ANNUAL REPORT 2014

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

Corporate Information

THE BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Zhao John Huan
Dr. Zhang Yaqin
Mr. Lin Sheng

Independent non-executive Directors

Mr. Zeng Zhijie
Dr. Leung Wing Yin Patrick
Dr. Song Jun

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Leong Leung Chai Florence

INTERNATIONAL AUDITOR

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Chairman's Letter

Dear Investors,

The public announcement of our JointForce (JF) platform marked a successful conclusion to the year 2014 for Chinasoft International. The development of JointForce not only marked a huge step in the history of our company, we believe it also sets a major milestone in the developmental history of the Chinese IT Services industry. Through the process of creating JF, we recognized that *"quick, inexpensive, reliable and abundant"* IT services is now a pressing need for the digitalization of the entire Chinese society.

In the past year our business continued to grow rapidly and robustly. We made good progress in these three main focus areas:

1. **JointForce (JF) Beta Release – We See Solid Demand**

   Within the reporting period, the Group completed the crowd-sourcing platform JointForce (a reliable IT services platform built on cloud) and successfully began its Beta testing phase. We began internal testing of JF in May of 2014, and by October, JF made its first public appearance at the Ali-Cloud conference, which sent reverberations across the industry. On December 12, the JF platform was officially announced in both Beijing and HongKong. This marked an important turning point in the transformation of the Group into a platform based enterprise. At 31 December 2014, our JF platform had over 8,100 registered developers and nearly 700 live projects. We gradually began to see how our *Micro-Manager Platform* raised management efficiency and lowered cost. Our "government" Line-Of-Business (LOB) was the first internal division that began full implementation of JF in all of its businesses. By our year-end tally, through the use of scalable resources via JF, the government LOB saw consultant utilization rate (UR) rising by 7.7%, and overall project level gross margin increasing by 8.4%. Better news still, even as company increased efficiency, employee income rose by 13.5%, and employee satisfaction rate moved visibly higher. As more of our business lines migrate to JF, we are seeing our internal resource management becoming more dynamic and our incentive systems more appropriate. Both management and employees are now more confident in achieving a better working environment while raising productivity. As of this writing, the JF platform is expanding rapidly with more than 27,000 registered developers, of which more than 10,000 are non-employees. We see the demand vs supply situation for JF as a chicken-egg interaction process (if you build it, they will come). We chose to begin our platform by first building our developer base. In the next phase we will target having businesses customer joining our platform and utilizing talents and resources on JF (putting projects on JF). Since JF's December Beta release, we started to experiment with having third party customers to place projects on JF, and currently have 200 business customers registered and over 40 actually placed projects on JF. Our immediate goal is to have 1,000 registered business customers on JF with 100 active businesses on an on-going basis. We plan to officially announce the JointForce Commerce Platform in the next few months, our analysis clearly shows that there exist a huge demand for IT services that is "fast, inexpensive, reliable and abundant".

2. **Strategic Cooperation with Huawei on Enterprise Business: Joint Innovation Progressing as Planned**

During the reporting period, The Group continues to improve overall operation of its Huawei related business, registering a revenue growth of more than 88%, with steadily improving margins. The Group and Huawei signed a strategic cooperation agreement, with Chinasoft becoming a Gold Agent for Huawei's enterprise business line, joining with Huawei on its new goal of penetrating into ICT services industry. We are currently focused on having joint innovation in cloud infrastructure solutions at the enterprise level. As a starting point, Huawei and Chinasoft jointly developed a new generation of tobacco manufacturing execution systems (MES) in 2014. These projects were also linked to Ministry of Industry and the Internet Innovation Alliance on the Industry 4.0 movement. On this front, the Group received Huawei's "Solution Innovation Award." As for Huawei, in a short span of four years, its enterprise business has grown by leaps and bounds with the rapid proliferation of its eco-system of having only a few hundred partners to more than ten thousand. We are proudly standing in front and be one of Huawei's significant partners. Looking out to the next few years, Huawei has set an aggressive target for the rapid development of its enterprise business; this not only coincides perfectly with Chinasoft's rich experience and deep understanding of this market, it is also gives us an enormous opportunity to deepen our already close cooperation with Huawei.

3. **Moving forward with SMAC (Social, Mobile, Analytics and Cloud)**

As the very first Ali Cloud Ecosystem commercial partner, Chinasoft has a full range of Ali Cloud Ecosystem technical capabilities. We are providing consulting services on design, cloud+client solutions, overall planning, cloud integration, cloud application delivery, cloud migration and other cloud services. During the reporting period, The Group continued to work closely with Ali Cloud. After the successful initiation of the ZheJiang LiShui government cloud project, Chinasoft recently won the very first of Ali cloud's "Digital China" project by winning the "Guizhou Cloud" development plan bid. The Group signed a strategic cooperation agreement to further the development and e-government operation in Guizhou province on Ali Cloud big data platform public services.

In 2014, the Group continued to work closely with China Mobile. Chinasoft successfully won the renewal of the China Mobile Fetion wireless project, and the China Mobile Unified-Communications project, and China Mobile's 139 mailbox project, and the China Mobile Unified Payment platform. The Group actively cooperated with China Mobile's "Three New" (New Voice, New Info, New Connection) campaign in 2014. The Group is working with China Mobile on its proposed converged communications strategy on multiple fronts: the planning, drafting of specifications, designing and software development. As the Group already has a leading Mobile R&D team in instant messaging capabilities plus the scale required for large projects, Chinasoft has become a core vendor supplier for the "Three New" project. It has always been Chinasoft's modus operandi to move closer to our large strategic customers by starting out as just a service provider and then becoming a provider-partner. We believe in this case we will also be fruitful in our efforts.

Catapult (which we acquired in 2013) has served to further our cooperation with Microsoft. After going through its "post-acquisition adjustment period," Catapult's business is now moving forward and its "Solutions as a Service" cloud product has achieved a number of break-through points and recently began to market and sell FUSE, an Intranet as a Service product. "Solution as a Service" received praises across the industry and earned high recognition from Microsoft, coinciding with Microsoft's enterprise consumption of Azure campaign. In the latest quarter, Azure's sales has exceeded Amazon's, and this gave us much confidence about a prosperous future. We are also actively studying the enterprise cloud market in the US, and we plan to use this experience as the base to expand in the Chinese market.

