	3,237,830	73.1%	16.8%
IIG	1,348,419	26.3%	1,191,372	26.9%	13.2%
Total	5,129,111	100%	4,429,202	100%	15.8%

In 2015, TPG and IIG represented 74.1% and 25.9% of the Group's service revenue (in 2014: 73.5%, 26.5%). The segments' growths rates are as follow:

	2015 RMB'000	Weight	2014 RMB'000	Weight	Growth rate
TPG	3,578,708	74.1%	3,049,725	73.5%	17.3%
IIG	1,253,014	25.9%	1,097,290	26.5%	14.2%
Total	4,831,722	100%	4,147,015	100%	16.5%

COST OF SALES AND SERVICES

In 2015, the Group's cost of sales and services were RMB3,605.903 million, representing a YoY growth of 17.1% (in 2014: RMB3,080.046 million). The Group's cost of sales and services expenses accounted for 70.3% of the revenue, representing a YoY growth of 0.8% (in 2014: 69.5%).

GROSS PROFIT

In 2015, the Group's gross profit was RMB1,523.208 million, representing a YoY growth of 12.9% (in 2014: RMB1,349.156 million). The Group's gross margin was 29.7%, representing a YoY decrease of 0.8% (30.5%). The declined gross margin was because during the reporting period the Huawei business, which has lower margins, outgrew the other businesses. Taking that out of consideration, the Group's margin improved.

In the future, the Group will use the following measures to increase margins:

1. Continue to focus on next generation technology and high margin businesses like cloud computing, mobile Internet, and big data analytics.

2. Fully utilize the Jointforce platform to increase operational efficiency and employee utilization.

3. Actively expand into the oversea market.

OTHER INCOME

In 2015, the Group's other income was RMB46.259 million, representing a YoY decrease of 23.5% (in 2014: RMB60.492 million). The decrease was mainly due to the drop in the government subsidy during the reporting year.

OTHER GAINS OR LOSSES

In 2015, the Group's other gains or losses were RMB17.625 million, representing a YOY increase of 1,251.6% (in 2014: RMB1.304 million). The increase was mainly due to the exchange loss caused by the significant fluctuation in the exchange rate between USD and RMB for the syndicated loan.

GAIN ON DISPOSAL OF SUBSIDIARIES

In 2015, the gain on disposal of subsidiaries was RMB111.724 million, which mainly represented the gain on disposal of a subsidiary for training business.

OPERATING EXPENSES

In 2015, the Group's selling and distribution expenses were RMB178.581 million, representing a YoY decrease of 18.7% (in 2014: RMB219.789 million). The Group's selling and distribution expenses accounted for 3.5% of the revenue, representing a YoY decrease of 1.5% (in 2014: 5.0%).The Group's selling and distribution expenses accounted for 3.7% of the service revenue, representing a YoY decrease of 1.6% (in 2014: 5.3%). This shows that the Group has increased its marketing management efficiency.

In 2015, the Group's administrative expenses were RMB744.516 million, representing a YoY growth of 12.0% (in 2014: RMB664.752 million). The Group's administrative expenses accounted for 14.5% of the revenue, representing a YoY decrease of 0.5% (in 2014: 15.0%). The Group's administrative expenses accounted for 15.4% of the service revenue, representing a YoY decrease of 0.6% (in 2014: 16.0%). This shows that the Group's administrative management efficiency improved.

In 2015, the Group's research and development costs expensed were RMB78.066 million, representing a YoY growth of 21.7% (in 2014: RMB64.161 million). The Group's research and development costs expensed accounted for 1.5% of the revenue, representing a YoY growth of 0.1% (in 2014: 1.4%).

Finance costs and Income Tax

In 2015, the Group's finance costs were RMB92.509 million, representing a YoY growth of 9.6% (in 2014: RMB84.385 million). The Group's finance costs accounted for 1.8% of the revenue, representing a YoY decrease of 0.1% (in 2014: 1.9%). The Group believes that the finance costs growth is reasonable because it is less than the growth in the Group's revenue.

In 2015, the Group's income tax was RMB87.010 million, representing a YoY growth of 106.3% (in 2014: RMB42.183 million). The effective tax rate was 20.7% (in 2014: 14.2%). This increase is because a special tax amount of RMB17.195 million aroused from the gain on disposal of a subsidiary during the reporting year. Also, the actual tax rate of Beijing and Shanghai entities increased when compared to last year. Thus, the tax refund and the tax benefits reduced and resulted in an increase in the income tax expense.

Other Non-Cash Expenses

In 2015, the Group's depreciation of property, plant, and equipment (PPE) were RMB50.647 million, representing a YoY decrease of 15.8% (in 2014: RMB60.137 million). The Group's depreciation of PPE accounted for 1.0% of the revenue, representing a YoY decrease of 0.4% (in 2014: 1.4%).

In 2015, the Group's other expenses which mainly includes amortization of intangible assets and prepaid lease payments were RMB91.961 million, representing a YoY growth of 14.0% (in 2014: RMB80.676 million). This increase is lower than the increase of the revenue. The Group's other expenses accounted for 1.8% of the revenue, the same as that of 2014.

In 2015, the Group's share option expense was RMB13.637 million, representing a YoY decrease of 19.3% (in 2014: RMB16.906 million). The Group's share option expense accounted for 0.3% of the revenue, representing a YoY decrease of 0.1% (in 2014: 0.4%).

In 2015, the Group's allowance for doubtful debts was RMB62.055 million (in 2014: RMB27.103 million) representing a YOY growth of 129%. The Group's allowance for doubtful debts accounted for 1.2% of the revenue, representing a YoY increase of 0.6% (in 2014: 0.6%). The increase is due to the one time impact of the allowance for doubtful debts provided for the available-for-sale investment.

Profit for the Year and Earnings Per Share

In 2015, the Group's profit for the year was RMB332.984 million, representing a YoY growth of 30.6% (in 2014: RMB255.056 million). The Group's profit for the year accounted for 6.5% of the revenue, representing a YoY growth of 0.7% (in 2014: 5.8%). The Group's profit for the year accounted for 6.9% of the service revenue, representing a YoY growth of 0.7% (in 2014: 6.2%).

Excluding the profit for the year attributable to the non-controlling interests in 2015, the Group's profit for the year attributable to the owners of the Company was RMB280.056 million, representing a YoY growth of 40.0% (in 2014: RMB200.038 million).

In 2015, the Group's basic earnings per share (EPS), based on the profit for the year attributable to the owners of the Company, was RMB14.05 cents, representing a YoY growth of 31.1% (in 2014: RMB10.72 cents).

A. CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules have served as guideposts for the Company to follow in its implementation of corporate governance measures.

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2015 to 31 December 2015, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2015 (the "2014 AGM") and extraordinary general meeting held on 10 December 2015 (the "EGM") (deviated from code provision E.1.2 of the CG Code) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2014 AGM and the EGM; (ii) the roles of chairman and chief executive officer were performed by the same individual (deviated from code provision A.2.1 of the CG Code).

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

C. BOARD OF DIRECTORS

1. *Composition of the Board of Directors*

During the year in review and up to the date of this report, the board of directors of the Company (the "Board") comprises:

Executive directors:

Dr. Chen Yuhong *(Chairman and Chief Executive Officer)*
Dr. Tang Zhenming
Mr. Wang Hui

Non-executive directors:

Mr. Zhao John Huan	(resigned on 27 April 2015)
Dr. Zhang Yaqin	
Mr. Lin Sheng	(resigned on 27 April 2015)

Independent non-executive directors:

Mr. Zeng Zhijie	
Dr. Leung Wing Yin Patrick	
Dr. Song Jun	(retired on 18 May 2015)
Dr. Lai Guanrong	(appointed on 2 June 2015)

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director are suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

To the best knowledge of the Company, there are no financial, business and family relationships among members of the Board.

2. ***Meetings and Directors' Attendance***

During the year ended 31 December 2015, the Board held 23 board meetings, 4 of which were regular board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company, 11 of which were for approving the share allotment upon the exercise of share options during the year ended 31 December 2015, and 8 of which were for other discussions on general operations of the Group. The attendance records of the board meetings and general meetings held are set out below:

	Attended/ Number of regular board meetings held	Attended/ Number of board meetings held for approving the share allotment upon the exercise of share options	Attended/ Number of board meetings held for other discussions on general operations of the Group	Attended/ Total number of board meetings held during the year	Attended/ Number of general meetings held during the year
Executive Directors					
Dr. Chen Yuhong	4/4	11/11	8/8	23/23	0/2
Mr. Wang Hui	4/4	11/11	8/8	23/23	0/2
Dr. Tang Zhenming	4/4	11/11	8/8	23/23	0/2
Non-executive Directors					
Mr. Zhao John Huan	0/1*	0/2*	0/1*	0/4*	0/0*
Dr. Zhang Yaqin	2/4	0/11	0/8	2/23	0/2
Mr. Lin Sheng	1/1*	0/2*	0/1*	1/4*	0/0*
Independent Non-executive Directors					
Mr. Zeng Zhijie	4/4	0/11	2/8	6/23	0/2
Dr. Leung Wing Yin Patrick	4/4	11/11	5/8	20/23	2/2
Dr. Song Jun	0/1*	2/2*	0/5*	0/8*	0/1*
Dr. Lai Guanrong	2/3*	0/9*	1/1*	3/13*	0/1*

* *Only the meeting held during his tenure is counted*

The Directors will receive details of agenda items for decision and detailed documents in advance of each Board meeting. The Company Secretary is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings.

3. ***Functions of the Board of Directors***

The Board is currently responsible for corporate strategy and development, overseeing the business operations of the Group, financial reporting, legal and regulatory compliance, directors' appointments, risk management, major acquisitions, disposals and capital transactions. Major corporate matters delegated by the Board to management include preparation of annual and interim accounts for Board's approval, execution of business strategies and initiatives adopted by the Board and implementation of internal control system.

4. ***Independent Non-executive Directors***

The three independent non-executive Directors appointed by the Company have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Among the three independent non-executive Directors, one of them has appropriate professional qualifications in accounting or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

Following the retirement of Dr. Song Jun on 18 May 2015, the Board comprised only two independent non-executive directors, which falls below the minimum number required under Rule 3.10(1) of the Listing Rules. Besides, prior to 2 June 2015, the Company only had two audit committee members, which failed to comply with Rule 3.21 of the Listing Rules. In this regard, Mr. Lai Guanrong has been appointed as an independent non-executive Director and audit committee member of the Company on 2 June 2015 to fill in the vacancy and in compliance with the relevant Listing Rules requirements.

5. ***Chairman and Chief Executive Officer***

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Dr. Chen Yuhong currently assumes the roles of both the Chairman and the Chief Executive Office of the Company. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group.

6. ***Terms of Appointment of Non-executive Directors***

Each of the non-executive Directors of the Company is appointed for a specific term of three years and is subject to re-nomination and re-election by the Company in general meetings unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

7. ***Appointment, Re-election and Removal of Directors***

According to the articles of association of the Company, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

Prior to the convening of the annual general meeting of the Company in May 2016, the board of Directors resolved that Mr. Wang Hui, Dr. Lai Guanrong and Dr. Zhang Yaqin should retire and stand for re-election at the annual general meeting in accordance with the requirements under the articles of association of the Company.

8. *Directors' Training*

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company encourages all Directors to attend relevant training courses and continuously updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

D. BOARD COMMITTEES

1. *Remuneration Committee*

During the year under review, the chairman of the remuneration committee of the Company (the "Remuneration Committee") was Dr. Leung Wing Yin Patrick and other members included Dr. Chen Yuhong, Mr. Zeng Zhijie and Dr. Lai Guanrong. Dr. Chen Yuhong is an executive Director, and the remaining three members are independent non-executive Directors.

The Remuneration Committee was established on 28 June 2005. The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the board of Directors for the remuneration of non-executive Directors. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management of the Company, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Details of attendance of the meeting of the Remuneration Committee are set out as follows:

Name of Director	Number of attendance
Dr. Leung Wing Yin Patrick *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	1/1
Dr. Lai Guanrong	1/1

The board of Directors considered that the existing terms of appointment and levels of remuneration of the Directors and senior management of the Company are fair and reasonable, and resolved that a review be carried out again in the year ending 31 December 2016.

The Company adopted a new share option scheme on 20 May 2013 to replace the original share option scheme adopted on 2 June 2003, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out in note 41 to the financial statements. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 9 to the financial statements.

2. *Audit Committee*

The Company established an audit committee (the "Audit Committee") on 2 June 2003 and amended its written terms of reference on 31 December 2015 to comply with the requirements in the CG Code. During the year ended 31 December 2015, the Audit Committee comprised of three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong. Dr. Leung Wing Yin Patrick is the Chairman of the Audit Committee. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2015.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The Audit Committee reports to the Board and is delegated by the Board to assess matters related to the financial statements. Under its terms of reference, the Audit Committee has, amongst others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Groups' financial statements, annual reports, accounts and interim report;
- reviewing and monitoring the Company's policies and practices on corporate governance and the relevant legal and regulatory requirements and their compliances.

During the year under review, four meetings were held by the Audit Committee. Details of attendance of the Audit Committee meetings are set out as follows:

Name of member	Number of attendance
Dr. Leung Wing Yin Patrick *(Chairman)*	4/4
Mr. Zeng Zhijie	2/4
Dr. Lai Guanrong	1/2*

* *Only the meeting held during his tenure is counted*

3. *Nomination Committee*

The Company established a nomination committee (the "Nomination Committee") on 28 March 2012 with written terms of reference in compliance with the requirement in the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and select and make recommendations to the Board on the appointment of Directors and senior management. During the year ended 31 December 2015, the Nomination Committee comprised of one executive Director. Dr. Chen Yuhong and three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong. Dr. Leung Wing Yin Patrick is the chairman of the Nomination Committee.

Details of attendance of the meeting of the Nomination Committee are set out as follows:

Name of Director	Number of attendance
Dr. Leung Wing Yin Patrick *(Chairman)*	1/1
Dr. Chen Yuhong	1/1
Mr. Zeng Zhijie	1/1
Dr. Lai Guanrong	0/0*

* *Only the meeting held during his tenure is counted*

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

E. ACCOUNTABILITY AND AUDIT

1. Director's Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements. The Company's consolidated financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors acknowledges their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Internal Control

The Board acknowledges that it has the overall responsibility of the internal control system to enhance the awareness of risk management and assets protection. The internal control system is designed to provide reasonable policies and procedures to manage business risk and to avoid misstatement of the performance of the Group. The Company has a clearly defined organisation chart by functions, an effective filing system to maintain proper records for accounting and business transactions, well established procedures in approving payments and safeguarding the appropriate use of assets. The Company periodically conducted reviews of its financial, operational and risk management control activities to ensure the Group's compliance with applicable laws and regulations. The Company also reviews its internal control system periodically and report to the senior management of the Company quarterly and to the Audit Committee annually thereafter, taking effective actions on recommendation, if any, to improve its system.

3. Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group was required to pay an aggregate of approximately RMB5.85 million to the external auditor for their services including audit and other services relating to financial information.

F. INVESTORS AND SHAREHOLDERS RELATIONS

The Company commits to promoting transparency and maintaining effective communication with investors, analysts and the press. The management periodically meets with existing and potential investors to make corporate presentations. The Company also communicates with its shareholders and investors through the publication of annual and interim reports, announcements and press releases, as well as the Company's website at http://www.chinasofti.com. The Company hosts an annual general meeting each year to meet the Company's shareholders and answer their enquiries.

G. SHAREHOLDER'S RIGHTS

1. *How shareholders can convene an extraordinary general meeting*

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

2. *The procedures by which enquiries may be put to the board and sufficient contract details to enable these enquiries to be properly directed*

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of Company in Hong Kong at Units 4607-8, 46th Floor, COSCO Tower, No. 183 Queen's Road Central, Hong Kong by post for the attention of the Board.

3. *The procedures and sufficient contact details for putting forward proposals at shareholders' meetings*

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Group be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition. Pursuant to the articles of association of the Company, shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures as set out above.

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 1 to the financial statements. During the year under review, there were no significant changes in the Group's principal activities.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 73.

The Directors do not recommend the payment of a final dividend for the year.

DISTRIBUTABLE RESERVES

The reserves available for distribution to shareholders as at 31 December 2015 are RMB1,355,331,000 approximately.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the Group's property, plant and equipment are set out in note 12 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the past five years, as extracted from the audited financial statements, is set out on page 172. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

(i) Review of our business

A review of the business of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Letter" and "Management Discussion and Analysis" on pages 3 to 6 and pages 35 to 44 respectively of this annual report.

(ii) Principal Risks and Uncertainties

The management is already aware of the principal risks associated with the Group's business and accordingly estimates and manages all kinds of risks encountered through inspection under the risk internal control system.

(1) ***Financial Risk***

Capital risk

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 stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes borrowings, convertible loan notes, net of cash and cash equivalents and equity attributable to the owners of the Company (including share capital, share premium, reserves and accumulated profits).

The Directors review the capital structure semi-annually. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues and as well as the issue of new debts or the redemption of existing debt.

Interest rate risk

Because of the fluctuations of calculating the interest rate of financial assets and liabilities, the Group bears interest rate risks. Interest bearing financial assets are mainly bank deposits (mainly of a short term nature); and interest bearing financial liabilities are mainly bank loans which are on a floating rate basis. The Group is exposed to fair value interest rate risk in relation to convertible loan notes, borrowing with fixed interest rates and amounts due to related companies. The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings and short-term bank deposits which are mainly concentrated on the fluctuation of prevailing interest rate announced by the People's Bank of China and London Inter Bank Offered Rate in respect of an unsecured bank loan.

The Group's policy is to obtain the prime rate.

Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, trade payables arising from purchases denominated in foreign currencies and borrowing, which expose the Group to foreign currency risk. The Group's principal operating subsidiaries are located in the PRC, the United States and Japan, and the Group's principal businesses are conducted in Renminbi. The Group is mainly exposed to United States Dollar, Hong Kong Dollar and Japanese Yen. The impact of foreign exchange exposure is minimal, and the management has kept on monitoring the movement of all foreign currency exposure.

Credit risk

The Group conducts business with credible third parties. The Group's policy is that all customers intending to conduct business on credit are required to pass a credit assessment procedure: in order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period, based on the evaluation of the age of the trade receivable, the credibility of the debtor, payment history and previous revocation experience, to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts.

(2) ***Business Risk***

Market risk

Loss of market share is a market risk encountered by the Group. The Group constantly faces fierce market competition in the core markets of the PRC. The financial position of the Group may be adversely affected if it fails to respond to market changes resulting to loss of business to opponents. The Group has professional sales and client management teams and is committed to ensure that the existing clients and business will be retained through competitive quality services and pricing policy.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, safety standard, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

(iii) Important events after the reporting date affecting the Group

Details of important events after the reporting date affecting the Group are set out in note 43 to the financial statements.