Chairman's Letter

Dear investors, 2014 was a year which we contemplated extensively on how to transform and grow our company in the new mobile internet era. Because the Group has twenty-five thousand employees, the management is very cautious as well as anxious with any non-routine changes. So far our exploration seems to have validated our reform thinking. In our sixth annual Strategy Day last December, we used the theme of "Starting Again" to declare that Chinasoft has entered CSI 2.0. What will we do in CSI 2.0? First, we need to solve the industry-wide problem of falling labor productivity and wasting of human resources. Chinese IT Services customers have paid billions of RMB for IT Services, and the pricing is not very low, yet there is still no clear industry leading company in this field. This is a tough and a must-solve problem that is facing every one of us at Chinasoft. Second, we need to increase Chinasoft's profitability as well as market status and influence. As China's population-advantage is weakening but engineer's bargaining power rising, tomorrow's victory IT Services belongs to a company that can efficiently organize large scaled IT services. Through our JF platform we can establish a workforce that is ten times of our current size, and through this process we will significantly increase Chinasoft's influential power in China. Third, we will create and maintain a rich and healthy quality of life for the Cool-Geek class (傑客). We created a name for the developers in our JointForce community: Cool-Geeks. They are also the perpetual engine that will create value for our shareholders. We want to create an environment that is more transparent and more efficient for our Cool-Geeks. We want to liberate them from the rat-race of the rush hour traffic, from the entangling pre-sale and post-sale negotiations, give them a richer and healthier quality of life, which in turn gives our company a bright future. Fourth, we will become a thriving force in the capital market. Chinasoft is a company owned by all its shareholders. In addition to working towards increasing revenue and profits, we also need to explore ways to maximize shareholder value by understanding the differences in the two converging capital markets (Hong Kong and China). This is another focus for CSI 2.0.

We see the period of, 2015 – 2017 to be the early phase of CSI 2.0. During this three years we need to realize our twin-10bln target. In the middle phase of CSI 2.0 (2018 – 2020), our goal will be to create a world renowned IT Services company with annual revenue of more than five billion US Dollars.

Based on the overall consideration, the three most significant targets in 2015 we identified are:

First, JointForce platform crowdsourcing traffic needs to show alternative growth pattern. "Alternative" here refers to the development of alternative platform business model that exhibits non-linear revenue growth as compared to labor headcount. Revenue growth needs to be much faster than headcount growth. At the same time, we will continue to expand the JointForce eco-system and create different sub-sector eco-system for different industry verticals. We will start with the two long-tail markets: the Government Cloud and the Industrial Internet verticals. We see a future of a software-defined world, and each industry vertical will internalizes the software industry. "Internet+" will largely depend on the "software+", that is, highly efficient, "fast, inexpensive, reliable and abundant" software services. Our job is to sell "shovels" in this "Internet+" gold rush. No matter when, where, who they want, we will have it available to our customers!

Second, we will work with a number of large and strategic partners to transform CSI's resource advantages to one of capability advantage, to connect with our partners on business as well as strategic levels, and to realize our "in-depth vertical cooperation" to prepare for overseas expansion. We will become a major force in China's cloud computing ecosystem and also an outstanding cloud service partner. We will increase our efforts in banking, insurance and securities, and we will establish competitive advantages in financial services professional data technologies and services. As we have reported many times before, forces of SMAC will transform traditional industries, starting from S (Social), observe through M (Mobile), based on everything in C (Cloud), and then eventually landing in A (Analytical). Over the years The Group has accumulated a rich set of clients in the financial industry as well as voluminous data resources, and this has formed a solid base for us to conduct the current transformation. We will also explore additional cooperation with our partners outside of the traditional IT services areas.

Third, in order to obtain acknowledgment and support from the capital markets and investors, we planned to take advantage of both Hong Kong and mainland A-Share stock markets to realize The Group's true market value, and in the process pave a solid foundation for the goal of realizing the twin-10-billion goal and creating a global scale IT services enterprise.

"It was the best of times, it was the worst of times." Opportunities and challenges coexist! I believe that we are in a pivotal point in history, and with our unremitting efforts and the tireless support of our investors, we will see The Group's true value soaring! We will realize our "Happy Chinasoft international" dream!

Thank you for your continued support!

Yours sincerely,
Chen Yuhong
Chairman of the Board

I. RECENT DEVELOPMENT

PSG BUSINESS DEVELOPMENT

Financial Services and Banking: During the reporting period, the Group maintained its leading market position in its three core products: bank cards, credit and payment and settlement system businesses. The financial IC card business won bids and signed with multiple banks and continued to maintain its market leading position. The credit business, built on the foundation of lots of bank customers, entered agreements with China's leading oil and automotive enterprises, securing its marketing leading position. The payments and settlement system business, built on the foundation of its existing bank customers, was able to successfully sign with rural credit cooperative and banks to secure an advantageous market position. The anti-fraud business achieved breakthrough when it was able to gain more coverage in the area that was previously less engaged through winning bids from local banks. In accordance to the Bank Credit Card Center's 5 year strategy plan to deal with the impact of the Internet finance, the Group will undertake infrastructure projects to build a new generation of credit cards – Bank credit card center operations large platform projects to promote overseas business, and take over the Bank of China Macau Branch's oversea acquiring system. The Group helped Ping An Bank to get rid of IOE, and built the credit card issuance backend for them. In order to catch the wave of the Internet finance, the Group expanded its online supply chain business, and undertook small to medium size businesses credit financing business.

Government and Large Enterprises: During the reporting period, the Group continue to maintain its leading position in auditing. Reliant on the advantage in the government auditing, the Group had a breakthrough in the internal auditing field with state own key enterprises, including enterprises in the railroad and energy sector. The Group a signed a Phase I project for a ministry inspection and supervision information system to serve as future reference model for regional government branches. The Group also signed with a media publishing client to help its digital transformation. This will give the group an opportunity to grab hold of the market, accumulate knowledge of this new service model, and build a strong technical foundation for future promotions. The Group signed a strategic cooperation agreement, "Traffic Management and Big Data Management Platform for Distributed Applications", with the Ministry of Public Security Traffic Management Research Institute, and finished the development of framework and capabilities for the platform that can achieve a massive traffic control data base that can be stored, managed, or utilized. This test project's success helped the Group accumulate experiences and build a foundation in the big data application. For large enterprises, the Group targeted at the fact that large enterprises are asset intensive and successfully designed and developed an asset management solutions. The customers include manufacturing enterprises and airports.

The entire government line has been moved onto the Jointforce platform. With the same amount of employees, the business signing, money collection, delivery, gross profit, and net profit all increased. Through Joint Force, the gross profit margin of projects improved by 8.4%, and the employees' income increased by 13.5% along with employee satisfaction.

Business Overview

Manufacturing and Logistics: During the reporting period, the MES business line continued to increase and maintained its leading market position after signing MES projects with Shandong Tobacco, Guangxi Tobacco, and other industrial enterprises. The Group won the bid by multiple enterprises including Shanxi Tobacco for data application projects, furthering the Group's big data capabilities. The Group led the breakthrough in the professional selling field for Beijing Tobacco's core business. The Group completed the biggest single delivery project in the business line history after winning the bid for the construction of Yunnan Tobacco Data Center. Lastly, the Group won the bid for Ningbo Cigarette Factory's core manufacturing delivery system project, and will create a new generation of smart plant with CPS network and mobile sensors. The Group will build "industrial Internet environments" for factories and connecting the silk devices, the cigarette package equipment, logistics equipment, measuring equipment, personnel, storage devices to the Internet. All this will be supported by the Chinasoft's IPC big data. The project is a new project by the Ministry of Industry and the Internet Innovation Alliance, and will be the demonstration project for industry 4.0.

Insurance and Securities: During the reporting period, the Group continued to find more suitable service models for top existing customers including HSBC software and CPIC, while achieving a breakthrough from new customers like Sinowel. Meanwhile, the Group accumulated lots of industry experience and achieved industry breakthroughs in its core insurance business, application infrastructure planning, manpower outsourcing and Internet digital marketing, to provide efficient and personal service for its customers. Following the third party payment consulting project with CPIC, the Group signed another contract with CPIC to develop the third party payment system. The Group will collaborate with CPIC to expand Internet payment, mobile payment, and other emerging businesses. Lastly, the Group expanded into the China Securities businesses after developing an online registration and clearance system for Hong Kong and Shanghai Connect and stock options.

Public Services: During the reporting period, the payment business line continued to stay hot, as the Group successfully signed a unified payment system contract with an operator. In addition, the Group won the bid for "Speedy Scan Card"'s third party payment product and system upgrade project and successfully entered into the high way toll payment market. Lastly, the Group maintained is leading position in the railway industry after winning the bid for Xian Metro's line two AFC system maintenance project and signing new contracts (railway's ACC project) with cities in the east and southwest regions of China.

Electricity and Energy: During the reporting period, with its "end-to-end" service advantage, the Group won the bid for China National Offshore Oil Corporation's ERP system testing, SAP ECC, and PI system maintenance. Furthermore, the Group developed a project supervision information platform for China Sea oil. This platform is a breakthrough in the China Sea oil information management business. The Group also signed with LNG to maintain regional IC card toll systems and continued the growth of business in the oil industry. The promotion of this system also helped accumulate industry experience and built a solid foundation for businesses in the oil logistics market.

OSG BUSINESS DEVELOPMENT

Huawei: During the reporting period, the JV with Huawei has reached its two year anniversary and entered into a new stage of development. The Huawei business line maintains a healthy operation with the profitability increasing steadily. The Group signed a strategic cooperation with Huawei to become its (Enterprise Gold Label Agent) in China. The Group will leverage its competitive advantage and work with Huawei in manufacturing, finance, and other industries, cloud computing, industry 4.0, and other areas of expertise to access new growth factors for the business and accumulate capabilities in cloud and the "internet of things." In terms of enterprise cloud services, using OpenStack to build cloud enable centers, the Group will work with Huawei to develop enterprise cloud solutions and provide enterprise cloud services.

United States: During the reporting period, the Group's strategic cooperation with Microsoft broadened as the Group became the only supplier of Microsoft's speech translation model business in China. This the first cooperation between Microsoft's hardware department, breaking through the traditional software design business relationship. Lastly, the Group won the Microsoft's Japanese businesses in Wuxi. The business outlook of this is very promising.

Greater China: During the reporting period, the internet sector has grown rapidly, and Chinasoft has become the core service providers for the key internet companies, establishing its leading marketing position in the sector. The telecommunication business grew steadily, and entered into deep cooperation with Mobile Research Institute to build a solid foundation to increase the business scale. The Group also achieved breakthroughs with customers like Deppon Logistics and Hainan Airlines. The Group, through attracting large customers, has seen growths in all areas and became an industry influencer in Internet and telecommunication industry.

Japan/Korea: During the reporting period, the Japanese business maintained stable growth. For BPO, the Group successfully entered into Japan's small to mid-size banks and securities. The finance and insurance businesses grew steadily. For ITO, the Group achieved breakthrough in the railroad equipment management and costs calculating businesses in the transportation sector. Furthermore, Ali-Cloud's OS terminal testing business made solid progress. The Group's was able to have a breakthrough in its Japanese business through the promotion and progression of its BPO and ITO businesses.

ESG BUSINESS DEVELOPMENT

Fetion: During the reporting period, the Group won the bid again for the 2014-2015 Fetion Wireless System Product project, proving its strong product development capabilities and experiences in the Internet mobile industry and further strengthening the strategic partnership with China Mobile.

Unified Communication: During the reporting period, the Group won the bid for China Mobile's Unified Communication, showing that the Group's business has penetrated to the core of China Mobile's technology businesses. The Group will cooperate with China Mobile's unified communication strategy in the forms of new call, new messages, and new contacts. The Group will design, develop, test, and implement the customized application for unified communication. The goal is to create a full suite capability communication services that is user friendly.

Business Overview

139 Mailbox: During the reporting period, the Group won the bid for China Mobile's 139 Mobile Mail Client Support Business Operations Project. Given the Group's capability in operations and products, during the contract period, the Group will enhance 139 mailbox and help integrate and promote it to China Mobile and other businesses to fully maximize 139 mailbox's mobile channel and potential. Furthermore, through enhancing the email application, the Group will expand the customer base and increase customer loyalty.