(iv) Future development of the Group

An indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Letter to Shareholders" and "Management Discussion and Analysis" on pages 3 to 6 and pages 35 to 44 respectively of this annual report.

(v) Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations; in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial; Reporting Standards. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

(vi) Environmental Policies and Performance

The Group encourages environmental protection and promotes awareness towards environmental protection in its daily business operation. For the year ended 31 December 2015, the Group is in compliance with international and national environmental standards and implemented green production policies to raise efficiency and minimize both energy consumption and pollutant discharge. The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operation to enhance sustainability.

(vii) Key Relationships with Employees, Customers and Suppliers

As at 31 December 2015, the Group had a headcount of 31,504 employees (31 December 2014: 25,856). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Company and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality. The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 December 2015.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:	**Non-executive Director:**	**Independent non-executive Directors:**
Dr. Chen Yuhong	Dr. Zhang Yaqin	Mr. Zeng Zhijie
Dr. Tang Zhenming		Dr. Leung Wing Yin Patrick
Mr. Wang Hui		Dr. Lai Guanrong

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

In accordance with article 87 of the Company's articles of association, one-third of the Directors (who have been longest in office since their last election) will retire from office by rotation and, being eligible, offer themselves for re-election.

Details of the Directors' appointment and resignation are set out in the Corporate Government Report of this annual report.

DIRECTORS' SERVICE CONTRACTS

Dr. Chen Yuhong has entered into a service agreement with the Company. Particulars of the contract, except as indicated, are in all material respects identical and are set out below:

(i) the service contract is of two years duration commencing on 20 June 2003. The service contract shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice not to be given before the expiry of the initial term of two years;

(ii) the monthly salary for Dr. Chen Yuhong is to be reviewed annually by the board of Directors. For the period from the expiry of the first year of appointment, the salary of Dr. Chen Yuhong shall be determined by the board of Directors but shall not be more than 120 percent of his annual salary for the preceding year;

(iii) Dr. Chen Yuhong is entitled to management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year (the "Net Profits") as the Board may approve, provided that the aggregate amount of management bonuses payable to all executive Directors in respect of any financial year of the Group shall not exceed 5 percent of the Net Profits; and

(iv) Dr. Chen Yuhong shall abstain from voting and shall not be counted in the quorum in respect of the resolution regarding the amount of management bonus payable to himself/herself.

Dr. Tang Zhenming, Mr. Wang Hui and Dr. Zhang Yaqin have not entered into service agreements with the Group. Dr. Tang Zhenming and Mr. Wang Hui receive no remuneration for holding their office as executive Directors. Dr. Zhang Yaqin receives an annual remuneration of HK$300,000 for holding his office as non-executive Director.

Mr. Zeng Zhijie was appointed as an independent non-executive Director pursuant to letters of appointment for a term of 2 years from 20 June 2003, and his appointment have continued since expiry of such term. Mr. Zeng Zhijie receives an annual remuneration of HK$120,000 for his office.

Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong have not entered into any service agreements as independent non-executive Directors with the Group. Dr. Leung Wing Yin Patrick receives an annual remuneration of HK$370,000 for his office during the reporting year, and Dr. Lai Guanrong receives no remuneration for holding his office as an independent non-executive Director.

None of the Directors has entered into any service agreements with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Details of the Directors' remuneration are set out in the annual report to the financial statements. Save as disclosed in note 9 of the annual report to the financial statements, there are no other emoluments, pension and any compensation arrangements for the Directors and past Directors as is specified in Section 383(1) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2015, the following Directors had interests in the shares and underlying shares of the Company and shares in an associated corporation (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) of the Company as set out below and recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Long positions in shares of HK$0.05 each in the capital of the Company ("Shares")

Name of Director	Total No. of Ordinary Shares	Approximate percentage of total issued ordinary share capital of the Company as at 31 December 2015
Chen Yuhong	264,392,861	12.97%
Wang Hui	18,281,838	0.90%
Tang Zhenming	11,827,765	0.58%
Zeng Zhijie	250,000	0.01%

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2015	No. of share options granted during the year	No. of share options exercised during the year	No. of share options outstanding as at 31 December 2015	Percentage of total issued ordinary share capital of the Company as at 31 December 2015	No of underlying ordinary shares interested in	Percentage of total issued ordinary share capital of the Company as at 31 December 2015	*Note*
Chen Yuhong	2.15	10,000,000	–	–	10,000,000	0.48%	10,000,000	0.48%	*(3)*
Tang Zhenming	0.97	800,000	–	–	800,000	0.04%	12,800,000	0.62%	*(1)*
	1.78	2,000,000	–	–	2,000,000	0.10%			*(2)*
	2.15	10,000,000	–	–	10,000,000	0.48%			*(3)*
Wang Hui	2.15	10,000,000	–	–	10,000,000	0.48%	10,000,000	0.48%	*(3)*
Zhang Yaqin	3.27	–	3,000,000	–	3,000,000	0.15%	3,000,000	0.15%	*(4)*

Notes:

(1) These share options were offered on 30 March 2006 under the share option scheme of the Company adopted on 2 June 2003 and accepted on 27 April 2006. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
30/03/2006	29/03/2016	25% of the total number of share options granted
30/03/2007	29/03/2016	25% of the total number of share options granted
30/03/2008	29/03/2016	25% of the total number of share options granted
30/03/2009	29/03/2016	25% of the total number of share options granted

(2) These share options were offered on 10 April 2007 under the share option scheme of the Company adopted on 2 June 2003 and accepted on 8 May 2007. These share options are exercisable for a period of 10 years from the date of offer, subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
10/04/2007	09/04/2017	25% of the total number of share options granted
10/04/2008	09/04/2017	25% of the total number of share options granted
10/04/2009	09/04/2017	25% of the total number of share options granted
10/04/2010	09/04/2017	25% of the total number of share options granted

(3) These share options were offered on 23 January 2014 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 January 2014. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
23/01/2014	22/01/2017	30% of the total number of share options granted
23/01/2015	22/01/2017	30% of the total number of share options granted
23/01/2016	22/01/2017	40% of the total number of share options granted

This batch of share options are subject to a vesting condition that the market capitalization of the Company shall reach HK$10 billion or higher for 5 consecutive trading days during the exercise period.

(4) These share options were offered on 16 December 2015 under the share option scheme of the Company adopted on 20 May 2013 and accepted on 31 December 2015. The share options are exercisable for a period of 3 years from the date of offer subject to the following conditions:

Exercisable Period Commencing	Ending	Number of share options exercisable
16/12/2015	15/12/2018	30% of the total number of share options granted
16/12/2016	15/12/2018	30% of the total number of share options granted
16/12/2017	15/12/2018	40% of the total number of share options granted

Save as disclosed above and so far as was known to the Directors, as at 31 December 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, debentures or underlying shares of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to be 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 he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the required standard of dealings by directors of listed issuers as referred to the Model Code, to be notified to the Company and the Stock Exchange.

As at 31 December 2015, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at 31 December 2015, none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the year ended 31 December 2015, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2015, none of the Directors had any rights to acquire shares in the Company save as disclosed above.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

During the year ended 31 December 2015, the Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code. Having made specific enquiry with all the Directors, the Directors had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2015.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was originally adopted by the Company for a period of 10 years pursuant to a written resolution of all the shareholders of the Company on 2 June 2003. Such Share Option Scheme was subsequently terminated on 20 May 2013 and a new share option scheme (the "New Share Option Scheme") with substantively similar terms to the Share Option Scheme was adopted on the same day at the AGM of the Company for a further 10 years. As at 31 December 2015, share options allowing for the subscription of an aggregate of 160,485,000 Shares granted to certain directors and employees of the Group pursuant to the Share Option Scheme and the New Share Option Scheme were outstanding, with terms on the exercise of such share options granted as set out in note 40 to the financial statements and notes 1 to 4 in the section headed "Directors' Interests in Shares" above.

Save as disclosed above, no share options have been granted, exercised or have lapsed pursuant to the Share Option Scheme and the New Share Option Scheme as at 31 December 2015.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the Directors, or their spouses or children under 18 years of age, had any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiary, its holding company or any subsidiary of its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTIONS

During the year, the Group had entered into continuing connected transactions as set out below.

During 2015, the Company and Huawei Technology Company Limited ("Huawei") entered into the Huawei IT Outsourcing Agreement pursuant to which the Group shall provide the IT Outsourcing services to Huawei Group on a recurring basis. Huawei has been a customer of the Group in respect of its IT Outsourcing business since September 2009 and such recurring transactions are expected to continue upon the establishment of IT Outsourcing Flagship and the equity participation of Huawei in IT Outsourcing Flagship pursuant to Huawei Equity Participation Agreement. Since April 2012, Huawei has become a connected person of the Company by virtue of becoming a substantial shareholder of the IT Outsourcing Flagship, being a non-wholly owned subsidiary of the Company, holding 40% of its equity interest immediately upon Completion. Accordingly, any future continuing transactions between the Group and Huawei Group will constitute continuing connected transactions of the Company.

The Annual Cap for the provision of IT Outsourcing service by the Group to Huawei Group is RMB2,000 million from the Effective Date to 31 December 2015. During the year 2015, the provision of IT Outsourcing service by the Group to Huawei Group is RMB1,950 million.

The independent non-executive Directors confirm that the above connected transactions of the Group have been entered into under normal commercial terms or better and in the ordinary and usual course of business, and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors also confirm the above connected transactions also constitute related party transactions under the accounting standards, details of which are set out in note 42 to the financial statements. Related party transactions set out in note 42 to the financial statements other than those transactions disclosed above are not considered to be connected transactions.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above transactions.

Save as disclosed therein, there were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 49.7% of the Group's total turnover and the Group's largest customer accounted for approximately 38.1% of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 17.0% of the Group's total purchases and the Group's largest supplier accounted for approximately 8.7% of the Group's total purchases.

None of the Directors, their associates, or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the five largest suppliers or customers of the Group.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors, as at 31 December 2015, the interest of the persons (not being a Director or chief executive of the Company) in the shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name	Nature of interest	Approximate number of Shares (million)	Approximate percentage of total issued ordinary share of the Company	Approximate percentage of total issued share* of the Company
Prime Partners Development Limited *(Note 1)*	Beneficial interest	139.07	6.73%	6.56%

* *The total number of issued share consists of 2,066,808,004 Ordinary Shares and 52,382,227 Convertible Notes, which could be converted into 52,382,227 Ordinary Shares.*

Note:

1. Dr. Chen Yuhong is deemed to be interested in 139,072,725 shares and through Prime Partners Development Limited, which is wholly owned by Dr. Chen Yuhong.

Save as disclosed above, as at 31 December, 2015, no other interest or short position in the Shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchases, sold or redeemed any listed securities of the Company during the year under review.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of the scheme is set out in note 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

COMPETING INTERESTS

As at 31 December 2015, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

AFTER THE REPORTING PERIOD

Details of the subsequent event of the Group are set out in note 43 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Dr. Chen Yuhong
Chief Executive Officer

Beijing, 21 March 2016

Environment, Society and Governance Report ("ESG Report")

Chinasoft's vision is to "help customers to succeed, to create and share and grow together based on common drive for excellence". To achieve this vision, the Group works with its business partners and employees in a responsible, equitable and honest manner, and makes contributions and provides services to the community in which its business locates.

The company secretary and the relevant department of the Company have been authorized to assist in the preparation of this ESG Report, for which the board of directors (the "Board") of the Company is ultimately responsible.

Corporate and Community

Corporate social responsibility is not only to create social wealth through operations, but also to guide a scientific, rational and equitable distribution of social resources and wealth, which aims to both encourage the strong and help the weak, thus providing an opportunity for each group to share the results of community development.

With the e-government project, being a key national e-government project in the "Golden Projects", Chinasoft plays a significant role in improving administrative efficiency and enhancing service performance for the government and community. Chinasoft has been for many years deeply involved in the Golden Projects, including, among others, Golden Auditing, Golden Agriculture (Agricultural Management and Service Information System), Golden Insurance, Golden IC-Card and Golden Quality Projects. These e-government projects are often implemented in the communities at the end, which contributes to the information technology of the communities.

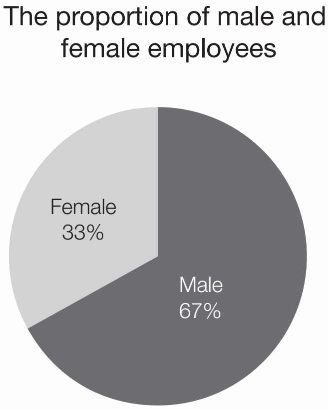
In addition, in respect of anti-corruption, Chinasoft provides information technology support by actively making use of its strength in the field of pan-supervision and through the Golden Auditing Project and related regulatory systems designed for CCDI and the SASAC.

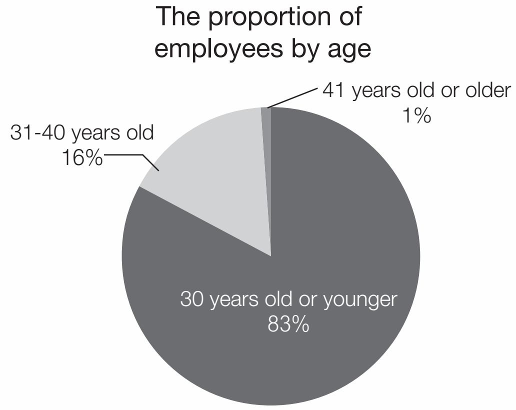
Employee Benefits and Training

Chinasoft currently has approximately 31,500 employees all over the China and around the world. It values the career development for each employee, and helps each employee to seek for excellence. The Company also offers competitive salaries in the industry by continuously conducting market research and analysis based on market principles, in order to attract and retain qualified talent.

The Group has a salary incentive system closely linked to individual and organizational performance and a social security and staff welfare system in respect of the health and safety for all employees. The Group provides regular health examination arrangements for its employees, and contributes to the basic medical insurance fund for employees as required by Chinese Law, as well as purchases business medical insurance as a supplement thereto. The Group purchases additional health insurance items as appropriate, based on the principle of needs and possibility.

New employees will accept uniform induction training upon their enrolling. The Group will also provide related training and development programme for new employees as they need specifically when they are working on a regular basis, such as technical training, special training and corporate culture training, to ensure that all employees be given opportunities to accept training for a certain hours. Training is conducted by both in-house and external training professionals. After the end of the training, follow-up appraisals are conducted to ensure the effectiveness of such training.





Environment Conservation, Energy Saving and Emission Reduction

In response to the policy of the State to build a resource-saving and environment-friendly community, Chinasoft actively searches opportunities on energy conservation and emission reduction during the course of operation. The Group accomplishes this task by reducing the comprehensive cost centralizing energy conservation and emission reduction, and maximizing community resource consumption through the use of information technology and services.

Chinasoft consistently achieves energy conservation and consumption reduction by, among others channels, normal energy conservation, creative technological conservation, use of renewable energies, improving the management level of information technology, promotion of e-marketing channels and development of energy-saving information technology applications, during various sections from daily office environment, air-conditioning and use of electricity to printing on double-sided paper and waste recycling, as well as provides information technology solutions for energy conservation and emission reduction in other industries.

The following sets out the profile of the Directors and senior management of the Company:

DIRECTORS

Executive Directors

Dr. Chen Yuhong (陳宇紅), aged 53, is the Chairman and the Chief Executive Officer of the Company and is responsible for the overall business development of the Group. He has over 20 years of practicing experience in software information industry. Dr. Chen holds a doctorate degree in optics from Beijing Polytechnic University (北京理工大學) in 1991. Prior to joining the Company on 25 April 2000, Dr. Chen worked at China National Computer Software & Technology Service Corporation ("CS&S") from October 1996 to April 2000, subsequently was appointed as vice president in June 1999 and as senior vice president of CNTC (中軟網絡資訊技術有限公司) in December 2003. He has also been appointed a director of Chinasoft Resources. He was also a director of CS&S Cyber Resources Software Technology (Tianjin) Co., Ltd., an associate company of CS&S from 1999 to March 2002. From June 1991 to October 1996, he was the deputy general manager of China Great Wall Computer Software Co., Ltd. (中國長城電腦軟體公司).

Dr. Tang Zhenming (唐振明), aged 53, is the senior vice president of the Company. He is responsible for the Group's training department. Dr. Tang obtained a doctorate degree in motor electronic control from Beijing Polytechnic University (北京理工大學) in 1994. Prior to joining the Company on 25 April 2000, Dr.Tang was employed by Beijing Institute of Technology Industrial Company (北京理工大學產業總公司) as deputy general manager from May 1995 to March 2000 and by American W&P Company, Beijing Office (美國W&P公司北京辦事處) as officer from December 1993 to March 1995.

Mr. Wang Hui (王暉), aged 43, is the senior vice president and chief strategic officer of the Company and has over 10 years of practicing experience in software information industry. Mr. Wang graduated from Tianjin University (天津大學) in 1995. Prior to joining the Company on 25 April 2000, Mr. Wang was a manager of China Greatwall Computer Software Co., Ltd. (中國長城計算機軟體公司) from 1995 to 2000.

Non-executive Director

Dr. Zhang Yaqin (張亞勤), aged 49, was appointed on 31 December 2008. Dr. Zhang Ya-Qin is currently the President of Baidu Corporation, in charge of new business. Prior to joining Baidu, Dr. Zhang was Microsoft's Corporate Vice President and Chairman of Asia R&D Group, leading Microsoft's R&D efforts in Asia-Pacific, Microsoft's largest R&D establishment outside of US with over 3,000 scientists and engineers. Over 15 year tenure at Microsoft, he has taken various key positions, including the Managing Director of Microsoft Research Asia (2000-2004), Chairman of Microsoft China (2007-2012), Corporate Vice President of Mobile and Embedded Products (2004-2006), and Asia R&D Chairman until September 2014. Before joining Microsoft, Dr. Zhang was Director of the Multimedia Technology Laboratory at Sarnoff Corp. Princeton, New Jersey (RCA Laboratories), where he oversaw the development of several significant digital video encoding and communications technologies for commercial and surveillance/security systems. Prior to that, from 1989 to 1994, Dr. Zhang was a senior technical staff member at GTE Laboratories Inc. (now part of Verizon) Corp. in Waltham, MA. Dr. Zhang is a Fellow of Institute of Electrical and Electronics Engineers (IEEE) and has published more than 500 papers in leading international conferences and journals. He has been granted more than 60 US patents in digital video, Internet, multimedia, wireless and satellite communications. He was a key contributor to the ISO/MPEG and ITU standardization efforts in digital video and multimedia. In 1997, he became the youngest ever Fellow of IEEE and has served as editor-in-chief for several influential IEEE journals. Currently, Zhang serves on the Board of Directors of five high-tech IT companies. He is an honorary or guest professor at more than 20 prestigious universities, and is an advisor to several government agencies. Zhang is also the vice Chairman of Committee 100, a group of leading Chinese-Americans to promote the political, scientific, social, and economic exchanges between the US and China. Dr. Zhang received his B.S. and M.S. in Electrical Engineering from the University of Science and Technology of China (USTC) in 1983 and 1985. He received his Doctor of Science in Electrical Engineering from George Washington University, Washington D.C. in 1989.