Unified Payment: During the reporting period, the "China Mobile Unified Payment Platform (a collaboration with Chinasoft and China Mobile)" officially launched, and the Group completed the Phase II design and development of the platform. In terms of distribution channel, the platform is linked to Tmall, mobile market place, and other banks. In terms of payment capabilities, the platform is linked with Alipay, Tenpay, and Union pay. Currently, the Group is in the process of signing the Phase III of the contract, which will be focused on the idea of recharge (card, marketplace, Fetion, data, third party payment, unified payment). The Group has invested in a lot of its top talents, so the unified payment platform in the future can be effective along with unified communication, data management, integration management, and large customer operations.

Cloud: During the reporting period, Radar Cloud, a cloud middleware product, became the first public PaaS for vertical industries on the Ali-Cloud platform in China. In terms of government administrative cloud, the Group signed a "smart office administration" cloud service agreement with the Zhejiang Lishui government. The Group will work with Ali-Cloud, led by the Guizhou provincial government, to build "Cloud Above Guizhou" platform. This platform is the nation's first cloud service platform with data that is manage and shared by the provincial government. The Group will serve as the cloud integrator, and fully participate in the design and consulting of the "Cloud Above Guizhou", as well as take care of any application and data migrations while providing any other project consultation. Meanwhile, pharmaceutical and real estate cloud projects are in progress. The Group became the first "Cloud Integrator in the Ali-Cloud Ecosystem," and is the first integrator with full suite capabilities (IaaS, PaaS, SaaS), offering full cloud design, solutions, integration, application, delivery, migration, and other services.

ETC BUSINESS DEVELOPMENT

During the reporting period, the Group partnered with one new college (total: 70), and it is an institute/professional college that were jointly built (total: 52). The ETC also received an award for being the best vocational training institution for the Chinese outsourcing services industry. In the "Internet of things" and mobile Internet industry, the Group began collaboration with 10 additional universities (total: 44) including China Petrochemical University. In regards to this area, the Group jointly organized training for "young backbone tutors" nationwide with the Ministry of Education's Office of National Demonstration Software School and the State Bureau of International Talent Exchange Foundation.

During the reporting period, leveraging on years of experiences for offline IT training services, the Group successfully launched the "Zhai Ke Academy". The academy is an online leaning community where university students and IT professionals can interact, learn, network, and share from one another. At the same time, the Zhai Ke Academy is the bridge between companies and students, helping the companies to track the student's learning objectives, build student plans, and create student clubs and competitions. All of this will increase the students' eagerness to learn and research capabilities while the companies pick out students with the top grades.

CATAPULT BUSINESS TRANSFORMATION DEVELOPMENT

During the reporting period, Catapult's "Solutions as a Service" had a breakthrough as it pushed out "Intranet as a Service" and "Hybrid Cloud as a Service", and received praise from the Microsoft customers. Catapult's transformation towards solution services has been highly recognized by its customers, and is in line with the technology demand to reach Microsoft's business goals in 2015. The Group will work closely with Microsoft to bring solutions and cloud services to the customers.
Business Overview Update

II. BUSINESS OVERVIEW UPDATE

The "Business Overview" of the annual results is the section that reveals the Group's overall business descriptions, including corporate strategy, business development history, competitive landscape and advantages, business scope, segment description, and industry verticals. The overall section remains relatively unchanged, which is why this section will highlight the important updates made to the "Business Overview". For the complete information, please read the "Business Overview".

CORPORATE STRATEGY

Embracing Cloud: The Group built a cloud platform with the help of strategic partners and began to fully implement cloud services in different industries. The new Radar Cloud middleware has been implemented in government, pharmaceutical, real estate, and other industries. The Group has full suite capabilities (IaaS, PaaS, SaaS), offering full cloud design, solutions, integration, application, delivery, migration, and other services.

Jointforce Platform: During the reporting period, the Group continued to perfect the platform. In May, Jointforce was tested internally. In October, Jointforce was revealed at the Ali-Cloud Conference, creating buzz in the industry. In December, Jointforce had its beta launch, marking an important milestone for Chinasoft's transformation to a platform business. By the end of 2014, there were 8,100 users and over 700 projects online. The effects of Jointforce to increase management efficiency through its micro management platform and decrease costs have become apparent. As project managers post more projects on Jointforce, more outside engineers will join the platform to match the needs (at the end of 2014 there are 100 external engineers). Through Jointforce, the Group's internal management are becoming flat, revolutionizing the traditional management style and incentive programs, and increasing the employees' morale. The Group is confident that the platform will increase the quality of projects and increase the Group's revenue. The Group predicts that by 2020 JointForce will help the industry efficiency reach 10% and half of the IT professionals will become "JFers". Once this goal is achieved, it will be the renaissance of the Chinese IT Industry.

Strategic Partners – Grow Alongside Giants: New Cooperation with Ali-Cloud, China Mobile, Microsoft, and Huawei to Reach New Peak:

- Ali-Cloud: In 2014, Radar Cloud, a cloud middleware product, became the first public PaaS for vertical industries on the Ali-Cloud platform in China. The Group worked with Ali-Cloud to build the Lishui "Smart Government Administration", and "Cloud Above Guizhou", and deployed other clouds in pharmaceutical and real estate industry. The Group became the first "Cloud Integrator in the Ali-Cloud Ecosystem", and is the first integrator with full suite capabilities (IaaS, PaaS, SaaS), offering full cloud design, solutions, integration, application, delivery, migration, and other services.

Business Overview

- China Mobile: In 2014, the Group won the bid for 2014-2015 Feition Wireless System Product project, unified communication, and took on the 139 mailbox project. This shows that the Group's businesses have penetrated to the core of China Mobile's technology businesses and strategic partnership has been strengthened.

- Catapult: In 2014, Catapult's "Solution as a Service" transformation is in line with the technology needed to reach Microsoft's business goals in 2015. Furthermore, its "Intranet as a Service" and "Hybrid Cloud as a Service" launched and received high praise from the Microsoft's customers.

- Huawei: 2014 marked the second year anniversary of the Huawei JV. In the last two years, the JV has improved its delivery (global and local) capabilities, service types, and laid out foundations in different industries. 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 sides. The Group now enters into phase two, which is to leverage Huawei and grow. With the national policy urging to start using local IT services, the Group's cooperation with Huawei will be a driving force to reach the Group's RMB10 billion revenue goal.