Independent Non-executive Directors

Mr. Zeng Zhijie (曾之杰), aged 48, was appointed on 21 April 2003. Mr Zeng is the Senior Managing Director of CITIC Capital Holdings Limited and the General Manager and Managing Partner of Kaixin Investment. Mr Zeng has been active in the venture capital industry for more than fifteen years. Mr.Zeng holds his B.S. in Economics from the University of Nagasaki, Japan, and M.M. from Stanford University. Prior to joining CITIC Capital, he was a managing director of Walden International since 2001, an established global venture capital firm. Prior to Walden International, Mr Zeng worked for CITIC Pacific Ltd in Hong Kong and Mitsubishi Corporation in Tokyo, Japan. At present, Mr Zeng also serves as the chairman of China Special Article Logistics Company, as well as independent director for six listed companies: Great Wall Technology Company Limited (SEHK), Chinasoft International Limited (SEHK), E-House (NYSE), Vimicro (Nasdaq) and AutoNavi (Nasdaq). Other companies he serves as director or independent director: the State Microelectronics and the United Overseas Bank. He is also the executive director of AAMA China branch and board member of WRSACC 2005 Committee.

Dr. Leung Wing Yin Patrick (梁永賢), aged 59, was appointed on 22 March 2006. Dr. Leung has many years working experience in internal auditing and corporate finance in banks. He holds a doctor's degree in accounting from the University of New South Wales, Australia, and is a member of Certified Public Accountants of Australia, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. Dr. Leung is an Assistant Professor and a Doctor Student Supervisor at the School of Accounting and Finance of the Hong Kong Polytechnic University. Dr. Leung previously worked as a consultant in a firm of Certified Public Accountants and as a Senior Lecturer at Charles Sturt University, Australia and the City University of Hong Kong.

Dr. Lai Guanrong (賴觀榮), aged 52, was appointed on 2 June 2015. Dr. Lai is currently the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司). Dr. Lai graduated from the School of Economics of Xiamen University in 1983 with a bachelor's degree, specialising in finance. He was awarded a master's degree by research by the Graduate School of the People's Bank of China (now known as the PBC School of Finance of Tsinghua University) in 1986. He was awarded a doctor's degree by research by the School of Economics of Xiamen University in 2001. He also took part in the 8-month special topic training "Dialogue between financial capital and technological innovation" organised by Tsinghua University in 2014. Dr. Lai was the secretary and deputy head of the office of the Fujian Province branch of the People's Bank of China. He led the establishment of the first securities company in Fujian and one of the first batch of securities companies in China, Minfa Securities Company Limited (閩發證券有限公司), and acted as the deputy general manager leading its work after the establishment of the company. He has led and successfully planned the merger and acquisition of listed companies, namely the merger of Xuji Electric (許繼電氣) (stock code: 000400SZ) with another listed company, Tianyu Electric (天宇電氣). In 1993, Dr. Lai led and successfully planned the listing of the earliest listed Fujian company, Fuyao Glass (福耀玻璃) (stock code: 600660SH); he also took part in the acquisition of Shenzhen Pu Rui Kang Biotechnology Company Limited (深圳市普瑞康生物技術有限公司). In 1996, Dr. Lai acted as the general manager of Fujian Min Qiao Trust Investment Company Limited (福建閩僑信託投資有限公司) and took over its management. After one year, Min Qiao Trust, which had been on the brink of bankruptcy, became the trust company with the highest gross profit and return on net assets ratio in the province. He has also been the president of Huafu Securities Company (華福證券公司), a provincialowned enterprise. When Dr. Lai was involved in the setting up of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司) and acted as its legal representative and president, he and the shareholders successfully introduced the Agricultural Bank of China as a controlling shareholder of Jiahe Life Insurance, together leading Jiahe Life Insurance into a new stage of development. In September 2000, Dr. Lai was invited to give a keynote speech on "The Capital Market and Technology Enterprise Development" at the "9.8 Management and Wealth Forum" (9.8管理與財富論壇) of the China Fair for International Investment and Trade (中國九八投資貿洽會).

SENIOR MANAGEMENT

Mr. Frank Waung (汪其方), age 50, is the Chief Financial Officer of the Company. He has over 20 years experience in financial management. Mr. Waung holds a bachelor's degree in Computer Engineering from the University of California at Santa Cruz and has a master's degree in business administration from the Wharton School. Prior to joining the Company on 17 April 2012, Mr. Waung was the Chief Financial Officer for China Pharma Holdings Inc., a NYSE AMEX listed China-based manufacturer of western pharmaceuticals from 2009 through 2012. Mr. Waung has also worked as an investment banker with a focus on China for Hickey Freihofner Capital, a special situations analyst at Della Camera Capital Management, a senior market economist and convertible securities trader at SG Cowen, as well as a quantitative marketer at Credit Suisse First Boston.

Mr. Simon Chung (鍾鎮銘), aged 54, is the global chief operating officer of the Company and the chief executive officer in ITO business of Japan. He is responsible for the overall daily operation of the Group. He has over 20 years of experience in IT professional services covering account management, service delivery management, technical sales, quality assurance and control, project management and customer support operation in the area of public government, telecom and finance sectors. He holds a bachelor's degree in Computing Mathematics from the University of Wollongong in Australia. Prior to joining the Company, he was a project director of Atos Origin responsible for the management of large scale projects and service delivery for major clients in Asia Pacific from 1996 to 2005.

Mr. Simon Zhang (張崇濱), aged 53, is the senior vice president and chief human resources officer of the Company. He is responsible for the human resources management of the Company. Mr. Zhang worked in Shaanxi Provincial Tourism Bureau after graduating from the Department of Economics of Northwest University in 1987. Prior to joining the Company, he was the General Manager of Chongqing Three Gorges Liner Corporation (under China International Travel Service in Xi'an) from 1997 to 1999. From 1994 to 1997, he was the Deputy General Manager and General Manager of Northwestern branch in Weijiang Plastics Co. Ltd., which was a Sino- US joint venture. From 1992 to 1994, Mr. Zhang was employed as Chief Business Representative in U.S. Phonenix Medical Equipment Company.

COMPANY SECRETARY

Ms. Leong Leung Chai, Florence (梁良齊), aged 36, is currently the Financial Controller of the Company and responsible for financial reporting, company secretarial functions and assists the Chief Financial Officer on Group's accounting issues. Before joining the Company on November 2005, Ms. Leong worked in an international audit firm for several years. She holds a bachelor degree in Accountancy and has over 10 years' experience in auditing, financial reporting and listing compliance. She is a Certified Public Accountant and a member of the Hong Kong Institute of Certified Public Accountants.

Deloitte.
德勤

TO THE MEMBERS OF CHINASOFT INTERNATIONAL LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chinasoft International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 171, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Turnover	5	**5,129,111**	4,429,202
Cost of sales and services		**(3,605,903)**	(3,080,046)
Gross profit		**1,523,208**	1,349,156
Other income		**46,259**	60,492
Other gains or losses		**(17,625)**	(1,304)
Selling and distribution costs		**(178,581)**	(219,789)
Administrative expenses		**(744,516)**	(664,752)
Research and development costs expensed		**(78,066)**	(64,161)
Allowance for doubtful debts		**(62,055)**	(27,103)
Other expenses		**(91,961)**	(80,676)
Fair value change on derivative financial instruments		**(1,074)**	1,074
Finance costs	6	**(92,509)**	(84,385)
Share of results of associates		**1,907**	1,429
Gain on disposal of available-for-sale investments		**–**	27,568
Gain on disposal of subsidiaries		**111,724**	–
Gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary		**3,283**	(310)
Profit before taxation		**419,994**	297,239
Income tax expense	7	**(87,010)**	(42,183)
Profit for the year	8	**332,984**	255,056
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		**10,236**	(1,766)
– fair value gain on hedging instruments in cash flow hedge		**–**	425
– reclassification to profit or loss upon discontinue of cash flow hedge		**–**	(1,074)
– reclassification to profit or loss upon disposal of a subsidiary		**3,355**	–
Other comprehensive income (expense) for the year, net of tax		**13,591**	(2,415)
Total comprehensive income for the year		**346,575**	252,641

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company		**280,056**	200,038
Non-controlling interests		**52,928**	55,018
		332,984	255,056
Total comprehensive income attributable to:			
Owners of the Company		**293,548**	197,624
Non-controlling interests		**53,027**	55,017
		346,575	252,641
Earnings per share	11		
Basic		**RMB0.1405**	RMB0.1072
Diluted		**RMB0.1360**	RMB0.1054

Consolidated Statement of Financial Position

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	12	537,593	335,803
Intangible assets	13	283,103	325,458
Goodwill	14	995,610	983,298
Interests in associates	15	78,857	9,629
Available-for-sale investment	16	49,151	43,256
Prepaid lease payments	17	39,583	40,474
Other receivable	20	11,688	–
Derivative financial instruments	18	–	1,074
Deferred tax assets	28	6,516	11,519
		2,002,101	1,750,511
Current assets			
Inventories	19	30,260	31,991
Trade and other receivables	20	1,429,127	1,315,781
Bills receivable		8,828	–
Prepaid lease payments	17	893	1,009
Amounts due from customers for contract work	22	1,516,660	1,410,425
Amounts due from related companies	23	49,862	944
Pledged deposits	24	44,891	22,370
Bank balances and cash	24	1,265,831	811,435
		4,346,352	3,593,955
Current liabilities			
Amounts due to customers for contract work	22	87,750	212,205
Trade and other payables	25	940,372	771,852
Bills payable	26	2,120	35,791
Amounts due to related companies	23	34,667	16,708
Dividend payable		78	73
Taxation payable		87,353	52,651
Convertible loan notes	29	89,622	–
Borrowings	27	1,297,016	1,240,190
		2,538,978	2,329,470
Net current assets		1,807,374	1,264,485
Total assets less current liabilities		3,809,475	3,014,996

Consolidated Statement of Financial Position

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Deferred tax liabilities	28	**20,504**	19,294
Consideration payable on acquisition of a subsidiary		**39,205**	38,900
Convertible loan notes	29	**–**	193,771
Borrowings	27	**263,496**	62,000
		323,205	313,965
		3,486,270	2,701,031
Capital and reserves			
Share capital	30	**95,645**	88,014
Share premium	31	**2,106,029**	1,654,687
Reserves	31	**1,045,531**	754,678
Equity attributable to owners of the Company		**3,247,205**	2,497,379
Non-controlling interests		**239,065**	203,652
Total equity		**3,486,270**	2,701,031

The consolidated financial statements on pages 73 to 171 were approved and authorised for issue by the board of directors on 21 March 2016 and are signed on its behalf by:

Dr. Chen Yuhong	**Dr. Tang Zhenming**
DIRECTOR	*DIRECTOR*

	Attributable to the owners of the Company												
	Share capital RMB'000	Share premium RMB'000 (note 31)	Hedging and other reserves RMB'000 (note 31)	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000 (note 31)	Statutory enterprise expansion fund RMB'000 (note 31)	Statutory surplus reserve fund RMB'000 (note 31)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	87,085	1,628,650	39,180	(9,767)	38,813	30,391	15,793	26,749	49,662	361,667	2,268,223	172,978	2,441,201
Profit for the year	–	–	–	–	–	–	–	–	–	200,038	200,038	55,018	255,056
Other comprehensive income for the year													
– Exchange differences arising on translation of foreign operations	–	–	–	(1,765)	–	–	–	–	–	–	(1,765)	(1)	(1,766)
– Fair value change on hedging instruments in cash flow hedge	–	–	425	–	–	–	–	–	–	–	425	–	425
– Reclassification to profit or loss upon discontinue of cash flow hedge	–	–	(1,074)	–	–	–	–	–	–	–	(1,074)	–	(1,074)
Total comprehensive income for the year	–	–	(649)	(1,765)	–	–	–	–	–	200,038	197,624	55,017	252,641
Issue of ordinary shares upon exercise of share options	929	26,037	–	–	(5,683)	–	–	–	–	–	21,283	–	21,283
Recognition of share option expenses	–	–	–	–	16,906	–	–	–	–	–	16,906		16,906
Cancellation of share options	–	–	–	–	(1,223)	–	–	–	–	1,223	–	–	–
Acquisition of additional equity interests in a subsidiary	–	–	(24,816)	–	–	–	–	–	1,355	16,804	(6,657)	(24,343)	(31,000)
Appropriations	–	–	–	–	–	–	–	–	21,641	(21,641)	–	–	–
At 31 December 2014	88,014	1,654,687	13,715	(11,532)	48,813	30,391	15,793	26,749	72,658	558,091	2,497,379	203,652	2,701,031
Profit for the year	–	–	–	–	–	–	–	–	–	280,056	280,056	52,928	332,984
Other comprehensive income for the year													
– Exchange differences arising on translation of foreign operations	–	–	–	10,226	–	–	–	–	–	–	10,226	10	10,236
– Reclassification to profit or loss upon disposal of a subsidiary	–	–	–	3,266	–	–	–	–	–	–	3,266	89	3,355
Total comprehensive income for the year	–	–	–	13,492	–	–	–	–	–	280,056	293,548	53,027	346,575
Issue of ordinary shares upon exercise of share options	1,145	50,303	–	–	(10,629)	–	–	–	–	–	40,819	–	40,819
Recognition of share option expenses	–	–	–	–	13,637	–	–	–	–	–	13,637	–	13,637
Cancellation of share options	–	–	–	–	(1,216)	–	–	–	–	1,216	–	–	–
Issue of ordinary shares	3,947	281,430	–	–	–	–	–	–	–	–	285,377	–	285,377
Capital contribution from non-controlling shareholders of a subsidiary	–	–	12,274	–	–	–	–	–	(124)	(1,138)	11,012	16,488	27,500
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(14,542)	(14,542)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(19,560)	(19,560)
Conversion of convertible loan notes	2,539	119,609	–	–	–	(16,715)	–	–	–	–	105,433	–	105,433
Appropriations	–	–	–	–	–	–	–	–	14,599	(14,599)	–	–	–
At 31 December 2015	95,645	2,106,029	25,989	1,960	50,605	13,676	15,793	26,749	87,133	823,626	3,247,205	239,065	3,486,270

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTES	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before taxation		**419,994**	297,239
Adjustments for:			
Depreciation of property, plant and equipment		**50,647**	60,137
Amortisation of intangible assets and prepaid lease payments		**91,961**	80,676
Finance costs		**92,509**	84,385
Allowance for doubtful debts		**62,055**	27,103
Share option expenses		**13,637**	16,906
Interest income		**(4,316)**	(2,847)
Share of results of associates		**(1,907)**	(1,429)
Loss on disposal of property, plant and equipment		**436**	193
Gains on disposal of subsidiaries		**(111,724)**	–
Gain on disposal of available-for-sale investment		**–**	(27,568)
(Gains) loss arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary		**(3,283)**	310
Fair value change on derivative financial instruments		**1,074**	(1,074)
Loss on termination of the interest rate swap		**2,264**	–
Exchange losses		**20,370**	–
Operating cash flows before movements in working capital		**633,717**	534,031
Increase in trade and other receivables		**(243,133)**	(117,756)
Decrease in amounts due to customers for contract work		**(124,455)**	(5,205)
Increase in amounts due from customers for contract work		**(106,235)**	(349,556)
Changes in amounts due from/to related parties		**(3,087)**	–
Increase in trade and other payables		**185,750**	18,674
Increase in bills receivable		**(8,828)**	–
Decrease (increase) in inventories		**1,698**	(12,108)
(Decrease) increase in bills payable		**(33,671)**	32,404
Cash generated from operations		**301,756**	100,484
Income taxes paid		**(42,195)**	(25,768)
Taxation refunded		**–**	80
Net cash generated from operating activities		**259,561**	74,796

	NOTES	2015 RMB'000	2014 RMB'000
Investing activities			
Purchases of property, plant and equipment		(272,381)	(215,076)
Placement of pledged deposits		(91,494)	(18,572)
Development costs paid		(59,194)	(79,436)
Purchase of software		(9,082)	(5,785)
Investment in available-for-sale investment		(5,895)	(43,256)
Investments in an associate		(2,500)	(1,960)
Payments for termination of interest rate swap		(2,264)	–
Advances to related parties		(197)	–
Withdrawal of pledged deposits		69,343	1,403
Repayment of loans to staff		19,244	–
Net cash inflow on disposal of subsidiaries	35	12,371	–
Proceeds from disposal of available-for-sale investment in prior year		8,000	–
Interest received		4,316	2,847
Proceeds from disposal of property, plant and equipment		2,238	5,653
Dividend received from an associate		1,720	5,559
Acquisition of a business	34	–	(90,931)
Loan to staff		–	(19,244)
Advance to related companies		–	(130)
Refund for acquisition of a subsidiary in prior year		–	10,856
Deposit paid for investment in an associate returned		–	9,900
Net cash used in investing activities		(325,775)	(438,172)
Financing activities			
New bank loans raised		2,149,266	1,273,787
Process from issue of ordinary shares		285,377	–
Proceeds from exercise of share options		40,819	21,283
Capital contribution from non-controlling interests of a subsidiary		27,500	–
Advance from a related company		7,000	15,512
Repayment of borrowings		(1,907,460)	(961,193)
Interest paid		(75,326)	(66,091)
Interest paid on convertible loan notes		(7,452)	(8,500)
Repayment of advance from a related party		(2,022)	(8,000)
Acquisition of additional equity interest in a subsidiary	36	–	(31,000)
Net cash generated from financing activities		517,702	235,798
Net increase (decrease) in cash and cash equivalents		451,488	(127,578)
Cash and cash equivalents at beginning of the year		811,435	940,823
Effect of foreign exchange rate changes		2,908	(1,810)
Cash and cash equivalents at end of the year, representing bank balances and cash		1,265,831	811,435

1. GENERAL INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 February 2000 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 June 2003.

On 29 December 2008, the listing of the shares of the Company was transferred to the Main Board of the Stock Exchange.

The addresses of the registered office and principal places of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The consolidated financial statements are presented in Renminbi, which is same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the Group) are development and provision of information technology ("IT") solutions services, IT outsourcing services, IT emerging services and training services.

Particulars of the Group's subsidiaries at 31 December 2015 and 2014 are set out as follows:

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	2015 %	2014 %	
Chinasoft International Holdings Limited	Samoa/ Hong Kong ("HK")	US$1	100	100	-	–	Investment holding
Chinasoft International (Hong Kong) Limited	HK	HK$100	-	–	100	100	Investment holding and trading of standalone software products
Chinasoft International Treasury Management (Hong Kong) Limited	HK	HK$1	-	–	100	100	Inactive
Chinasoft Resource (International) Limited ("Chinasoft Resource International")	HK	HK$100,000	-	–	100	100	Provision of IT outsourcing services
Chinasoft International Inc.	United States of America ("USA")	US$0.01	-	–	100	100	Provision of IT outsourcing services

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	2015 %	2014 %	
北京中軟國際信息技術有限公司 Chinasoft International Information Technology Limited ("Chinasoft Beijing")	People's Republic of China (other than HK) ("PRC")	RMB200,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services, software development and trading of standalone software and hardware products
中軟國際（廣州）信息技術有限公司 Chinasoft International (Guang Zhou) Information Technology Limited (Note i)	PRC	HK$5,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products
中軟總公司計算器培訓中心 Computer Training Center of CS&S ("Training Center") (Note ii)	PRC	RMB500,000	–	–	100	100	Provision of IT training services
北京中軟國際教育科技有限公司 Beijing Chinasoft International Education Technology Co., Ltd. ("Beijing Chinasoft EDU") (Note vii & ix)	PRC	RMB31,600,000	–	–	–	70	Development of educational software
無錫中軟國際信息技術培訓有限公司 Wuxi Chinasoft International Information Technology Training Co., Ltd (Note ix).	PRC	RMB2,000,000	–	–	–	70	Provision of IT training services
中軟國際（昆明）信息技術有限公司 Chinasoft International (Kunming) Information Technology Limited (Note i)	PRC	HK$8,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products
中軟國際（湖南）信息技術有限公司 Chinasoft International (Hunan) Information Technology Limited (Note i)	PRC	US$1,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products
中軟賽博資源軟件技術（天津）有限公司 CS&S Cyber Resources (Tianjin) Co., Ltd.	PRC	RMB5,000,000	–	–	76	76	Provision of IT outsourcing services

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015	2014	**2015**	2014	
			%	%	**%**	%	
廈門中軟海晟信息技術有限公司 Xiamen Chinasoft Haisheng International Technology Limited ("CSIHS")	PRC	RMB80,000,000	**–**	–	**51**	51	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products
北京中軟資源信息科技服務有限公司 Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources Beijing") (Note i)	PRC	US$800,000	**–**	–	**100**	100	Provision of IT outsourcing services
深圳市中軟資源技術服務有限公司 Shenzhen Chinasoft Resources Information Technology Services Limited	PRC	RMB5,000,000	**–**	–	**100**	100	Provision of IT outsourcing services
上海中軟資源技術服務有限公司 Shanghai Chinasoft Resources Information Technology Services Limited ("Chinasoft Resources Shanghai")	PRC	RMB3,000,000	**–**	–	**100**	100	Provision of IT outsourcing services
日本創智株式會社 Japan Powerise Co., Ltd.	Japan	JPY22,500,000	**–**	–	**100**	100	Provision of IT outsourcing services
Hinge Global Resource Inc. ("HGR")	Cayman Islands	US$3,956,000	**97.35**	97.35	**–**	–	Investment holding
上海華騰軟件系統有限公司 Shanghai Huateng Software Systems Co., Ltd. ("Shanghai Huateng") (Note i)	PRC	US$8,000,000	**–**	–	**97.65**	97.65	Development and provision of IT system
大連全數科技有限公司 Dalian Digitall Technology Co., Ltd. ("Dalian Digitall") (Note i)	PRC	JPY25,000,000	**–**	–	**98.41**	98.41	Provision of IT outsourcing services
大連信華軟件技術有限公司 Dalian Xinhua Software Co., Ltd. (Note i)	PRC	US$150,000	**–**	–	**97.35**	97.35	Provision of IT outsourcing services

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015	2014	**2015**	2014	
			%	%	**%**	%	
大連信華信息技術有限公司 Dalian Xinhua Infotech Co., Ltd. (Note vi)	PRC	US$250,000	**-**	–	**-**	97.35	Provision of IT outsourcing services
株式會社東京信華 Kabushiki Kaisha Tokyo Xinhua Limited	Japan	JPY10,000,000	**-**	–	**97.35**	97.35	Provision of IT outsourcing services
DoubleBridge Technologies, Inc. (Note viii)	USA	US$2,204,400	**-**	–	**-**	97.35	Provision of IT outsourcing services
長沙中軟計算機系統服務有限公司 Changsha Chinasoft Computer System Service Co. Ltd. (Note ix)	PRC	RMB1,500,000	**-**	–	**-**	70	Provision of IT training services
重慶卓睿信息技術有限公司 Excellency Training Center of CSI (Chongqing) Limited (Note ix).	PRC	RMB1,500,000	**-**	–	**-**	70	Provision of IT training services
大連中軟卓越信息技術有限公司 Dalian Excellency Information & Technology Ltd. (Note ix)	PRC	RMB500,000	**-**	–	**-**	70	Provision of IT training services
大連中軟卓越計算機培訓中心 Excellency Training Center of CSI (Dalian) (Note ii & ix)	PRC	RMB1,000,000	**-**	–	**-**	70	Provision of IT training services
長沙市中軟計算機培訓中心 Excellency Training Center of CSI (Changsha) (Note ii & ix)	PRC	RMB100,000	**-**	–	**-**	70	Provision of IT training services
廈門中軟卓越教育服務有限公司 Excellency Training Center of CSI (Xiamen) Limited (Note ix)	PRC	RMB1,000,000	**-**	–	**-**	70	Provision of IT training services
天津開發區中軟卓越信息技術有限公司 Excellency Training Center of CSI (Tianjin) Limited (Note ix)	PRC	RMB3,000,000	**-**	–	**-**	66.5	Provision of IT training services
北京中軟國際教育科技南京有限公司 Excellency Training Center of CSI (Nanjing) Limited (Note ix)	PRC	RMB1,000,000	**-**	–	**-**	70	Provision of IT training services

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015 %	2014 %	2015 %	2014 %	
中軟國際資源信息技術（無錫）有限公司 Chinasoft International Information Technology (Wuxi) Limited (Note i)	PRC	USD3,000,000	–	–	100	100	Provision of IT outsourcing services
深圳市金華業軟件系統有限公司 Shenzhen Jinhuaye Software Ltd.	PRC	RMB1,000,000	–	–	100	100	Provision of IT outsourcing services
蘇州華騰軟件系統有限公司 Suzhou Huateng Software Systems Co., Ltd	PRC	RMB2,000,000	–	–	97.65	97.65	Provision of solutions, IT outsourcing, IT consulting services and trading of standalone software and hardware products
中軟國際電子商務有限公司 Chinasoft International E-Co. Ltd.	PRC	RMB6,027,271/ RMB30,000,000	–	–	67	67	Provision of e-tickets agency services
中軟國際（中國）科技有限公司 Chinasoft International (China) Technology Limited ("CSI China") (Note i)	PRC	HK$20,000,000/ HK$100,000,000	–	–	100	100	Provision of solutions, IT outsourcing, IT consulting
南京中軟資源科技服務有限公司 Nanjing Chinasoft Resources Information Technology Services Limited (Note i)	PRC	US$6,000,000	–	–	100	100	Provision of IT outsourcing services
漢普管理諮詢（中國）有限公司 Han Consulting (China) Ltd. ("Han Consulting")	PRC	RMB55,026,571	–	–	85	85	Provision of consulting services
掌中無限控股有限公司 MMIM Technologies Inc. ("MMIM")	Cayman Islands	US$561	100	100	–	–	Investment holding
掌中無限信息服務有限公司 Mobile Instant Messaging and Information System, Ltd.	HK	HK$1	–	–	100	100	Provision of IT emerging services
北京掌迅互動信息技術有限公司 MMIM Interactive Co., Ltd. ("MMIM Interactive") (Note i)	PRC	US$13,150,000	–	–	100	100	Provision of IT emerging services

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group Directly 2015 %	Directly 2014 %	Indirectly 2015 %	Indirectly 2014 %	Principal activities
北京掌中無限信息技術有限公司 MMIM Info. Technology Co., Ltd. ("MMIM Technology") (Note iv)	PRC services	RMB10,000,000	**–**	–	**100**	100	Provision of IT emerging
中軟國際科技服務有限公司 Chinasoft International Technology Services Limited ("CSITS") (Note v)	PRC	RMB100,000,000	**–**	–	**60**	60	Provision of IT outsourcing services
中軟國際（上海）科技服務有限公司 Chinasoft International Technology Service (Shanghai) Ltd.	PRC	RMB10,000,000	**–**	–	**60**	60	Provision of IT outsourcing services
北京中軟國際科技服務有限公司 Chinasoft International Technology Service (Beijing) Ltd.	PRC	RMB10,000,000	**–**	–	**60**	60	Provision of IT outsourcing services
中軟國際科技服務（湖南）有限公司 Chinasoft International Technology Service (Hunan) Ltd.	PRC	RMB5,000,000	**–**	–	**60**	60	Provision of IT outsourcing services
中軟國際科技服務（大連）有限公司 Chinasoft International Technology Service (Dalian) Ltd.	PRC	RMB10,000,000	**–**	–	**60**	60	Provision of IT outsourcing services
中軟國際（西安）軟件技術有限公司 Chinasoft International Software Technology (Xian) Ltd. (Note i)	PRC	RMB200,000,000	**–**	–	**100**	100	Provision of IT outsourcing services
Cyber Resources Software Technology (Ireland) Limited	Ireland	EUR 100.00	**–**	–	**100**	100	Provision of IT outsourcing services
Chinasoft International (U.K.) Limited (Note vi)	United Kingdom	GBP100	**–**	–	**–**	100	Provision of IT outsourcing services
Catapult Systems, LLC ("Catapult")	USA	US$992,248	**–**	–	**100**	100	Provision of Microsoft product and technology consultancy services
衷道投資有限公司 Chinasoft International Investment Limited	PRC	US$3,000,000	**–**	–	**100**	100	Investment holding

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			Directly		Indirectly		
			2015	2014	2015	2014	
			%	%	%	%	
CSI Innovation Inc.	USA	US$0.1	–	–	100	100	Investment holding
重慶市沙坪區中軟軟體職業培訓學校 Chongqing Shaping District Training School of CSI (Note ii & ix)	PRC	RMB300,000	–	–	–	70	Provision of IT training services
瀋陽中軟卓越信息技術有限公司 Excellency Information Center of CSI (Shenyang) Limited (Note ix)	PRC	RMB500,000	–	–	–	70	Provision of IT training services
南京中軟卓訓信息技術有限公司 Nanjing Excellency information & Technology Ltd (Note ix)	PRC	RMB1,000,000	–	–	–	70	Provision of IT training services
瀋陽中軟卓越計算機培訓學校 Excellency Training Center of CSI (Shenyang) (Notes ii & ix)	PRC	RMB200,000	–	–	–	70	Provision of IT training services
廣州中軟職業技能培訓有限公司 Professional Skills Training Center of CSI (Guangzhou) Limited (Note ix)	PRC	RMB400,000/ RMB3,000,000	–	–	–	70	Provision of IT training services
Chinasoft Intl Global Limited*	HK	HK$10	–	–	100	–	Investment holding
CSI Innovations (Hong Kong) Limited*	HK	HK$10	–	–	100	–	Investment holding

* Newly established during the year ended 31 December 2015.

Except for convertible loan notes issued by the Company, none of the subsidiaries had any debt securities outstanding at 31 December 2015 or at any time during the year.

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

Note i: These entities are registered as wholly-foreign owned enterprises under the PRC law.

Note ii: These entities are registered as institutional organisations under the PRC law.

Note iii: All the PRC established entities, except for those mentioned in Note i and Note ii above, are registered as limited liability companies.

Note iv: The registered owners of MMIM Technology, two individuals, hold the legal ownership of equity of MMIM Technology on behalf of the Group by a series of agreements enacted among the registered owners of MMIM Technology and MMIM Interactive. The agreements have in substance enabled the Group to have power over MMIM Technology, rights to variable returns from its involvement and has the ability to use its power to affect its returns, despite the absence of formal legal equity interest held by the Group therein.

Note v: During the year ended 31 December 2012, CSI China, a wholly owned subsidiary of the Company and Huawei Technology Company Limited ("Huawei") entered into an agreement to establish CSITS in April 2012 as part of the Group's planned consolidation of its IT outsourcing business. Pursuant to the agreement, CSITS was owned by CSI China and Huawei as to 60% and 40%, respectively, in accordance with their respective contribution of the registered capital. CSITS was accounted for as a subsidiary of the Company.

Note vi: These entities are deregistered during the year ended 31 December 2015.

Note vii: The registered capital of Beijing Chinasoft EDU was increased from RMB30,000,000 to RMB31,600,000 in November 2015. Chinasoft Beijing, the immediate holding company of Beijing Chinasoft EDU, together with the non-controlling interest shareholders of Beijing Chinasoft EDU, made capital injections of RMB17,500,000 and RMB27,500,000 in November 2015. The equity interest of Beijing Chinasoft EDU owned by Chinasoft Beijing decreased from 70% to 66.46% after the above capital injections.

On 11 December 2015, Chinasoft Beijing signed two share transfer agreements with two independent investors (the "Investors") and pursuant to which Chinasoft Beijing agreed to sale, the Investors agreed to purchase, 14.92% and 2.54% of Bejing Chinasoft EDU's equity interest for considerations of RMB58,934,000 and RMB10,033,000, respectively. The transaction was completed on 22 December 2015 and the equity interest of Beijing Chinasoft EDU owned by the Group was decreased from 66.46% to 49%. Under the revised Articles of Association of Beijing Chinasoft EDU, the Group is able exercise significant influence over Beijing Chinasoft EDU because it has the power to appoint 1 out of the 5 directors of that company and it is classified as an associate of the Group. Details are set out in note 35.

Note viii: The company is disposed by the Group during the year ended 31 December 2015. Details are set out in note 35.

Note ix: These companies are subsidiaries of Beijing Chinasoft EDU.

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

The table below shows details of non-wholly-owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
CSITS and its subsidiaries	PRC	40%	40%	39,674	41,245	160,535	120,861
CSIHS	PRC	49%	49%	2,950	2,805	47,690	44,740
Individually immaterial subsidiaries with non-controlling interests						30,840	38,051
						239,065	203,652

Summarised financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

	2015 RMB'000	2014 RMB'000
CSITS and its subsidiaries		
Current assets	**1,331,246**	1,219,879
Non-current assets	**143,199**	133,127
Current liabilities	**(1,065,140)**	(1,043,839)
Non-current liabilities	**(7,967)**	(7,910)
Equity attributable to owners of the Company	**240,803**	180,396
Equity attributed to non-controlling interests	**160,535**	120,861
Revenue	**2,678,183**	1,848,961
Expenses	**(2,578,998)**	(1,745,848)
Profit and total comprehensive income for the year	**99,185**	103,113
Net cash inflow from operating activities	**12,207**	24,356
Net cash outflow from investing activities	**(38,829)**	(14,645)
Net cash inflow from financing activities	**155,405**	34,689
Net cash inflow	**128,783**	44,400

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

	2015 RMB'000	2014 RMB'000
CSIHS		
Current assets	**157,080**	137,279
Non-current assets	**15,837**	5,706
Current liabilities	**(75,591)**	(51,679)
Equity attributable to owners of the Company	**49,636**	46,566
Equity attributed to non-controlling interests	**47,690**	44,740
Revenue	**159,194**	128,153
Expenses	**(153,174)**	(122,429)
Profit and total comprehensive income for the year	**6,020**	5,724
Net cash inflow (outflow) from operating activities	**6,863**	(5,352)
Net cash (outflow) inflow from investing activities	**(10,517)**	213
Net cash inflow from financing activities	**6,210**	6,774
Net cash inflow	**2,556**	1,635

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied for the first time in the current year the following amendments to HKFRSs.

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

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

Other than described below, the directors of the Company consider the application of the new and revised HKFRSs that have been issued but are not yet effective would not have any material impact on the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 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, HKFRS 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 HKAS 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, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

HKFRS 9 Financial Instruments – continued

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

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs and the change in classification and measurement of the Group's available-for-sale investment which is currently measured at cost less impairment, the Directors anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2015.

HKFRS 15 Revenue from Contracts with Customers

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

The core principle of HKFRS 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 HKFRS 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 HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 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 HKFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, 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 HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity, and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including any goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations – continued

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Share issued for acquisition of business are measured at the fair values of the business received, unless that fair value cannot be reliably measured, in which case the business acquired are measured by reference to the fair value of the shares issued at the completion date. The adjustment arising from the business acquired has been made to share capital and equity (share premium).

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Goodwill – continued

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interests in associates – continued

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers in respect of sales of goods prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

Income from provision of outsourcing services and training services is recognised when the services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

Income from provision of solutions and outsourcing services on project-based development contracts is recognised based on the percentage of completion method in accordance with the accounting policy on project-based development contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Project-based development contracts

Where the outcome of a contract for project-based development can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured by the proportion of contract costs incurred for work performed to date relative to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefits costs

Payments to the state-managed retirement benefits schemes or other defined contribution retirement schemes such as the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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 base 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests 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 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 each reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for intended use.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Intangible assets – continued

Internally-generated intangible assets – research and development expenditure

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 (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 charged to profit or loss in the period in which it is incurred.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use rights and the right to use a trademark. Payment for the right to use a trademark is amortised on a straight-line basis over the effective period stipulated on the trademark license registration certificate. Payment for obtaining land use rights is charged to profit or loss on a straight line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Financial assets

The Group's financial assets are classified into FVTPL, 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit and loss. The net gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 33.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related companies, pledged deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 credit period of 30 to 180 days and 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 financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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. 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. Changes in the carrying amount of the allowance account are recognised in 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 losses 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.

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.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is contingent consideration payable on acquisition of a subsidiary.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss in gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary. Fair value is determined in the manner described in note 33.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments – continued

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable, amounts due to related companies, dividend payable, consideration payable on acquisition of a subsidiary and borrowings are subsequently measured at amortised cost, using the effective interest method.

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.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments – continued

Derivative financial instruments

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

Hedge accounting

The Group designates certain derivatives (primarily interest rate swap) as hedging instruments for cash flow hedge.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other income, gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash flow hedges – continued

Derecognition – continued

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions

Share options granted to employees of the Group

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grand date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 next financial year.

Allowance for doubtful debts

In determining whether there is objective evidence of allowance for doubtful debts, the Group takes into consideration the collectability, aged analysis of trade receivables and estimation of future cash flows. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The amount of the allowance for doubtful debts 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, an allowance for doubtful debts may arise. As at 31 December 2015, the carrying amount of trade receivables is RMB1,154,199,000 (2014: RMB1,003,373,000) which is after allowance for doubtful debts of RMB151,431,000 (2014: RMB124,696,000) (see note 20).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated. The recoverable amount determination of the CGUs as at 31 December 2015 is based on the value in use calculation which requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2015, no impairment loss was recognised by the Group (2014: nil). As at 31 December 2015, the carrying amount of goodwill is RMB995,610,000 (2014: RMB983,298,000). Details of the recoverable amount calculation are disclosed in note 14.