BUSINESS DEVELOPMENT HISTORY

In 2014, 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. Passing the second year anniversary mark, the JV with Huawei has improved its delivery (global and local) capabilities, service types, and laid out foundations in different industries. 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 sides. The Group now enters into phase two, which is to leverage Huawei and grow. 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. The crowd sourcing platform, Jointfoce, officially launched. At the end of 2014, the total head count of the Group reached 25,856 employees, with businesses in Central American, South American, England, India, Africa, Southeast Asia, and Middle East, and offices and subsidiaries in over 30 cities ranging from China, Hong Kong, United States, Japan, to Europe, forming a global delivery capability.

COMPETITIVE LANDSCAPE AND ADVANTAGES

The Group has an excellent and stable workface and a strong human supply platform. As of 31 December, 2014, the Group employees 25,856 employees.

III. BUSINESS OVERVIEW

CORPORATE STRATEGY

Shifting Landscape of IT Services

Technology advancement is currently enabling a generation of new technology-based enterprises to disrupt and even dominate traditional industries (Amazon, Alibaba, Tencent and etc). The wide spread proliferation of next generation technologies in Social, Mobile, Analytics and Cloud (SMAC) have become so prevalent so quickly that new business models have sprung up in almost every industry vertical and are experiencing rapid growth. For a leading IT service provider such as Chinasoft International, the challenge is clearly in how quickly we can transform ourselves to align with the changing market place. To repeat an overused term, the Group must "transform" to keep up with the changing needs of its customers, all the while making adjustments to its own business model to remain relevant to the market place, and maximizing shareholder profits.

From a strategic point of view, management believes that IT service industry is currently in a very dynamic environment with difficult challenges as well as outstanding opportunities. On the one hand, new cloud based technology enables software services to be delivered quickly and cheaply over the Internet (via the Software as a Service, or SaaS model), drastically reducing the overall cost of software development. This is currently posing significant threat to the traditional consulting model of software development. On the other hand, the advent of Mobile and Social, combined with Cloud creates a new set of demands for new software that is needed to first manage the vast data traffic, and then analyze them through Big-Data analytical tools. Facing this exciting but also turbulent time, the management summarized the Group's strategy in the following few bullet points:

Embracing Cloud: Work with Strategic Partners and Deploy the Group's Cloud Strategy

"The cloud is our future!" There is now no question that the fundamental foundation for computing and IT services going forward will be cloud technology. The Group began to work with cloud technology when it signed a strategic cooperation agreement with Ali-Cloud back in 2012 to bring R1 middleware onto Ali- Cloud's PaaS layer (Platform-as-a-Service). Thereafter, Chinasoft has continued to focus on cloud business and cooperated with Ali-Cloud as a spearhead. On the international front, through the newly acquired Catapult Systems, the Group provides high- end cloud services in Microsoft's Azure public cloud technology stack. And in early 2014, the Group made a minority investment in a US company that specializes in Commerce as a Service (CaaS) on the cloud. Lastly, the new Radar Cloud middleware has been implemented in government, pharmaceutical, real estate, and other industries. The Group has full suite capabilities (IaaS, PaaS, SaaS), offering full cloud design, solutions, integration, application, delivery, migration, and other services.

Business Overview

Advanced Analytics. Man + Machine

The amount of new digital data generated is unprecedented, and it clearly tells us that the big data era is coming.

All enterprises, including those in the government sector, are recognizing the importance of big data as an asset. Meanwhile, advanced data analysis capability is becoming a core competitive differentiator. The four V's (volume, variety, velocity, and veracity) of today's big-data characteristic make yesterday's analytical tools obsolete. To transform to this new world, the Group must develop new capabilities and tools. The Group has accumulated years of experiences working with big data projects and has many advantages in this front:

- Worked with many customers and data resources in industries including government, finance telecommunication, manufactory, and public services;

- Has experience in PB (PetaByte) level data storage and processing capabilities: China Meteorological Administration, PB level structure and unstructured data;

- Worked on large concurrent high-performance computing capability (China UnionPay, 12 million transactions at day peak).

The Group has accumulated a group of high level big data scientists, with expertise in series methodology, products, tools, and etc., through working with key customers in different industries. The Group wish to combine the expertise of its partners (series methodology) with local solutions to provide big data analytic solutions that is tailored, trusted and valued by different industries of the Chinese market.

Jointforce Internet Crowd source Platform – Change the Business Model, Transform the IT Industry

It's without doubt that Internet is now universal, and is reshaping almost every traditional industry, including the IT industry. Internet has completely changed our understanding of IT services, and it has allowed us to recognize what IT service really is. As we all know, like other companies in this industry, the Group has faced rising costs and falling profit margins. In addition, the phenomenon of labor force turnover is ongoing. Pursuing higher salary and better sense of recognition, the software engineers do not hesitate to switch jobs. Meanwhile, the Group's customers are demanding higher level of services. They expect high quality services at lower costs. This is exactly the pain points for all players in the IT services space currently. However, thanks to SMAC, the Group believes that we can transform our own business model as well as the work model for the entire IT services industry. Starting with the fact that the Group has accumulated over 10 years of IT industry operation and human resources management experiences, the Group's management began to explore alternative models. After much exploration, the management believes it has found the solution: a cloud based crowd-sourcing platform we call Jointforce. Jointforce is a cloud based crowd-sourcing platform to integrate social resources JF organizes IT employees, IT enterprises and customers to create an IT service community and ecosystem. On the JF platform, all the delivery is fulfilled via the Cloud. The objective of JF is to be an efficiency platform for IT service enterprises, new work platform for employees in IT service industry and new service providing platform for customers. Through Jointforce, the Group expects to achieve non-linear revenue growth and substantially improve staff efficiency, leading to increase in profit.

During the reporting period, the Group continued to perfect the platform. In May, Jointforce was tested internally. In October, Jointforce was revealed at the Ali-Cloud Conference, creating buzz in the industry. In December, Jointforce had its beta launch, marking an important milestone for Chinasoft's transformation to a platform business. By the end of 2014, there were 8,100 users and over 700 projects online. The effects of Jointforce to increase management efficiency through its micro management platform and decrease costs have become apparent. As project managers post more projects on Jointforce, more outside engineers will join the platform to match the needs (at the end of 2014 there are 100 external engineers). Through Jointforce, the Group's internal management are becoming flat, revolutionizing the traditional management style and incentive programs, and increasing the employees' morale. The Group is confident that the platform will increase the quality of projects and increase the Group's revenue. The Group predicts that by 2012, JointForce will help the industry efficiency reach 100% and half of the IT professionals will become "JFers". Once this goal is achieved, it will be the renaissance of the Chinese IT Industry.