Project-based development contracts

Revenue from project-based development contracts is recognised under the percentage of completion method which requires estimation made by management. The Group's management estimates the contract costs, outcome and expected cost to complete the contracts based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of both contract outcome and expected costs to complete in the budget prepared for each contract as the contract progresses. Any revisions to estimates of contract outcomes and expected costs to completion would affect contract revenue recognition. Should expected costs to complete exceed contract revenue, a provision for contract loss would be recognised.

Fair value of contingent considerations arising from business combinations

The fair value of contingent considerations arising from business combinations is based on a discounted cash flow model considering the forecasted financial performance, the market potential of the acquired business and the market performance. As at 31 December 2015, the carrying amount of the contingent considerations arising from business combinations which involve fair value estimation is RMB20,433,000 (2014: RMB22,473,000).

When the actual result is different from the expected result, the actual payment will be different and the difference will be recognised in profit or loss.

Amortisation of intangible assets

The carrying value of the Group's intangible assets as at 31 December 2015 was approximately RMB283,103,000 (2014: RMB325,458,000). The Group amortise the intangible assets on a straight-line basis over their estimated useful lives of 3 to 10 years, commencing from the date of the intangible asset is available for use. The estimated useful lives and dates that the Group place the intangible assets into productive use reflects the directors of the Company's estimate of the periods that the future economic benefits can be derived from the usage of the Group's intangible assets. If the estimated useful life of intangible assets did not reflect its actual useful life, additional amortisation may be required.

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group's operating divisions.

In the prior year, the Group had four operating divisions which represent four reportable operating segments, namely, (a) professional services business; (b) outsourcing services business; (c) emerging services business and (d) training business. In the current year, the Group reorganised its internal reporting structure to two new divisions called "technical professional services group" and "internet IT services group", following an reorganisation of the prior divisions' activities and identification of new segment managers. Subsequent to the change of the internal reporting structure, the Group has two reportable operating segments, which are (a) technical professional services group and (b) internet IT services group. Prior period segment disclosures have been represented to conform with the current year's presentation.

The Group's operating and reportable segments are as follows:

1. Technical professional services group ("TPG") – development, provision of solutions, emerging and IT outsourcing services for banks and other financial institutions, telecommunication carriers and other large-scale multinational companies, including sale of products

2. Internet IT services group ("IIG") – development, provision of solutions and IT outsourcing services for government, tobacco industry and other small-scaled companies and training business, including sale of products

Information regarding the above segments is reported as below.

Segment revenues and results

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

	Segment revenue		Segment results	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Represented)
Technical professional services business	**3,780,692**	3,237,830	**300,814**	246,551
Internet IT services business	**1,348,419**	1,191,372	**128,574**	97,645
	5,129,111	4,429,202	**429,388**	344,196

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Segment revenues and results – continued

Reconciliation of segment results to profit before taxation:

	2015 RMB'000	2014 RMB'000
Segment results	**429,388**	344,196
Other income, gains and losses unallocated	**86,329**	27,370
Interest charge on convertible loan notes	**(8,736)**	(13,250)
Corporate expenses	**(75,559)**	(44,935)
Share option expenses	**(13,637)**	(16,906)
Fair value change on derivative financial instruments	**(1,074)**	1,074
Gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	**3,283**	(310)
Profit before taxation	**419,994**	297,239

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either year.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 3.

Segment results represent the profit earned by each segment without allocation of corporate expenses, share option expenses, gain (loss) arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary, interest charge on convertible loan notes and certain items of other income, gains and losses recorded at corporate level. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Geographical information

The Group's operations are mainly located in its country of domicile (i.e. the PRC) and to a lesser extent, USA and Japan.

The Group's revenues from external customers (based on location of the signing party of the sales/service contract) by geographical location are detailed below:

	Revenues from external customers	
	2015	2014
	RMB'000	RMB'000
PRC	**4,571,517**	3,803,039
USA	**524,057**	577,264
Japan	**33,537**	48,899
	5,129,111	4,429,202

Segment revenue by products and services:

	2015	2014
	RMB'000	RMB'000
Sale of software and hardware products	**297,389**	282,187
Provision of services		
Technical professional services	**3,578,708**	3,049,725
Internet IT services	**1,253,014**	1,097,290
	4,831,722	4,147,015
	5,129,111	4,429,202

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Information about major customers

Revenues from customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Customer A	**1,952,239**	1,337,463

No other single customers contributed 10% or more to the Group's revenue for both 2015 and 2014.

6. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on borrowings wholly repayable within five years	**78,995**	63,734
Interest on borrowings not wholly repayable within five years	**13,133**	1,051
Imputed interest on consideration payable on acquisition of a subsidiary	**1,287**	2,954
Imputed interest on consideration payable on acquisition of a business	**–**	2,090
Effective interest on convertible loan notes	**8,736**	13,250
Loss on derecognition of trade receivables	**3,491**	2,357
Total borrowing cost	**105,642**	85,436
Less: amounts capitalised in construction in progress (Note)	**(13,133)**	(1,051)
	92,509	84,385

Note: The amount represents the actual borrowing costs incurred on the specific borrowings for the purpose of constructing a property.

7. INCOME TAX EXPENSE

	2015	2014
	RMB'000	RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	84,916	52,520
– over-provision in prior years	(9,129)	(4,641)
	75,787	47,879
The US Federal and State Income taxes	4,727	1,727
Japan Corporate Income Tax	283	442
	80,797	50,048
Deferred tax (note 28)	6,213	(7,865)
	87,010	42,183

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards unless subject to tax exemption set out below.

Chinasoft Beijing was recognised as a Key Software Enterprise ("KSE") under the State Plan in 2013 and 2014 by National Development Reform Commission in December 2013. Accordingly, Chinasoft Beijing was entitled to a reduced income tax rate of 10% as compared to the unified tax rate of 25% for the year ended 31 December 2014. Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 30 October 2014, Chinasoft Beijing had been designated as a High and New Technology Enterprise ("HNTE") till the end of 2017. As a result, Chinasoft Beijing is subject to the income tax rate of 15% for the year ended 31 December 2015.

Pursuant to certificates issued by Beijing Municipal Science and Technology Commission dated 28 October 2011 and 30 October 2014, Chinasoft Resources Beijing had been designated as a HNTE till the end of 2014 and extended for another three years till the end of 2017. As a result, Chinasoft Resources Beijing is subject to the income tax rate of 15% for both years.

Pursuant to certificates issued by Shanghai Municipal Science and Technology Commission dated 19 November 2013, Chinasoft Resources Shanghai had been designated as a HNTE for three years till the end of 2016. Accordingly, the income tax rate of Chinasoft Resources Shanghai was 15% for both years.

7. INCOME TAX EXPENSE – CONTINUED

Shanghai Huateng was recognised as a KSE under the State Plan in 2013 and 2014 by National Development Reform Commission in December 2013. Accordingly, Shanghai Huateng was entitled to the reduced income tax rate of 10% as compared to the unified tax rate of 25% for the year ended 31 December 2014. Pursuant to a certificate issued by Shanghai Municipal Science and Technology Commission dated 23 October 2014, Shanghai Huateng had been designated as a HNTE till the end of 2017. As a result, Shanghai Huateng is subject to the income tax rate of 15% for the year ended 31 December 2015.

Pursuant to a certificate issued by the Industry and Information Technology Department of Shanxi Province dated 25 December 2012, CSITS had been designated as a software enterprise for a period up to 25 December 2017. As such, CSITS was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2012. As a result, CSITS is entitled a 50% tax reduction for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to profit before taxation as follows:

	2015 RMB'000	2014 RMB'000
Profit before taxation	**419,994**	297,239
Tax at PRC Enterprise Income Tax rate of 25% (2014: 25%)	**104,999**	74,310
Tax effect of share of results of associates	**(477)**	(357)
Tax effect attributable to tax concessions granted to PRC subsidiaries	**(67,650)**	(71,159)
Tax effect of expenses not deductible for tax purpose	**37,839**	29,650
Tax effect of income not taxable for tax purpose	**(3,932)**	(9,423)
Over-provision in prior years	**(9,129)**	(4,641)
Tax effect of utilisation of tax losses previously not recognised	**(2,336)**	(3,092)
Tax effect of tax losses not recognised	**28,850**	26,556
Effect of different tax rates of subsidiaries	**(1,154)**	339
Income tax expense for the year	**87,010**	42,183

8. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 9)	**8,411**	6,001
Other staff costs	**3,285,933**	2,476,343
Retirement benefits costs (excluding those for directors)	**209,036**	195,511
Share option expenses	**11,875**	15,262
Total staff costs	**3,515,255**	2,693,117
Less: Staff costs capitalised as development costs	**(59,194)**	(79,436)
	3,456,061	2,613,681
Research and development costs expensed	**81,173**	66,653
Less: Government grants	**(3,107)**	(2,492)
	78,066	64,161
Depreciation of property, plant and equipment	**50,647**	60,137
Amortisation of intangible assets	**91,810**	80,527
Amortisation of prepaid lease payments	**1,011**	1,009
	143,468	141,673
Less: Amortisation of prepaid lease payments capitalised in construction in progress	**(860)**	(860)
	142,608	140,813
Auditor's remuneration	**5,850**	5,780
Cost of inventories recognised as an expense	**244,044**	220,725
Loss on disposal of property, plant and equipment	**436**	193
Minimum lease payments in respect of buildings	**129,849**	125,337
Net foreign exchange loss	**17,189**	1,111
Interest income from pledged deposits and bank balances	**(4,316)**	(2,847)
Government grants	**(34,881)**	(53,120)
Value added tax refund	**(1,235)**	(1,761)

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

Directors' and chief executive's emoluments

Details of emoluments to the directors and the chief executive for the year ended 31 December 2015 are as follows:

	Tang Zhenming RMB'000	Wang Hui RMB'000	Chief Executive Chen Yuhong RMB'000	Total RMB'000
A) EXECUTIVE DIRECTORS				
Fees	–	–	–	–
Other emoluments:				
Salaries and other benefits	831	2,123	2,694	5,648
Retirement benefits	40	44	44	128
Share-based payments	398	398	398	1,194
Sub-total	1,269	2,565	3,136	6,970

The executive directors' emolument shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	John Zhao RMB'000 (Note b)	Zhang Yaqin RMB'000	Lin Sheng RMB'000 (Note b)	Total RMB'000
B) NON-EXECUTIVE DIRECTORS				
Fees	–	–	–	–
Other emoluments:				
Salaries and other benefits	–	241	–	241
Share-based payments	–	568	–	568
Sub-total	–	809	–	809

The non-executive directors' emolument shown above were mainly for their services as directors of the Company or its subsidiaries.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments– continued

		Zeng Zhijie RMB'000	Leung WingYin Patrick RMB'000	Song Jun RMB'000 (Note a)	Lai Guanrong RMB'000 (Note c)	Total RMB'000
C)	INDEPENDENT NON-EXECUTIVE DIRECTORS					
	Fees	97	–	–	–	97
	Other emoluments:					
	Salaries and other benefits	–	298	237	–	535
	Sub-total	97	298	237	–	632

The independent non-executive directors' emolument shown above were mainly for their services as directors of the Company.

Total	8,411

Details of emoluments to the directors and the chief executive for the year ended 31 December 2014 are as follows:

		Tang Zhenming RMB'000	Wang Hui RMB'000	Chief Executive Chen Yuhong RMB'000	Total RMB'000
A)	EXECUTIVE DIRECTORS				
	Fees	–	–	–	–
	Other emoluments:				
	Salaries and other benefits	642	1,626	1,881	4,149
	Retirement benefits	35	39	39	113
	Share-based payments	548	548	548	1,644
	Sub-total	1,225	2,213	2,468	5,906

The executive directors' emolument shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments– continued

	John Zhao RMB'000 (Note b)	Zhang Yaqin RMB'000	Lin Sheng RMB'000 (Note b)	Total RMB'000
B) NON-EXECUTIVE DIRECTORS				
Fees	–	–	–	–
Other emoluments:				
Salaries and other benefits	–	–	–	–
Retirement benefits	–	–	–	–
Share-based payments	–	–	–	–
Sub-total	–	–	–	–

The non-executive directors' emolument shown above were mainly for their services as directors of the Company or its subsidiaries.

	Zeng Zhijie RMB'000	Leung WingYin Patrick RMB'000	Song Jun RMB'000 (Note a)	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	95	–	–	95
Other emoluments:				
Salaries and other benefits	–	–	–	–
Sub-total	95	–	–	95

The independent non-executive directors' emolument shown above were mainly for their services as directors of the Company.

Total	6,001

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – CONTINUED

Directors' and chief executive's emoluments– continued

Note a: Mr. Song Jun was retired on 18 May 2015.

Note b: Mr. John Zhao and Lin Sheng were resigned as non-executive directors of the Company on 27 April 2015.

Note c: Mr. Lai Guan Rong was appointed as an independent non-executive director of the Company on 2 June 2015.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company whose emoluments were included above. The emoluments of the remaining three (2014: three) highest paid individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	10,081	5,088
Share option expenses	6,108	1,753
Retirement benefits costs	112	79
	16,301	6,920

Their emoluments were within the following bands:

	No. of employees	
	2015	2014
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,012,501 to RMB2,415,000; 2014: equivalent to RMB1,981,001 to RMB2,377,200)	–	2
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,415,001 to RMB2,817,500; 2014: equivalent to RMB2,377,201 to RMB2,773,400)	–	1
HK$6,000,001 to HK$6,500,000 (equivalent to RMB4,830,001 to RMB5,232,500; 2014: equivalent to RMB4,418,001 to RMB4,814,000)	2	–
HK$7,500,001 to HK$8,000,000 (equivalent to RMB6,037,501 to RMB6,440,000; 2014: equivalent to RMB5,522,001 to RMB5,917,000)	1	–
	3	3

During both years, no emoluments were paid by the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

None of the directors waived any emoluments during both years.

10. DIVIDEND

No dividend was paid or proposed during 2014 and 2015, nor has any dividend been proposed since the end of the reporting period.

11. EARNINGS PER SHARE

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	280,056	200,038
Effect of dilutive potential profit attributable to owners of the Company:		
Interest on convertible loan notes	8,736	–
Earnings for the purpose of diluted earnings per share	288,792	200,038

Number of shares

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,992,602	1,866,438
Effect of dilutive potential ordinary shares:		
Share options	55,838	31,919
Convertible loan notes	74,659	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,123,099	1,898,357

The computation of diluted earnings per share for the year ended 31 December 2014 did not assume the conversion of the Company's outstanding convertible loan notes because the assumed conversion would result in an increase in earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Building	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2014	105,827	218,465	15,742	40,885	–	380,919
Exchange adjustments	3	59	1	–	–	63
Additions	18,329	35,785	588	172,884	–	227,586
Disposals	(8,619)	(17,724)	(1,069)	–	–	(27,412)
At 31 December 2014	115,540	236,585	15,262	213,769	–	581,156
Exchange adjustments	38	1,425	13	–	–	1,476
Additions	16,699	41,157	1,011	205,897	9,322	274,086
Disposals	(160)	(16,188)	(724)	–	–	(17,072)
Disposal of subsidiaries	(5,026)	(31,690)	(1,740)	–	–	(38,456)
At 31 December 2015	**127,091**	**231,289**	**13,822**	**419,666**	**9,322**	**801,190**
DEPRECIATION						
At 1 January 2014	57,387	138,951	10,395	–	–	206,733
Exchange adjustments	2	46	1	–	–	49
Provided for the year	24,426	34,085	1,626	–	–	60,137
Eliminated on disposals	(6,614)	(13,869)	(1,083)	–	–	(21,566)
At 31 December 2014	75,201	159,213	10,939	–	–	245,353
Exchange adjustments	28	1,170	9	–	–	1,207
Provided for the year	16,610	32,926	1,111	–	–	50,647
Eliminated on disposals	(141)	(13,584)	(673)	–	–	(14,398)
Eliminated on disposal of subsidiaries	(2,748)	(15,829)	(635)	–	–	(19,212)
At 31 December 2015	**88,950**	**163,896**	**10,751**	**–**	**–**	**263,597**
CARRYING VALUES						
At 31 December 2015	**38,141**	**67,393**	**3,071**	**419,666**	**9,322**	**537,593**
At 31 December 2014	40,339	77,372	4,323	213,769	–	335,803

12. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the relevant lease terms or 19%-33 1/3%, whichever is the lower
Furniture, fixtures and equipment	9%-33$\frac{1}{3}$%
Motor vehicles	9%-20%
Building	3$\frac{1}{3}$%

The Group has pledged construction in progress with a net book value of approximately RMB419,666,000 (2014: RMB213,769,000) to secure general banking facilities granted to the Group.

At 31 December 2015, the Group is in the process of obtaining the property certificate for the buildings with a carrying value of RMB9,322,000 (2014: Nil) which are located in the PRC.

13. INTANGIBLE ASSETS

	Development costs RMB'000	Technical knowhow RMB'000	Software RMB'000 (Note)	Contract-based customer-related intangibles RMB'000 (Note)	Technical expertise RMB'000	Customer relationship RMB'000	Patent RMB'000	Trade name RMB'000	Technology RMB'000	Non-compete agreements RMB'000	Total RMB'000
COST											
At 1 January 2014	187,146	17,367	37,682	19,704	12,494	203,063	13,764	1,005	23,344	8,812	524,381
Additions	79,436	–	5,785	–	–	–	–	–	–	–	85,221
Acquisition of a business (note 34)	–	–	–	–	–	37,862	–	–	–	2,253	40,115
At 31 December 2014	266,582	17,367	43,467	19,704	12,494	240,925	13,764	1,005	23,344	11,065	649,717
Additions	59,194	–	9,082	–	–	–	–	–	–	–	68,276
Disposal of a subsidiary (note 35)	–	–	(25,643)	–	–	–	–	–	–	–	(25,643)
Exchange adjustments	–	–	247	–	–	2,313	–	2	–	507	3,069
At 31 December 2015	**325,776**	**17,367**	**27,153**	**19,704**	**12,494**	**243,238**	**13,764**	**1,007**	**23,344**	**11,572**	**695,419**
AMORTISATION/IMPAIRMENT											
At 1 January 2014	65,413	15,428	11,651	19,704	12,494	103,887	4,741	960	8,314	1,140	243,732
Provided for the year	29,935	1,159	6,787	–	–	35,553	1,305	7	3,340	2,441	80,527
At 31 December 2014	95,348	16,587	18,438	19,704	12,494	139,440	6,046	967	11,654	3,581	324,259
Provided for the year	44,142	580	7,426	–	–	32,611	1,305	7	3,340	2,399	91,810
Eliminated on disposal of a subsidiary (note 35)	–	–	(3,977)	–	–	–	–	–	–	–	(3,977)
Exchange adjustments	–	–	39	–	–	139	–	–	–	46	224
At 31 December 2015	**139,490**	**17,167**	**21,926**	**19,704**	**12,494**	**172,190**	**7,351**	**974**	**14,994**	**6,026**	**412,316**
CARRYING VALUES											
At 31 December 2015	**186,286**	**200**	**5,227**	**–**	**–**	**71,048**	**6,413**	**33**	**8,350**	**5,546**	**283,103**
At 31 December 2014	171,234	780	25,029	–	–	101,485	7,718	38	11,690	7,484	325,458

Development costs are internally generated. All other intangible assets were acquired from third parties.