Strategic Partners – Riding on the Shoulders of Giants to Reach New Peak

Chinasoft believes that in working with top investors and clients, or "giants", will help the Group grow faster and stronger. The rapid growth in the last decade was based on this principle. The Group has strengthened its relationship with the customers by improving its business capabilities and established a solid foundation to increase earnings.

Ali-Cloud

In 2012, Chinasoft International reached a strategic agreement with Ali-Cloud, to co-develop the PaaS platform as a part of the Ali-Cloud system. In 2013, under the organization of Ali-Cloud, Yunqi Cloud Alliance was formed. It was the first alliance in the Chinese cloud computing industry, and Chinasoft became the chief promoter of the organization. This is because of the Group's past relationship with Ali-Cloud including Zhejiang e-Government Cloud pilot project, CITIC21CN Medicine Supervision Cloud Platform and the Greentown. Smart City Living project. The Group is now working closely with Ali-Cloud in a much wider service range. In 2014, Radar Cloud, a cloud middleware product, became the first public PaaS for vertical industries on the Ali-Cloud platform in China. The Group worked with Ali-Cloud to build the Lishui "Smart Government Administration", and "Cloud Above Guizhou", and deployed other clouds in pharmaceutical and real estate industry. The Group became the first "Cloud Integrator in the Ali-Cloud Ecosystem", and is the first integrator with full suite capabilities (IaaS, PaaS, SaaS), offering full cloud design, solutions, integration, application, delivery, migration, and other services.

China Mobile

In 2010, the strategic cooperation agreements with Beijing and Shanghai Branches of China Mobile were reached, and MMIM Technologies was acquired by the Group to expand its mobile Internet Service. Three years has passed, the cooperation has attained a great breakthrough. The Group won the bidding for strategic projects including Fetion and Wireless City, and chinasoft has become the core supplier of Internet based technology for China Mobile. In 2014, the Group won the bid for 2014-2015 Feition Wireless System Product project, unified communication, and took on the 139 mailbox project. This shows that the Group's businesses have penetrated to the core of China Mobile's technology businesses and strategic partnership has been strengthened.

Business Overview

Microsoft

In 2005, Microsoft became a preferred shareholder of Chinasoft International. In 2011, Microsoft converted the preferred shares into common shares and strengthened its strategic cooperation with Chinasoft. The Group became the first Global Premier Vender for Microsoft in China, and served as the most valuable supplier globally for Microsoft. In 2013, the Group acquired Catapult, the preferred supplier for Microsoft's integration service. Through this acquisition, the Group's Microsoft Cloud related capabilities increased tremendously. In 2014, Catapult's "Solution as a Service" transformation is in line with the technology needed to reach Microsoft's business goals in 2015. Furthermore, its "Intranet as a Service" and "Hybrid Cloud as a Service" launched and received high praise from the Microsoft's customers.

Huawei

In April of 2012, the joint venture of Chinasoft International and Huawei was established, with the goal to create the best outsourcing business group. After two-years of operation, the quality management and delivery ability have grown significantly. The Group is regarded highly by Huawei. In 2013, the Group carried out Huawei's Cloud-based Payment System as its first strategic move to expand globally. 2014 marked the second year anniversary of the Huawei JV. In the last two years, the JV has improved its delivery (global and local) capabilities, service types, and laid out foundations in different industries. 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 sides. The Group now enters into phase two, which is to leverage Huawei and grow. With the national policy urging to start using local IT services, the Group's cooperation with Huawei will be a driving force to reach the Group's RMB 10 billion revenue goal.

Hony Capital

In 2011, Hony Capital became the Group's largest shareholder and formed a strategic alliance with the Group. In the past three years, with the recommendations and help from Hony Capital, the Group continued to seek opportunities to work with Legend Holdings and companies in Hony Capital's portfolio. Meanwhile, the Group has completed several projects with Suning (also in Hony Capital's portfolio) and some other customers. Naturally, the Group sees the effect and future of this alliance.

BUSINESS DEVELOPMENT HISTORY

The Group was incorporated in February 2000, and headquartered in Beijing. The Group's main business was to provide government customers with system integration and customized software development services. In the same year, the Group introduced its proprietary application support platform ResourceOne V1.0.

In 2002, Chinasoft International was awarded as the sole service provider of the e-government construction projects in China's top five Economic and Technological Development Zones (Tianjin, Dalian, Harbin, Beijing and Guangzhou), and subsequently was contracted 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 many more.

Business Overview

In 2003, the Group was listed on the Growth Enterprise Market (GEM) board of Hong Kong Stock Exchange. Supported by the capital platform, the Group adopted a new development model of organic growth together with growth via mergers and acquisitions, leading to rapid growth in both of performance and scale. The industries that the company served expanded from government to state owned large-scale manufacturing, and the Group gradually underwent a transformation from a traditional distributor and integrator of hardware and software to a solutions provider. At the same time, it adhered to independent research and development, upgraded ResourceOne 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 pace with the changing times by entering the IT outsourcing area 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.

In 2006, the Group extended its ITO business to the Japanese market through the acquisition of the outsourcing team of Powerise International Software Company. With the thriving ITO business, the Group has taken a big step from China's domestic market toward a broader overseas market.

In 2007, the Group completed the acquisition and integration of Hinge Global Resources, and extended its service industries to financial, transportation and other important areas. In additional, the Group added specialised BPO services. Leveraging its comprehensively developed technique advantages and industry position, the Group became a top SOA partner of International Business Machines Corporation (IBM), and together built the Group's SOA Innovation Center. 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 1,000-5,000m^2, and an annual training capacity of over 10,000 people.

In 2008, The Group successfully upgraded its listing from the GEM Board to the Main Board of the Hong Kong Stock Exchange. (Ticket: HKSE.354) With fully developed technical advantages and a leading position in the industry, the Group became the first ranked SOA partner of International Business Machines Corporation (IBM), and jointly built the Chinasoft International SOA Innovation Centre.