Note: These fully amortised intangible assets are still in use by the Group.

13. INTANGIBLE ASSETS – CONTINUED

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

Development costs	5 years
Technical knowhow	3 – 10 years
Software	3 – 10 years
Contract-based customer-related intangibles	5 years
Technical expertise	5 years
Customer relationship	5-10 years
Patent	3.6 – 10 years
Trade name	5 years
Technology	5 years
Non-compete agreements	3 – 5 years

14. GOODWILL

	RMB'000
COST	
At 1 January 2014	1,133,066
Acquisition of a business (note 34)	57,166
Adjustment for acquisition of a subsidiary in prior year	(10,856)
At 31 December 2014	1,179,376
Exchange adjustments	12,312
At 31 December 2015	**1,191,688**
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 31 December 2015	196,078
CARRYING VALUES	
At 31 December 2015	**995,610**
At 31 December 2014	983,298

14. GOODWILL – CONTINUED

Impairment testing on goodwill

For the purposes of impairment testing, the carrying amount of goodwill (net of impairment loss) as at 31 December 2015 and 2014 has been allocated to the following individual CGUs:

	2015 RMB'000	2014 RMB'000
Chinasoft Beijing	187,404	187,404
HGR and its subsidiaries	134,188	134,188
CSITS and existing outsourcing entities	278,514	278,514
Catapult	188,464	176,152
MMIM	206,210	206,210
Training center	830	830
	995,610	983,298

The basis of the recoverable amounts of the above CGUs and the methodology used for the year are summarised below:

The recoverable amounts of the following CGUs or group of CGUs have been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rates shown below. The cash flows of the CGUs or group of CGUs beyond the five-year period are extrapolated using steady growth rates shown below. These growth rates are based on the relevant industry. Management of the Group believes that the projected growth rates are reasonable. Other key assumptions for the value in use calculations relate to the estimation of cash inflows and/or outflows which include budgeted sales and gross profit margin. Such estimation is based on the past performance of the CGUs or group of CGUs and management's expectations.

CGUs	Discount rate		Growth rate	
	2015	2014	2015	2014
Chinasoft Beijing	13%	13%	3%	3%
HGR and its subsidiaries	13%	13%	3%	3%
CSITS and existing outsourcing entities	13%	13%	3%	3%
Catapult	16%	16%	3%	3%
MMIM	13%	14%	3%	3%
Training center	13%	14%	3%	3%

All the above CGUs are within the same reportable segments before and after the Group's reorganisation of its internal reporting structure as disclosed in Note 5. Accordingly, the goodwill allocated to the relevant CGUs still represent the lowest level within the Group at which the goodwill are monitored for internal management purpose and hence not reallocated.

15. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Cost of unlisted investments in associates	**75,371**	6,205
Share of post-acquisition profits net of dividend received	**3,486**	3,424
	78,857	9,629

Included in the cost of unlisted investments in associates is goodwill of RMB3,052,000 and RMB38,266,000 (2014: RMB3,052,000 and Nil) arising from China National Tobacco Information Company Limited and Beijing Chinasoft EDU, respectively.

Particulars of the Group's associates at 31 December 2015 and 2014 are as follows:

Name of associate	Form of business structure	Place of establishment	Principal place of operation	Proportion of registered capital held by the Group 2015	2014	Nature of business
北京中煙資訊技術有限公司 China National Tobacco Information Company Limited	Equity joint venture enterprise	PRC	PRC	**20%**	20%	Maintenance of a policy making system for the production, operation and management of the tobacco industry
北京雲博中軟國際科技有限公司 Beijing Yunbo Chinasoft International Techonology Limited	Equity joint venture enterprise	PRC	PRC	**35%**	35%	Provision of solutions and IT consulting services
北京中軟政通信息技術有限公司 Beijing Chinasoft Zhengtong Information Techonology Limited ("Chinasoft Zhengtong") (Note i)	Equity joint venture enterprise	PRC	PRC	**47.5%**	47.5%	Provision of solutions and IT consulting services
貴州中軟雲上數據技術服務有限公司 Guizhou Chinasoft Yunshang Data Technology Service Limited ("Guizhou Chinasoft") (Note ii)	Equity joint venture enterprise	PRC	PRC	**25%**	–	Provision of solutions and IT consulting services
北京中軟國際教育科技有限公司 Beijing Chinasoft International Education Technology CO., Ltd (Note iii)	Equity joint venture enterprise	PRC	PRC	**49%**	–	Provision of IT training services

15. INTERESTS IN ASSOCIATES – CONTINUED

Notes:

i. In 2014, the Group invested RMB1,960,000 in Chinasoft Zhengtong which represents 47.5% of its issued share capital. The Group is able to exercise significant influence over Chinasoft Zhengtong because it has the power to appoint 2 out of the 5 directors of that company under the Articles of Association and it is classified as an associate of the Group.

ii. During the year, the Group invested RMB2,500,000 to estabish Guizhou Chinasoft which represents 25% of its issued share capital. The Group is able to exercise significant influence over Guizhou Chinasoft because it has the power to appoint 2 out of the 5 directors of that company under the Articles of Association and it is classified as an associate of the Group.

iii. As referred in note 35, the Group disposed a total of 17.46% equity interests in Beijing Chinasoft EDU and the remaining 49% equity interests are classified as an investment in an associate of the Group.

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amount shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Beijing Chinasoft EDU

	2015 RMB'000
Current assets	172,322
Non-current assets	45,392
Current liabilities	(159,755)
Revenue, profit and total comprehensive income for the year	–

15. INTERESTS IN ASSOCIATES – CONTINUED

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 RMB'000
Net assets of Beijing Chinasoft EDU	**57,959**
Proportion of the Group's ownership interest in Beijing Chinasoft EDU	**49%**
Goodwill	**38,266**
Carrying amount of the Group's interest in Beijing Chinasoft EDU	**66,666**

The other associates of the Group individually are not material.

16. AVAILABLE-FOR-SALE INVESTMENT

	2015 RMB'000	2014 RMB'000
Unlisted equity investment, at cost, non-current	**49,151**	43,256

On 23 January 2014, the Group entered into a partnership agreement (the "Partnership Agreement") with PointGuard Management I, L.P. ("PointGuard Management") and other two co-investment partners. Under the Partnership Agreement, the Group agreed to make a total amount of capital commitment of US$10,000,000 to PointGuard Ventures I, L.P. ("PointGuard Ventures"), a Cayman Islands exempted limited partnership and engaged in venture capital investments in equity or equity-oriented securities of private and public companies with an emphasis on technology convergence companies. Pursuant to the partnership agreement, PointGuard Management has the sole and exclusive right to manage, control, and conduct the affairs of PointGuard Ventures and to do any and all acts on behalf of it. The directors consider that the Group cannot exercise control nor significant influence on PointGuard Ventures.

As at 31 December 2015, the Group contributed RMB49,151,000 (equivalent to US$8,037,500) (2014: RMB43,256,000, equivalent to US$7,075,000) to PointGuard Ventures which represents 14.7% (2014: 19.8%) of the share of interest. The investment is measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. As at 31 December 2015, the remaining US$1,962,500 (equivalent to approximately RMB12,744,000) has not been contributed to PointGuard Ventures.

17. PREPAID LEASE PAYMENTS

	Land use right	Trademark usage right	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2014	43,023	1,605	44,628
Exchange adjustments	–	5	5
At 31 December 2014	43,023	1,610	44,633
Exchange adjustments	–	92	92
At 31 December 2015	43,023	1,702	44,725
AMORTISATION			
At 1 January 2014	860	1,277	2,137
Provided for the year	860	149	1,009
Exchange adjustments	–	4	4
At 31 December 2014	1,720	1,430	3,150
Provided for the year	860	151	1,011
Exchange adjustments	–	88	88
At 31 December 2015	2,580	1,669	4,249
CARRYING VALUE			
At 31 December 2015	40,443	33	40,476
At 31 December 2014	41,303	180	41,483

	2015			2014		
	Land use right	Trademark usage right	Total	Land use right	Trademark usage right	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purposes as:						
Non-current assets	39,583	–	39,583	40,443	31	40,474
Current assets	860	33	893	860	149	1,009
	40,443	33	40,476	41,303	180	41,483

17. PREPAID LEASE PAYMENTS – CONTINUED

The Group's prepaid lease payments comprise payments for a trademark usage right of RMB33,000 (2014: RMB180,000) and payments associated with a land use right of RMB40,443,000 (2014: RMB41,303,000) in the PRC under medium-term lease.

The payment for the trademark usage right is amortised on a straight-line basis over 10 years.

The land use right is amortised on a straight-line basis over a lease term of 50 years.

The Group has pledged land use right with a carrying amount of approximately RMB40,443,000 (2014: RMB41,303,000) to secure general banking facilities granted to the Group.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	RMB'000	RMB'000
Derivative financial assets – Interest rate swaps, non-current	**–**	1,074

Cash flow hedges

The Group uses interest rate swaps (net quarterly settlement) to minimise its exposure to interest expenses of certain of its floating-rate US Dollar bank borrowings by swapping floating interest rates to fixed interest rates. The interest rate swaps and the corresponding bank borrowings have the similar terms and the directors of the Company considered that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

2015

Notional amount	**Inception date**	**Termination date**	**Swaps**
US$50,000,000	8 November 2013	3 August 2015	From 3-month LIBOR + 2.95% to 3.65%
US$25,000,000	6 December 2013	3 August 2015	From 3-month LIBOR + 2.95% to 3.65%
US$25,000,000	21 January 2014	3 August 2015	From 3-month LIBOR + 2.95% to 3.79%

2014

Notional amount	Inception date	Maturity date	Swaps
US$50,000,000	8 November 2013	8 November 2016	From 3-month LIBOR + 2.95% to 3.65%
US$25,000,000	6 December 2013	8 November 2016	From 3-month LIBOR + 2.95% to 3.65%
US$25,000,000	21 January 2014	8 November 2016	From 3-month LIBOR + 2.95% to 3.79%

18. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

The gross fair value gain during the year ended 31 December 2014 from the interest rate swaps under cash flow hedge amounted to RMB425,000 (equivalent to US$69,211) (2015: Nil) has been deferred in equity. The Group revokes the designation of the hedging relationship on 31 December 2014 and the accumulated gains that had been recognised in equity is reclassified to profit or loss for the year ended 31 December 2014.

On 31 July 2015, the Company signed the termination agreement with the bank and pursuant to which the interest rate swaps was terminated with effect from 3 August 2015. The derivative financial instruments was derecognised upon the effective of termination agreement. Termination-related costs amounting to RMB2,264,000 (equivalent to US$363,000) have been recognised in consolidated statement of profit or loss and other comprehensive income for the year.

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Computer hardware, equipment and software products	30,260	31,991

20. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	618,621	667,518
Less: Allowance for doubtful debts	(151,431)	(124,696)
	467,190	542,822
Trade receivables from related companies (Note i)	687,009	460,551
	1,154,199	1,003,373
Advances to suppliers	81,208	85,830
Deposits, prepayments and other receivables	205,408	207,334
Loans to staff (Note ii)	–	19,244
	1,440,815	1,315,781
Analysed for reporting purposes as:		
Non-current assets	11,688	–
Current assets	1,429,127	1,315,781
	1,440,815	1,315,781

20. TRADE AND OTHER RECEIVABLES – CONTINUED

Notes:

i. The balances principally arose from provision of services by the Group to certain related companies (see note 42). The balances included an amount of RMB679,982,000 (2014: RMB458,699,000) due from the group of Huawei and its subsidiaries ("Huawei Group") which became a related party following the establishment of CSITS in April 2012.

ii. The amounts were unsecured, interest-bearing at 2.5% per annum and repayable within eight months. The amounts were fully settled for the year ended 31 December 2015.

The credit terms of the Group range from 30 to 180 days. An aged analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	**749,704**	734,190
Between 91 – 180 days	**226,564**	105,568
Between 181 – 365 days	**164,307**	153,906
Between 1 – 2 years	**9,773**	6,383
Between 2 – 3 years	**3,851**	3,326
	1,154,199	1,003,373

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed each time. 61% (2014: 66%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB363,592,000 (2014: RMB264,200,000) which are past due at the reporting date for which the Group has not provided for an impairment loss as the Group is satisfied with the subsequent settlement and the credit quality of these customers had not been deteriorated. Accordingly, the Group does not consider these balances impaired. The Group does not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES – CONTINUED

Aging of trade receivables which are past due but not impaired

	2015 RMB'000	2014 RMB'000
Within 90 days	56,483	10,946
Between 91 – 180 days	129,178	89,639
Between 181 – 365 days	164,307	153,906
Between 1 – 2 years	9,773	6,383
Between 2 – 3 years	3,851	3,326
Total	363,592	264,200

The Group has provided full impairment losses for all receivables aged over 3 years because historical experience is such that receivables that are past due beyond 3 years are generally not recoverable.

Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	132,198	118,599
Impairment losses recognised on receivables	62,060	27,941
Amounts recovered during the year	(5)	(838)
Amounts written-off as uncollectible	(4,281)	(13,510)
Disposal of subsidiaries	(4,769)	–
Exchange adjustments	299	6
Balance at end of the year	185,502	132,198

21. TRANSFER OF FINANCIAL ASSETS

The following are the Group's trade and bills receivables as at 31 December 2015 and 2014 that were factored to a bank on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 27). These receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	2015 RMB'000	2014 RMB'000
Carrying amount of trade and bills receivables	**113,525**	3,117
Carrying amount of associated liabilities	**113,525**	3,117
Net position	**–**	–

In addition to the above, as at 31 December 2015, trade receivables amounting to RMB263,712,000 (2014: RMB242,619,000) had been factored to independent third parties without recourse. The Group has derecognised these trade receivables in their entirely as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these trade receivables to the counter parties. Losses related to derecognition of the trade receivables was RMB3,491,000 (2014: RMB2,357,000) which was charged to the profit or loss.

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**3,451,205**	3,155,285
Less: Progress billings	**(2,022,295)**	(1,957,065)
	1,428,910	1,198,220
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**1,516,660**	1,410,425
Amounts due to contract customers for contract work	**(87,750)**	(212,205)
	1,428,910	1,198,220

There are no advances received from customers for contract work at the end of 2015 and 2014.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2015, the amounts due from related companies mainly represent an advance to associates of the Company, and at the end of 2014, the amount due from a related company mainly represents an advance to a non-controlling owner of a subsidiary. The balances are unsecured, non-interest bearing and repayable on demand.

The amounts due to related companies principally represent an advance from a non-controlling owner of a subsidiary of the Company, which is unsecured, interest-bearing at 4.35% (2014: 6%) per annum and repayable on demand.

24. PLEDGED DEPOSITS/BANK BALANCES

Pledged deposits

The amount represents deposits pledged to certain banks as collaterals for short-term trade facilities granted to the Group and is therefore classified a current asset. The deposits carry interest at the prevailing market interest rate. The weighted average interest rate at the end of the reporting period was 0.77% (2014: 0.45%) per annum. The pledged deposits will be released upon the settlement of relevant liabilities under the trade facilities.

Bank balances

The amounts comprise short-term bank deposits carried at the prevailing market interest rates at 0.43% (2014:0.45%) per annum as at 31 December 2015.

At the end of the reporting period, included in bank balances and pledged deposits are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	2015 **RMB'000**	2014 RMB'000
Hong Kong Dollar	**20,730**	9,642
United States Dollar	**8,004**	24,406
Japanese Yen	**2,103**	6,537

25. TRADE AND OTHER PAYABLES

	2015 **RMB'000**	2015 RMB'000
Trade payables	**473,040**	336,422
Deposits received from customers	**33,170**	65,486
Other payables and accrued charges	**434,162**	369,944
	940,372	771,852

25. TRADE AND OTHER PAYABLES – CONTINUED

An aged analysis of trade payables, presented based on the invoice date at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	366,278	111,143
Between 91 – 180 days	23,706	26,588
Between 181 – 365 days	21,568	19,213
Between 1 – 2 years	24,579	138,117
Over 2 years	36,909	41,361
	473,040	336,422

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that sufficient working capital is maintained to meet its obligations when they fall due.

26. BILLS PAYABLE

An aged analysis of bills payable is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	2,120	35,791

27. BORROWINGS

	2015 RMB'000	2014 RMB'000
Unsecured bank loans (Note (i))	1,248,250	1,287,073
Secured bank loans (Note (ii))	312,262	15,117
	1,560,512	1,302,190

27. BORROWINGS – CONTINUED

	2015 RMB'000	2014 RMB'000
Carrying amount repayable:		
Within one year	**1,036,831**	628,544
More than five years	**263,496**	62,000
	1,300,327	690,544
Carrying amount of bank borrowings that are repayable on demand due to breach of loan covenants	**260,185**	611,646
Less: Amounts due within one year shown under current liabilities	**(1,297,016)**	(1,240,190)
Amounts shown under non-current liabilities	**263,496**	62,000

	2015 RMB'000	2014 RMB'000
Total borrowings		
At fixed interest rates (Note (iv))	**624,265**	478,624
At floating interest rates (Note (iii))	**936,247**	823,566
	1,560,512	1,302,190

	2015 RMB'000	2014 RMB'000
Analysis of borrowings by currency		
Denominated in RMB	**1,142,208**	613,444
Denominated in USD	**418,304**	688,746

27. BORROWINGS – CONTINUED

Notes:

(i) Guaranteed by the Company and certain subsidiaries of the Company.

(ii) Trade and bill receivables with a net carrying value of approximately RMB125,662,000 (2014: RMB3,117,000) are pledged to secure certain bank loans granted to the Group. The remaining bank loans amount to RMB186,600,000 (2014: RMB12,000,000) are secured by the land use right and construction in progress of the Group.

(iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 5.18% (2014: 5.89%) per annum. Interest on USD borrowings are mainly charged at LIBOR plus 2.95% for both years.

(iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 4.6% to 7% (2014: 5.7% to 7.5%).

In respect of bank borrowings with a carrying amount of RMB260,185,000 (2014: RMB611,646,000) as at 31 December 2015, the banks have the following requirements: (i) any fund or affiliate of Hony Capital Management Limited ("Hony Capital Parties") must legally and beneficially, directly or indirectly, own at least 12% of the issued ordinary shares of the Company that are traded on the Stock Exchange, and Hony Capital Parties remain, legally and beneficially, directly or indirectly, the single largest shareholder of the Company; and (ii) the Company must adhere to certain financial covenants. As at 31 December 2014, the Group cannot fulfil certain requirement of the financial covenants, which is primarily related to ratio of consolidated total debt to consolidated tangible net worth of the Group ("Breach of Financial Covenants"). Therefore, the borrowings have been classified as current liabilities as at 31 December 2014.

With reference to the announcement of the Company dated 23 April 2015 that the Company was notified that Hony Capital Management Limited ("Hony Capital Parties") had disposed of an aggregate of 335,076,453 shares ("Disposal of Shares", together with the Breach of Financial Covenants, collectively referred to as the "Non-Compliances") of the Company, which represents approximately 17.29% of the total number of shares issued on 23 April 2015. Upon the Disposal of Shares, Hony Capital Parties ceased to hold any of the Company's Shares. The Disposal of Shares is not consistent with the requirements of the banks. Therefore, the borrowings have been classified as current liabilities as at 31 December 2015.

The banks are aware of the Non-Compliances and have not requested the Company for an immediate repayment of the amount borrowed. As at 31 December 2015, the Company is working closely with the banks to renegotiate the terms of the bank borrowings.

On 17 February 2016, the Company made full repayment of the total outstanding bank borrowings relating the Non-Compliances amounting to RMB260,185,000 and obtained all necessary waivers from the banks regarding the Non-Compliances, details are set out in Note 43.

28. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised by the Group and movement thereon during the current and prior year:

	Customer relationship RMB'000	Patent RMB'000	Technology RMB'000	Deferred revenue RMB'000	Tax losses RMB'000	Property, plant and equipment RMB'000	Accrued expenses RMB'000	Difference between carrying amount and tax basis of interests in an associate RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	(13,238)	(2,255)	(2,088)	1,609	1,212	804	6,224	–	532	(7,200)
Acquisitions of a business (note 34)	(8,046)	–	–	–	–	–		–	(394)	(8,440)
Credit (charge) to profit or loss	6,012	326	334	(1,120)	184	–	614	–	1,515	7,865
At 31 December 2014	(15,272)	(1,929)	(1,754)	489	1,396	804	6,838	–	1,653	(7,775)
Credit (charge) to profit or loss	5,584	326	501	2	(1,396)	–	(1,914)	(7,677)	(1,639)	(6,213)
At 31 December 2015	(9,688)	(1,603)	(1,253)	491		804	4,924	(7,677)	14	(13,988)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**6,516**	11,519
Deferred tax liabilities	**(20,504)**	(19,294)
	(13,988)	(7,775)

At the end of the reporting period, the Group had unused tax losses of approximately RMB383,834,000 (2014: RMB283,609,000) available for offset against future profits. In 2014, a deferred tax asset has been recognised in respect of RMB3,996,000 (2015: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB383,834,000 (2014: RMB279,613,000) tax losses due to the unpredictability of future profit streams. Tax losses of RMB383,834,000 (2014: RMB279,613,000) will expire in various year before 2020 (2014: 2019).

28. DEFERRED TAXATION – CONTINUED

Under the new EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries as at 31 December 2015 amounting to RMB1,128,484,000 (2014: RMB885,116,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. CONVERTIBLE LOAN NOTES

The convertible loan notes with principal amount of RMB200,000,000 and interest rate of 4.25% per annum entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 29 November 2016 at a conversion price of (subject to adjustment for among other things, consolidation or subdivision of shares, capitalisation issue, capital distribution and certain other dilutive events) of HK$2 per share, translated to RMB1.718 per share at fixed exchange rate. If the notes have not been converted, they will be redeemed by the Company on 29 November 2016 at the principal amount outstanding together with accrued interest thereon up to and including 29 November 2016. Interest of 4.25% will be paid semi-annually until the settlement date.

The Company has no right to require early cancellation or redemption of any of the convertible loan notes prior to 29 November 2016. The note holder may terminate and request immediate redemption of the convertible loan notes at their principal amount then outstanding together with accrued interest upon occurrence of certain events of defaults.

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading convertible loan notes reserve. The effective interest rate of the liability component is 7.24% per annum.

The movement of the liability component of the convertible loan notes for the year is set out below:

	2015 **RMB'000**	2014 RMB'000
Carrying amount at the beginning of the year	**193,771**	189,038
Converted by the notes holders	**(105,433)**	–
Interest charge (note 6)	**8,736**	13,233
Interest paid	**(7,452)**	(8,500)
Carrying amount at the end of the year	**89,622**	193,771

30. SHARE CAPITAL

	Number of shares	Nominal amount HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	4,000,000,000	200,000

	Number of shares	Amount HK$	Amount shown in the financial statements RMB'000
Issued and fully paid			
At 1 January 2014	1,851,175,283	92,558,765	87,085
Exercise of share options	23,410,000	1,170,500	929
At 31 December 2014	1,874,585,283	93,729,265	88,014
Exercise of share options (Note i)	28,200,000	1,410,000	1,145
Conversion of convertible loan notes (Note ii)	64,022,721	3,201,136	2,539
Issue of ordinary shares (Note iii)	100,000,000	5,000,000	3,947
At 31 December 2015	2,066,808,004	103,340,401	95,645

Notes:

(i) During the year ended 31 December 2015, share options to subscribe for 28,200,000 ordinary shares of HK$0.05 each were exercised from HK$1.67 to HK$2.15 per share (see note 40). These shares rank pari passu with other shares in issue in all respect.

(ii) During the year ended 31 December 2015, convertible loan notes with the principal amount of RMB110,000,000 were converted into 64,022,721 ordinary shares of HK$0.05 each at a conversion price of RMB1.718 per share (see note 29). These shares rank pari passu with other shares in issue in all respect.

(iii) For the purpose of business expansion and supplement working capital, the Company issued 100,000,000 ordinary shares of HK$0.05 each, for consideration of HK$3.68 per share during the year ended 31 December 2015. These shares rank pari passu with other shares in issue in all respect.

31. SHARE PREMIUM AND RESERVES

Share premium

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners 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 they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

No dividend has been paid and distributed in years 2014 and 2015.

Other reserve

When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Other reserve mainly represents the differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received after taking account of the effect of reallocation of certain other reserves of the subsidiaries.

General reserve fund and statutory enterprise expansion fund

As stipulated by the relevant laws and regulations in the PRC, foreign invested enterprises are required to provide for the general reserve fund and the statutory enterprise expansion fund. Appropriations to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC and the amount and allocation basis are decided by their respective boards of directors annually. The general reserve fund can be used to make up prior year losses of these subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The statutory enterprise expansion fund is used for expanding the capital base of these subsidiaries by means of capitalisation issue.

Statutory surplus reserve fund

As stipulated by the relevant laws and regulations in the PRC, the PRC subsidiaries other than foreign invested enterprises are required to provide for the statutory surplus reserve fund. Appropriations to such funds are made out of 10% of the net profit after taxation as reported in the statutory financial statements of the relevant subsidiaries prepared in accordance with accounting principles generally accepted in the PRC.

32. 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 stakeholders 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 disclosed in note 27, convertible loan notes disclosed in note 29, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising share capital, share premium, reserves and accumulated profits.

The directors review the capital structure semi-annually. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and as well as the issue of new debt or the redemption of existing debt.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 **RMB'000**	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,712,063**	2,046,316
Available-for-sale investment	**49,151**	43,256
Derivative financial instruments	**–**	1,074
Financial liabilities		
Amortised cost	**2,444,561**	2,085,469
FVTPL – contingent consideration	**39,205**	38,900

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to related companies, pledged deposits, bank balances and cash, derivative financial instruments, available-for-sale investment, trade and other payables, dividend payable, borrowings, bills payable, consideration payable on acquisition of a subsidiary and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk

(i) Currency risk

Several subsidiaries of the Company have bank balances and cash, trade receivables denominated in foreign currencies arising from income generated from provision of services, trade payables arising from purchases dominated in foreign currencies and borrowing, which expose the Group to foreign currency risk. Approximately 0.4% (2014: 1.4%) of the Group's income generated from provisions of services is denominated in currencies other than the functional currency of the group entity providing the services.

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

	Assets		Liabilities	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar	**20,730**	14,924	**9,717**	76
United States Dollar	**15,797**	108,364	**418,304**	717,840
Japanese Yen	**8,987**	17,367	**–**	2,524
Others	**–**	233	**–**	–

It is the Group's policy for each operating entity to operate in local currency as far as possible to minimise currency risk. The Group's principal businesses are conducted in Renminbi. Since the impact of foreign exchange exposure is minimal, no hedging against foreign currency exposure has been carried out by the management but the management has kept on monitoring the movement of all foreign currency exposure.

Sensitivity analysis

The Group is mainly exposed to Hong Kong Dollar, United States Dollar and Japanese Yen.

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk and 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 post-tax profit where Renminbi strengthens 5% against the relevant currencies. For a 5% weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the result.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis – continued

	Hong Kong Dollar Impact		United States Dollar Impact		Japanese Yen Impact	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**(413)**	(557)[a]	**15,094**	22,855[b]	**(337)**	(557)[c]

(a) This is mainly attributable to the exposure on Hong Kong Dollar trade receivables and bank balances at the end of the reporting periods.

(b) This is mainly attributable to the exposure on United States Dollar trade receivables, bank balances, trade payables and borrowings at the end of the reporting periods.

(c) This is mainly attributable to the exposure on Japanese Yen trade receivables, bank balances, and trade payables at the end of the reporting periods.

(ii) Interest rate risk

The Group's fair value interest rate risk is the risk that the fair value of a fixed rate financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2015, except for an amount of RMB936,247,000 (2014: RMB823,566,000) of bank borrowings at floating rates, all remaining bank borrowings of the Group are at fixed rate.

The Group is exposed to fair value interest rate risk in relation to convertible loan notes (see note 29 for details), borrowings with fixed interest rates (see note 27) and amounts due to related companies (see note 23). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings (see note 27) and short-term bank deposits (see note 24) which are mainly concentrated on the fluctuation of prevailing interest rate announced by the Peoples' Bank of China and London Inter Bank Offered Rate in respect of an unsecured bank loan. It is the Group's policy to keep certain borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk as at 31 December 2015 (the Group uses floating to fixed interest rate swaps to minimize the cash flow interest rate risk exposure associated with certain borrowings at floating interest rates amounting to RMB611,646,000 as at 31 December 2014). The directors of the Company will consider hedging significant interest rate risk should the need arise.

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for remaining floating rate borrowings (see note 27). A 50 basis points (2014: 50 basis points) increase or decrease is used for floating rate borrowings when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

In respect of the floating rate borrowings, if interest rates had been 50 basis points (2014: 50 basis points) higher and all other variable were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease/increase by RMB3,511,000 (2014: RMB794,000).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2015 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated specific persons responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of each individual trade receivable at each end of the reporting period to ensure that adequate impairment losses, if necessary, are made for irrecoverable amounts.

In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings in the PRC.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 97.6% (2014: 91.4%) of the total trade receivables as at 31 December 2015. The Group has concentration of credit risk as 53.6% (2014: 40.7%) and 57.1% (2014: 48.6%) of the total trade receivable was due from the Group's largest customer and the five largest customers respectively. In addition, there is concentration of credit risk on liquid funds which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

Liquidity risk

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 management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2015, the Group has available unutilised general borrowing facilities of approximately RMB127,235,000 (2014: RMB155,913,000).

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity risk – continued

The following table details the Group's remaining contractual maturity for its financial liabilities. It has 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 table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2015
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015							
Non derivative financial liabilities							
Trade and other payables		757,562	–	–	–	757,562	757,562
Bills payable		2,120	–	–	–	2,120	2,120
Amounts due to related companies	4.35	27,003	8,150	–	–	35,153	34,667
Dividend payable		78	–	–	–	78	78
Borrowings	5.38	985,609	341,229	17,032	332,365	1,676,235	1,560,512
Convertible loan notes	7.24	2,105	93,343	–	–	95,448	89,622
Consideration payable on acquisition of a subsidiary (Note)		–	–	–	50,803	50,803	38,900
		1,774,477	442,722	17,032	383,168	2,617,399	2,483,461

33. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity tables – continued

	Weighted average interest rate	On demand or less than 6 months	Over 6 months but not more than 1 year	1-2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2014
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014							
Trade and other payables		536,936	–	–	–	536,936	536,936
Bills payable		35,791	–	–	–	35,791	35,791
Amounts due to related companies	6.00	16,984	–	–	–	16,984	16,708
Dividend payable		73	–	–	–	73	73
Borrowings	5.89	1,002,509	277,644	37,776	80,439	1,398,368	1,302,190
Convertible loan notes	7.24	4,285	4,215	8,500	203,213	220,213	193,771
Consideration payable on acquisition of a subsidiary (Note)		–	–	–	50,803	50,803	38,900
		1,596,578	281,859	46,276	334,455	2,259,168	2,124,369

The amounts included above for variable interest rate borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Note: The amounts included above for contingent consideration arising from business combination are the maximum amounts of cash the Group could be required to settle under the arrangement if certain milestones are achieved by the acquirees. Based on expectations at the end of the reporting period, the directors have assessed the fair value of the contingent consideration which will be payable under the arrangement. However, this estimate is subject to change depending on the actual financial performance of the acquirees.

33. FINANCIAL INSTRUMENTS – CONTINUED

Fair value

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2015	31/12/2014		
Derivative financial instruments – interest rate swaps	–	Assets – RMB1,074,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/2015	31/12/2014			
Contingent consideration in a business combination included in consideration payable on acquisition of a subsidiary	Liabilities – RMB39,205,000	Liabilities – RMB38,900,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future cashflows arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 4.75% (2014: 6%) (Note 1) Probability-adjusted profits, with a range from RMB35,442,000 to RMB95,694,000 (2014:RMB33,398,000 to RMB90,173,000) (Note 2)

Notes:

1. A slight increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration, and vice versa. A 5% increase in the discount rate holding all other variables constant would decrease the carrying amount of the contingent consideration by RMB61,000 (2014: RMB149,000).

2. A slight increase in the probability-adjusted profits used in isolation would result in an increase in the fair value measurement of the contingent consideration, and vice versa. A 5% decrease in the probability-adjusted profits holding all other variables constant would decrease the carrying amount of the contingent consideration by RMB1,382,000 (2014: RMB2,149,000).

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

34. ACQUISITION OF A BUSINESS

On 27 December 2013, CSITS, a subsidiary of the Company, and Pactera Technology International Ltd. ("Pactera") entered into a sale and purchase agreement. Pursuant to the agreement, CSITS has agreed to purchase, and Pactera has agreed to sell, the outsourcing business with Huawei, which includes certain assets and leases together with several thousands of employees in a business division and some existing contracts at a consideration of RMB90,931,000 (equivalent to US$15,000,000) to be satisfied in cash and payable from January 2014 to December 2014 by 12 instalments. The acquisition was completed in January 2014 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB57,166,000.

Consideration transferred

	RMB'000
Cash	90,931

Acquisition-related costs amounting to RMB250,000 have been excluded from the consideration transferred and have been recognised as an expense in 2014, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Intangible assets	40,115
Deferred tax liabilities	(8,440)
	31,675

Goodwill arising on acquisition

	RMB'000
Consideration transferred	90,931
Less:	
Imputed interest on consideration paid	(2,090)
Net assets acquired	(31,675)
Goodwill arising on acquisition	57,166

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

34. ACQUISITION OF A BUSINESS – CONTINUED

Net cash outflow on acquisition

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	90,931

The Company did not prepare the pro forma information of the combined business for the current reporting period as though the acquisition date for the business combination that occurred during the year had been as of the beginning of the annual reporting period because it is impracticable.

35. DISPOSAL OF SUBSIDIARIES

Disposal of Beijing Chinasoft EDU

In December 2015, the Group entered into two share transfer agreements to dispose a total of 17.46% equity interests of a subsidiary, Beijing Chinasoft EDU, which carried out a significant portion of the Group's training business. The disposal was effected in order to generate cash flows for the expansion of the Group's other business. The disposal was completed on 22 December 2015. After the completion, the Group holds 49% of the equity interest in Beijing Chinasoft EDU and able to exercise significant influence over the company because it has the right to appoint 1 out of the 5 directors of that company per revised Articles of Association of Beijing Chinasoft EDU. The remaining 49% equity interests in Beijing Chinasoft EDU was classified as interest in associate of the Group. The net assets of Beijing Chinasoft EDU at the date of disposal were as follows:

Consideration received

	RMB'000
Cash received	50,033
Consideration receivable	18,934
	68,967
Fair value of the 49% equity interests remained in Beijing Chinasoft EDU	66,666
	135,633

35. DISPOSAL OF SUBSIDIARIES – CONTINUED

Disposal of Beijing Chinasoft EDU – continued

Analysis of assets and liabilities over which control was lost

	22/12/2015
	RMB'000
Current assets	
Inventories	33
Trade and other receivables	58,443
Bank balances and cash	33,137
Amounts due from related companies	80,709
	172,322
Non-current assets	
Property, plant and equipment	18,957
Intangible assets	21,666
	40,623
Current liabilities	
Trade and other payables	28,207
Amount due to a related company	80,360
Dividends payable	33,932
Taxation payable	4,947
Borrowings	12,309
	159,755
Net assets disposed of	53,190

Gain on disposal of a subsidiary

	RMB'000
Consideration receivable and received	135,633
Non-controlling interests	19,560
Net assets disposed of	(53,190)
Gain on disposal	102,003

35. DISPOSAL OF SUBSIDIARIES – CONTINUED

Disposal of Beijing Chinasoft EDU – continued

Net cash inflow on disposal of a subsidiary

	RMB'000
Cash consideration	50,033
Less: Bank balance and cash disposed of	(33,137)
	16,896

Disposal of Double Bridge

On 6 November 2015, HGR entered an agreement with a third party to dispose all its 100% shareholdings in Double Bridge for a consideration of RMB19,481,000 (equivalent to US$3,000,000). The transaction was completed on 30 December 2015. The net assets of Double Bridge at the date of disposal were as follows:

Consideration received

	RMB'000
Cash received	1,299
Consideration receivable	18,182
	19,481

Analysis of assets and liabilities over which control was lost

	30/12/2015 RMB'000
Current assets	
Trade and other receivables	6,413
Bank balances and cash	5,824
Amounts due from related companies	931
	13,168
Non-current assets	
Property, plant and equipment	287
Current liabilities	
Trade and other payables	7,050
Net assets disposed of	6,405

35. DISPOSAL OF SUBSIDIARIES – CONTINUED

Disposal of Double Bridge – continued

Gain on disposal of a subsidiary

	RMB'000
Consideration received and receivable	19,481
Net assets disposed of	(6,405)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(3,355)
Gain on disposal	9,721

Net cash outflow on disposal of a subsidiary

	RMB'000
Cash consideration	1,299
Less: Bank balance and cash disposed of	(5,824)
	(4,525)

36. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

In January 2014, the Group acquired additional 8.78% equity interests in an existing non-wholly owned subsidiary, Shanghai Huateng from a non-controlling owner of the subsidiary for a consideration of RMB31,000,000 to be satisfied in cash.