In 2010, Han Consulting merged with the Group, which significantly strengthened the Group's front-end consulting capabilities. As of now the Group has completed its end-to-end layout under which IT consulting, technology services, outsourcing services, and training have been unified. In the same year, the Group entered the telecom and mobile Internet industries through acquisition of MMIM Technologies, Inc. This emerging market will become a key engine for the strategic transformation of its business.

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. This made the Group a world-class leading enterprise with a rapid growth in the information technology services area. In the same year, the Group formed a brand new Ten-Thousand-Staff Base located at Software New City in Xi'an High-Tech Zone. The Group will continue to build a platform for the enterprise and strive to be the best industrial integrator in the information technology and software services area in China in the future.

Business Overview

In 2012, the joint venture with Huawei was officially launched, and stepped into operation stage with a stable growth trend in performance. Since the market share of Huawei business is higher than other suppliers, synergies emerged in this JV early on. In the same year, the Group also entered the electricity industry and obtained a breakthrough achievement. Industry service capability has fully upgraded through the acquisition of State Grid electric power information service company.

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 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 had 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 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. Passing the second year anniversary mark, the JV with Huawei has improved its delivery (global and local) capabilities, service types, and laid out foundations in different industries. 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 sides. The Group now enters into phase two, which is to leverage Huawei and grow. 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. The crowd sourcing platform, Jointfoce, officially launched. At the end of 2014, the total head count of the Group reached 25,586 employees, with businesses in Central American, South American, England, India, Africa, Southeast Asia, and Middle East, and offices and subsidiaries in over 30 cities ranging from China, Hong Kong, United States, Japan, to Europe, forming a global delivery capability.

COMPETITIVE LANDSCAPE AND STRENGTHS

Core Strengths

1. **Highly Competitive 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 industries 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 200 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 laid with the end-to-end business model that has integrated consulting, technology services, outsourcing and training. The Group offers customers consulting services in combination with its industry experience, desires for breakthroughs driven by consulting, helps customers effectively solve their problems through technology services, and provides outsourcing services according to customers' needs. Cross-sales of different services to the same customer improves 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 the rate of successful contract signing and its capabilities of industry service, further consolidating its relationship with customers, leading to strategic partnerships with a variety of customers.

4. **Strengths in Technology Innovations**

The Group's R1 platform product benefited from many years of practical experiences in the industry's information technology, integrating CMMI, ISO9000, RUP, and agile development theory, and using 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 complete 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 these three-tiered capabilities, component reuse is strongly supported and development cost is reduced, while the Group's gradual. accumulation of the ability to turn out ERP software and form application products can be obtained through the R1 platform.

Significant progress has been achieved for R1 in respect to cloud computing. Through the cooperation with AliCoud 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 fields and industries. A number of national and industry level projects that have been successfully implemented are proof that, overall consulting/design, separate development and general integration using the R1 platform can ensure success and good results of the construction of an entire engineering project.

Business Overview

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, 2014, the Group employees 25,856 employees, mainly distributed in regions such as Mainland 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.

The Group collaborates with more than 400 universities and educational institutions, with its ETCs established in Beijing, Tianjin, Dalian, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, and Xi'an. The Group also developed practical training courses customised to the specifics of the Company's business department. The business department may participate in course design, process tracking and evaluation, and then select high-quality students from the large scale training resource pool to ensure a steady stream of practical talent supply.

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. In the middle of 2011, Legend Group's Hony Capital became a substantial shareholder of the Group. As a major information technology service provider to Hony Capital and its invested enterprises, the Group will become the core enterprise and act as an integrated platform for Hony Capital to make investments in the information technology area in the future; 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.

BUSINESS SCOPE

The Group is positioned to provide integrated software and information services, ie, end-to-end IT services, including consulting services, technical services, outsourcing services and training services. Our technical services are mainly involved in IT solutions and outsourcing services, including ITO, BPO, EPO, and more. The Group's customers, which are located in various countries including China, the United States, Japan, Hong Kong, etc., are mainly distributed in the industries that possess high growth potentials, such as government and manufacturing, finance, telecommunications, hi-technology and etc. The Group has always adhered to the policy of technology innovation with its independent intellectual property rights as the core, and owns more than 200 software copyrights and patents, such as ResourceOne (R1), the middleware platform software that provides application support for industry solutions, and TopLink, the software platform product that supports big-data exchange.

The industries that the Group's business mainly covers include government and enterprises, BFSI (banking, financial services, securities and insurance), manufacturing and circulation, telecommunications, public services, high technology and energy. The services that the Group provides mainly include:

- (PSG) Professional Services Business
  - Software Platform Products
  - Strategy and Business Consulting, IT Consulting
  - Vertical and Cross-Industry Application Software and Solution Development
  - System Integration and Services

- (OSG) Outsourcing Services Business
  - Product Engineering
  - Application Development and Maintenance
  - Enterprise Application Service
  - Business, Engineering and Knowledge Process Outsourcing

- (ESG) Emerging Service Business
  - Mobile Internet Product and Services
  - Cloud Migration and Operation Services
  - Cloud Consulting and SaaS Services
  - PaaS Products and Services

- (ETC) Training Business

SEGMENT DESCRIPTIONS

- ***(PSG) Professional Services Business***

  Professional services business (consulting and solutions) is the backbone of the Group's business lines and has gradually become our main technical base and development kernel after more than 10 years of development and accumulation, driving the Group's into a positive cycle of continuous improvement. The business covers five main segments: software platform products, strategy and business consulting and IT consulting, vertical and cross-industry application software and solution development and system integration and services.

  The Group has over the years consistently used the consulting-driven business model, and based on its independently developed software platform products, 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 industry, 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.

Business Overview

1. **Software Platform Products**

   The Group currently has two series of proprietary software platform products, the ResourceOne and TopLink/TSA+. The Group integrated the concept of "Products are services and services are products" into the whole structure of these products, which also allows the Group to find a balance between stability and changing market demand. The Group has kept investing and improving 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.

2. **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 then can more effectively improve the professional level of services and achieve the growing business objectives of the customers. The Group's IT consulting business focused on increasing value for customers in the interactive activities between business-oriented and IT needs. The Group's consulting products and services are all 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.

3. **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 ResourceOne 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 an 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 ResourceOne 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.

4. **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.

- ***(OSG) Outsourcing Services Business***

  The Group is 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 the changing business and technologies. Meanwhile, with the help of its Excellence Training Centers (ETC), the Group can integrate the needs for skilled consultants across customers of various industries, and provide customers with high-quality, low cost outsourcing services. The Group's outsourcing services typically utilize the charging model based on time and raw material cost.