Chinasoft Beijing, the immediate holding company of Beijing Chinasoft EDU, together with the non-controlling interest shareholders of Beijing Chinasoft EDU, made capital injections of RMB17,500,000 and RMB27,500,000 in November 2015, respectively. The shareholdings on Beijing Chinasoft EDU by Chinasoft Beijing decreased from 70% to 66.46% after the above capital injections. In December, Chinasoft Beijing disposed 17.46% equity interests in Beijing Chinasoft EDU and the remaining 49% equity interests were classified as interests in associate, details are set out in Note 35.

37. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged certain bank deposits as collaterals for short-term trade facilities granted to the Group as per note 24.

The group had also pledged certain trade receivables, land use right and construction in progress to secure bank borrowings granted to the Group as per note 27.

38. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of buildings which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	100,358	90,343
In the second to fifth year inclusive	134,714	95,769
Over five years	1,137	–
	236,209	186,112

Operating lease payments represent rentals payable by the Group for certain premises for training centers, office properties and storeroom. Leases are negotiated for lease terms ranging from one year to seven years (2014: one year to five years) for the Group and rentals are normally fixed during the lease period.

39. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– acquisition of property, plant and equipment	86,574	262,575
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	61,477	97,175

40. SHARE OPTION SCHEME

The Company's share option scheme (the "Existing Share Option Scheme") was adopted pursuant to a resolution passed on 2 June 2003 by the shareholders for the purpose of providing incentives and rewards to the people and the parties working for the interest of the Group. The Existing Share Option Scheme will remain valid for a period of ten years commencing on 2 June 2003. Pursuant to a resolution passed on 20 May 2013, the Existing Share Option Scheme which will be expired on 1 June 2013 was terminated and a new share option scheme (the "New Share Option Scheme") (together with the Existing Share Option Scheme, collectively referred to as the "Share Option Schemes") was adopted. Upon termination of the Existing Share Option Scheme, no further options may be offered thereunder but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect. The expiry of the Existing Share Option Scheme will not in any event affect the terms of those outstanding options that have already been granted under the Existing Share Option Scheme.

40. SHARE OPTION SCHEME – CONTINUED

Under the Share Option Schemes, the board of directors may grant options to eligible participants including the directors, full-time and part-time employees of the Company or any of its subsidiaries or associates, suppliers and customers of the Company or any of its subsidiaries or associates to subscribe for shares in the Company in accordance with the terms of the Share Option Schemes. An offer for the grant of options must be accepted within 30 days from the date of offer, and a consideration of HK$1.00 is payable by each of the participants on acceptance of the grant of options.

An option may be exercised in accordance with the terms of the Share Option Schemes at any time during a period of not more than ten years after the date on which an offer of the grant of an option is accepted. The subscription price for shares under the Share Option Schemes will be a price determined by the board of directors and notified to each grantee and will be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer and; (iii) the nominal value of a share.

The Company may grant options under the Share Option Schemes and any other share option schemes of the Company entitling the grantees to exercise up to an aggregate of 10% of the total number of shares in issue immediately upon the listing of the shares on the Stock Exchange and subject to renewal with shareholders' approval. 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 Schemes and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

40. SHARE OPTION SCHEME – CONTINUED

The movements of the share options granted to the directors and other employees of the Group during the year ended 31 December 2015 are as follows:

					Number of share option				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2015
Executive directors:									
Tang Zhenming	30.3.2006	HK$0.97	Nil	30.3.2006 – 29.3.2016	–	–	–	–	–
			30.3.2006 – 29.3.2007	30.3.2007 – 29.3.2016	200,000	–	–	–	200,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	200,000	–	–	–	200,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	400,000	–	–	–	400,000
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	500,000	–	–	–	500,000
	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	4,000,000	–	–	–	4,000,000
					12,800,000	–	–	–	12,800,000
Chen Yuhong	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	4,000,000	–	–	–	4,000,000
					10,000,000	–	–	–	10,000,000
Wang Hui	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	3,000,000	–	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	4,000,000	–	–	–	4,000,000
					10,000,000	–	–	–	10,000,000

40. SHARE OPTION SCHEME – CONTINUED

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share option: Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2015
Non-executive directors:									
Zhang Yaqin	16.12.2015	HK$3.27	Nil	16.12.2015 – 15.12.2018	–	900,000	–	–	900,000
			16.12.2015 – 15.12.2016	16.12.2016 – 15.12.2018	–	900,000	–	–	900,000
			16.12.2016 – 15.12.2017	16.12.2017 – 15.12.2018	–	1,200,000	–	–	1,200,000
					–	3,000,000	–	–	3,000,000
Employees:	30.3.2006	HK$0.97	Nil	30.3.2006 – 29.3.2016	50,000	–	–	–	50,000
			30.3.2006 – 29.3.2007	30.3.2007 – 29.3.2016	1,575,000	–	–	–	1,575,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	2,125,000	–	–	–	2,125,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	1,350,000	–	–	–	1,350,000
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	1,335,000	–	(250,000)	–	1,085,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	3,470,000	–	(250,000)	–	3,220,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	3,200,000	–	–	–	3,200,000
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	3,600,000	–	–	–	3,600,000
	19.9.2012	HK$1.67	Nil	19.9.2012 – 18.9.2015	3,640,000	–	(3,640,000)	–	–
			19.9.2012 – 18.9.2013	19.9.2013 – 18.9.2015	8,700,000	–	(8,700,000)	–	–
			19.9.2012 – 19.9.2014	19.9.2014 – 18.9.2015	11,600,000	–	(8,840,000)	(2,760,000)	–
	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	24,000,000	–	–	–	24,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	24,000,000	–	(6,520,000)	–	17,480,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	32,000,000	–	–	–	32,000,000
	16.12.2015	HK$3.27	Nil	16.12.2015 – 15.12.2018	–	10,500,000	–	–	10,500,000
			16.12.2015 – 15.12.2016	16.12.2016 – 15.12.2018	–	10,500,000	–	–	10,500,000
			16.12.2016 – 15.12.2017	16.12.2017 – 15.12.2018	–	14,000,000	–	–	14,000,000
					120,645,000	35,000,000	(28,200,000)	(2,760,000)	124,685,000
Total					153,445,000	38,000,000	(28,200,000)	(2,760,000)	160,485,000
Exercisable at the end of the year									91,910,000
Weighted average exercise price					HK$ 1.84	HK$ 3.27	HK$ 1.78	HK$ 1.67	HK$ 2.34

40. SHARE OPTION SCHEME – CONTINUED

The movements of the share options granted to the directors, other employees and customers of the Group during the year ended 31 December 2014 are as follows:

					Number of share option				
Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2014
Executive directors:									
Tang Zhenming	30.3.2006	HK$0.97	Nil	30.3.2006 – 29.3.2016	–	–	–	–	–
			30.3.2006 – 29.3.2007	30.3.2007 – 29.3.2016	200,000	–	–	–	200,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	200,000	–	–	–	200,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	400,000	–	–	–	400,000
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	500,000	–	–	–	500,000
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	500,000	–	–	–	500,000
	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	–	4,000,000	–	–	4,000,000
					2,800,000	10,000,000	–	–	12,800,000
Chen Yuhong	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	–	4,000,000	–	–	4,000,000
					–	10,000,000	–	–	10,000,000
Wang Hui	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	–	3,000,000	–	–	3,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	–	4,000,000	–	–	4,000,000
					–	10,000,000	–	–	10,000,000
Independent not-executive directors:									
Zeng Zhijie	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	–	–	–	–	–
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	75,000	–	(75,000)	–	–
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	187,500	–	(187,500)	–	–
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	187,500	–	(187,500)	–	–
					450,000	–	(450,000)	–	–

40. SHARE OPTION SCHEME – CONTINUED

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share option: Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2014
Employees:									
	13.5.2004	HK$0.65	Nil	13.5.2004 – 12.5.2014	150,000	–	–	(150,000)	–
			13.5.2004 – 12.5.2005	13.5.2005 – 12.5.2014	150,000	–	–	(150,000)	–
			13.5.2004 – 12.5.2006	13.5.2006 – 12.5.2014	4,150,000	–	(2,050,000)	(2,100,000)	–
			13.5.2004 – 12.5.2007	13.5.2007 – 12.5.2014	6,250,000	–	(4,150,000)	(2,100,000)	–
	30.3.2006	HK$0.97	Nil	30.3.2006 – 29.3.2016	175,000	–	(125,000)	–	50,000
			30.3.2006 – 29.3.2007	30.3.2007 – 29.3.2016	1,700,000	–	(125,000)	–	1,575,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	2,250,000	–	(125,000)	–	2,125,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	1,475,000	–	(125,000)	–	1,350,000
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	2,385,000	–	(1,050,000)	–	1,335,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	4,520,000	–	(1,050,000)	–	3,470,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	4,250,000	–	(1,050,000)	–	3,200,000
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	4,650,000	–	(1,050,000)	–	3,600,000
	19.9.2012	HK$1.67	Nil	19.9.2012 – 18.9.2015	9,000,000	–	(5,360,000)	–	3,640,000
			19.9.2012 – 18.9.2013	19.9.2013 – 18.9.2015	9,000,000	–	(300,000)	–	8,700,000
			19.9.2012 – 19.9.2014	19.9.2014 – 18.9.2015	12,000,000	–	(400,000)	–	11,600,000
	23.1.2014	HK$2.15	Nil	23.01.2014 – 22.01.2017	–	24,000,000	–	–	24,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	–	24,000,000	–	–	24,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	–	32,000,000	–	–	32,000,000
					62,105,000	80,000,000	(16,960,000)	(4,500,000)	120,645,000
Customers:	13.5.2004	HK$0.65	Nil	13.5.2004 – 12.5.2014	2,000,000	–	(1,500,000)	(500,000)	–
			13.5.2004 – 12.5.2005	13.5.2005 – 12.5.2014	2,000,000	–	(1,500,000)	(500,000)	–
			13.5.2004 – 12.5.2006	13.5.2006 – 12.5.2014	2,000,000	–	(1,500,000)	(500,000)	–
			13.5.2004 – 12.5.2007	13.5.2007 – 12.5.2014	2,000,000	–	(1,500,000)	(500,000)	–
					8,000,000	–	(6,000,000)	(2,000,000)	–
Total					73,355,000	110,000,000	(23,410,000)	(6,500,000)	153,445,000
Exercisable at the end of the year									76,445,000
Weighted average exercise price					HK$ 1.32	HK$ 2.15	HK$ 1.15	HK$ 0.65	HK$ 1.84

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$3.09 (2014: HK$2.44).

40. SHARE OPTION SCHEME – CONTINUED

The estimated fair value of the share options granted on 23 January 2014 was HK$0.22 to HK$0.23 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$2.12
Exercise price	HK$2.15
Expected volatility	42.11%
Time to maturity	3 years
Risk-free rate	0.74%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,095 days in 2014.

The estimated fair value of the share options granted on 16 December 2015 was HK$0.73 to HK$0.96 per option. Fair values were calculated using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

Share price on grant date	HK$3.27
Exercise price	HK$3.27
Expected volatility	52.03%
Time to maturity	3 years
Risk-free rate	0.72%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical volatility of the Company's share price over a period of 1,092 days in 2015.

The Group recognised a total expense of RMB13,637,000 for the year ended 31 December 2015 (2014: RMB16,906,000) in relation to share options granted by the Company.

41. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to state-sponsored retirements plans for its employees in the PRC. The Group is required to contribute a certain percentage of the basic salaries of its employees to the retirements plans, and has no further obligation for the actual payment of the previous or post retirement benefits. The relevant state-sponsored retirements plans are responsible for the entire present obligation to retired employees.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund ("MPF") scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

During the year, the total cost of retirement benefits contributions charged to profit or loss of RMB209,164,000 (2014: RMB195,624,000) represents contributions to the schemes made by the Group at rates specified in the rules of the respective schemes.

42. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related companies, other than those disclosed elsewhere in the consolidated financial statements:

	Notes	2015 RMB'000	2014 RMB'000
Provision of IT outsourcing services			
– Huawei Group	(a) & (i)	**1,953,094**	1,337,463
Provision of IT solution service			
– Chinasoft Zhengtong	(b) & (ii)	**1,917**	–

Notes:

(a) Huawei is the non-controlling owner with significant influence over CSITS, a non-wholly owned subsidiary of the Company. Following the establishment of CSITS in April 2012, Huawei Group became a related party of CSITS thereafter.

(b) Chinasoft Zhengtong is an associate of the Group.

(i) During the year, the Group provided IT outsourcing services of RMB1,953,094,000 (2014: RMB1,337,463,000) to Huawei Group. At 31 December 2015, an amount of RMB679,982,000 (2014: RMB458,699,000) was included in trade and other receivables in the consolidated statement of financial position.

(ii) During the year, the Group provided IT solution services of RMB1,917,000 (2014: nil) to Chinasoft Zhengtong. At 31 December 2015, an amount of RMB1,917,000 (2014: nil) was included in trade and other receivables in the consolidated statement of financial position.

42. RELATED PARTY TRANSACTIONS – CONTINUED

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	14,771	9,109
Retirement benefits costs	231	205
Share option expenses	2,222	5,732
	17,224	15,046

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. EVENTS AFTER THE REPORTING PERIOD

Acquisition of additional equity interest in CSITS

On 26 October 2015, the Company and Huawei entered into a subscription and acquisition agreement pursuant to which (i) Huawei has conditionally agreed to subscribe, and the Company has conditionally agreed to issue, 85,109,515 ordinary shares at a consideration of HK$238,306,641; and (ii) the Company had conditionally agreed to acquire, and Huawei has conditionally agreed to sell, 40% equity interest in CSITS at a consideration of HK$238,306,641 to be satisfied by way of cash. Details of the transactions were set out in a circular dated 23 November 2015 issued by the Company. The transactions were completed in February 2016 and CSITS became a wholly owned subsidiary of the Group. The market value of the shares subscribed by Huawei as at completion date amounts to HK$239,158,000. The transactions were accounted for as an equity transaction with non-controlling shareholder of an existing subsidiary, with corresponding increase in the share capital and share premium of the Company through the issue of shares.

As of the date of approval for issuance of the consolidated financial statements, management of the Group is still in the midst of determining the financial effect of the acquisition.

Issuance of convertible loan notes

On 3 February 2016, the Company entered into a subscription agreement with Huarong International Asset Management Growth Fund L.P. (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, a convertible loan notes in an aggregate principal amount of RMB458,647,000 (equivalent to US$70,000,000) due in 2019. The convertible loan notes are to be issued in two tranches. The first and second tranche convertible loan notes amounts to RMB195,354,000 (equivalent to US$30,000,000) and RMB260,868,000 (equivalent to US$40,000,000) have been issued on 15 February 2016 and 10 March 2016, respectively. Details of the issuance of convertible loan notes were set out in an announcement dated 3 February 2016 issued by the Company.

43. EVENTS AFTER THE REPORTING PERIOD – CONTINUED

Issuance of convertible loan notes – continued

As of the date of approval for issuance of the consolidated financial statements, management of the Group is still in the midst of determining the financial effect of the issuance of convertible loan notes.

Repayment and waivers in connection with the bank borrowings

On 17 February 2016, the Company repaid a total amount of RMB260,981,000 bank borrowings, representing all outstanding principal and interest under facility agreement related to the Non-compliances as set out in note 27. Besides, the Company obtained all necessary waivers from the banks regarding the Non-Compliances. Details of the repayment and waivers in connection with the bank borrowings were set out in an announcement dated 17 February 2016 issued by the Company.

44. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 RMB'000	2014 RMB'000
Non-current assets		
Interests in subsidiaries	1,879,960	1,847,821
Prepaid lease payments	–	31
Derivative financial instruments	–	1,074
	1,879,960	1,848,926
Current assets		
Other receivables	5,845	29,620
Amounts due from a subsidiary	129,872	122,380
Prepaid lease payments	33	149
Amounts due from a related company	1	1
Pledged deposits	6,773	5,098
Bank balances and cash	9,272	3,703
	151,796	160,951

44. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

	2015 RMB'000	2014 RMB'000
Current liabilities		
Other payables	5,782	3,859
Amount due to related companies	5,960	–
Borrowings	415,057	672,836
Dividend payable	78	73
Convertible loan notes	89,622	–
	516,499	676,768
Net current liabilities	(364,703)	(515,817)
Total assets less current liabilities	1,515,257	1,333,109
Non-current liabilities		
Convertible loan notes	–	193,771
	–	193,771
	1,515,257	1,139,338
Capital and reserves		
Share capital	95,645	88,014
Reserves (Note)	1,419,612	1,051,324
Total equity	1,515,257	1,139,338

44. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Share premium RMB'000	Hedging reserve RMB'000	Share option reserve RMB'000	Convertible loan notes reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2014	1,628,650	649	38,813	30,391	(599,309)	1,099,194
Loss for the year	–	–	–	–	(84,481)	(84,481)
Other comprehensive income (expense) for the year						
– fair value gain on hedging instruments in cash flow hedge	–	425	–	–	–	425
– reclassification to profit or loss upon discontinue of cash flow hedge	–	(1,074)	–	–	–	(1,074)
Total comprehensive (income) expense for the year	–	(649)	–	–	(84,481)	(85,130)
Issue of ordinary share upon exercise of share options	26,037	–	(5,683)	–	–	20,354
Recognition of share option expenses	–	–	16,906	–	–	16,906
Cancellation of share options	–	–	(1,223)	–	1,223	–
At 31 December 2014	1,654,687	–	48,813	30,391	(682,567)	1,051,324
Loss and total comprehensive expenses for the year	–	–	–	–	(69,347)	(69,347)
Issue of ordinary share upon exercise of share options	50,303	–	(10,629)	–	–	39,674
Recognition of share option expenses	–	–	13,637	–	–	13,637
Issue of ordinary shares	281,430	–	–	–	–	281,430
Conversion of convertible loan notes	119,609	–	–	(16,715)	–	102,894
Cancellation of share options	–	–	(1,216)	–	1,216	–
At 31 December 2015	2,106,029	–	50,605	13,676	(750,698)	1,419,612

RESULTS

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	2,243,754	2,768,171	3,205,985	4,429,202	**5,129,111**
Profit (loss) before taxation	150,687	187,716	204,918	297,239	**419,994**
Taxation	(29,611)	(37,574)	(4,890)	(42,183)	**(87,010)**
Profit (loss) for the year	121,076	150,142	200,028	255,056	**332,984**
Attributable to:					
Owners of the Company	110,594	133,189	148,301	200,038	**280,056**
Non-controlling interests	10,482	16,953	51,727	55,018	**52,928**
	121,076	150,142	200,028	255,056	**332,984**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,947,534	3,442,350	4,672,957	5,344,466	**6,348,453**
Total liabilities	(1,143,849)	(1,380,067)	(2,231,756)	2,643,435	**2,862,183**
	1,803,685	2,062,283	2,441,201	2,701,031	**3,486,270**