1. **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 specialised products and services, including product design, development, and quality assurance and testing.

2. **Application Development and Maintenance**

To specific customers, the Group offers application development and management services such as application software development, system maintenance and system optimisation, based on the needs of industry customers. The Group's ADM services were designed to help customers realise 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.

3. **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, customised development, maintenance and product upgrades, business intelligence (BI)/data warehouse (DW).

4. **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.

- *(ESG) Emerging Services Business*

  The Emerging Service Business will build on the Group's inherent resource advantages, and focus on 2B (to Business) and 2B2C (to Business and to Consumer) new business operation in the long tail markets. The Group will use customer experiences and elastic services as foundation, and build a three layered pyramid business structures based on innovation, application, and business operation. Combined with partners that share the Group's ideology, we will create a brand new ecosystem that will transform the traditional industries through social, mobile, analytics, and cloud-based products. From the smart mobile terminal, the Group can create a new and better lifestyle with instant messaging, social media, wireless cities, and etc. From the cloud terminal, the Group can build a system of service clouds, from government, industry, to enterprise cloud, and establish a beautiful cloud ecosystem.

  1. **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.

  2. **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.

  3. **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.

4. **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.

  In 2013, in order to conduct a deep discussion on talent nurturing amid the latest trend and to establish an efficient communication and cooperation platform between the government, colleges and universities and enterprises, ETC successfully organized "2013 Summit Forum on University-Enterprise Cooperation Service Outsourcing and Software Talents Cultivation of China". In addition, the Group jointly made an application for the construction of state-level project practice education centers with 18 universities, including Beijing Jiaotong University, Beijing University of Technology and Tianjin University of Technology, and obtained approval to construct the most centers among other enterprises. Through years of efforts, ETC has become a "Top 10 Education Institutions in Practice of Service Outsourcing in China".

INDUSTRY VERTICALS

The Group has strong presence in the following industry verticals:

1. ***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 ResourceOne, has undertaken a number of key national technological projects. As a 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 ResourceOne 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 few 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.

2. ***Manufacturing and Circulation***

   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 and circulation industry with a number of proprietary softwares 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 trend holding, 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.

3. 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, accumulating extensive experience in industry application and achieving "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.

4. 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.

5. 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.

6. ***Public Services***

After years of accumulating professional experiences, the Group is in a leading position in the public transportation areas such as public 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 enjoy 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 huge customer traffic. There is a definite advantage with mobile operations' payment business. Through cooperation with strategic partners, the mobile payment business has been successfully established in the overseas market.

7. ***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. Regarding the energy industry, the Group insists on its philosophy of "enhancing customer's value" and has established cooperation with five major enterprises in segmented industries, including electricity generation, electricity grid and oil field, together with related cooperative partners, and involved in providing special IT solutions, corporate project management, management service IT solutions, etc. 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.

8. ***High-Technology Business***

The Group's high-technology business clients include those located in Europe, America, Japan, Korea 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 4 in China's overall offshore outsourcing market, ranked the top 2 in the European and American market. For the 6th 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 has acquired Catapult, an outstanding consulting service provider specialized in Microsoft business, and also one of the Microsoft's partners pioneered in U.S. Microsoft cloud, 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.

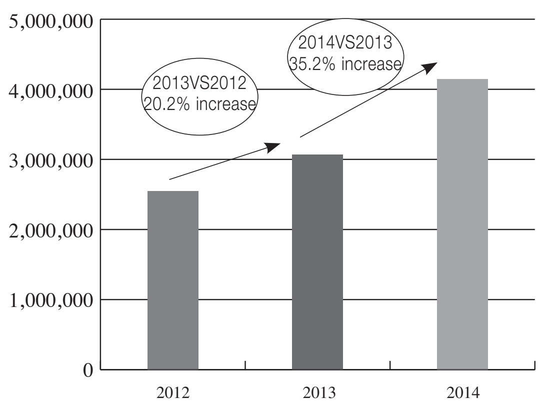
Management Discussion and Analyses

During 2014, the Group continued to grow at a healthy level. The revenue, service revenue, EBIT, and profit attributable to the owners of the group increased by 38.2%, 35.2%, 51.3%, and 34.9% YoY. The operating cash flow went from negative of RMB61.038 million to positive RMB74.796 million.

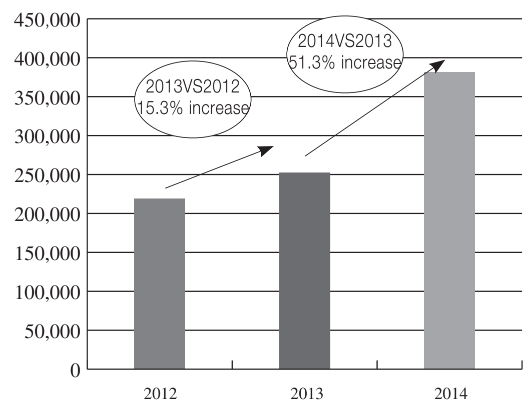
	2014	2013	Growth rate
	RMB'000	RMB'000	
Revenue	**4,429,202**	3,205,985	38.2%
Service revenue	**4,147,015**	3,067,927	35.2%
EBIT	**381,624**	252,214	51.3%
Profit for the year attributable to the owners of the Company	**200,038**	148,301	34.9%
Net cashflow from operating activities	**74,796**	(61,038)	N/A

The growth of key operational indicator from 2012-2014 are as follow:

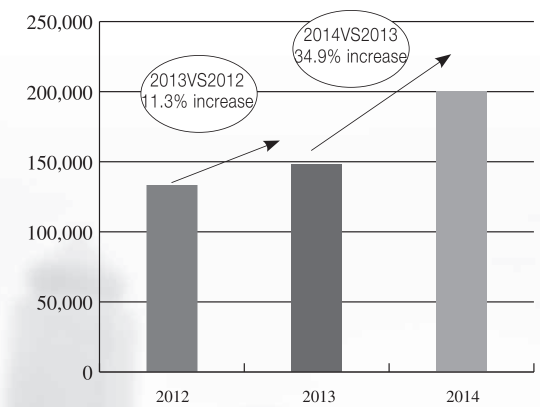
Service revenue



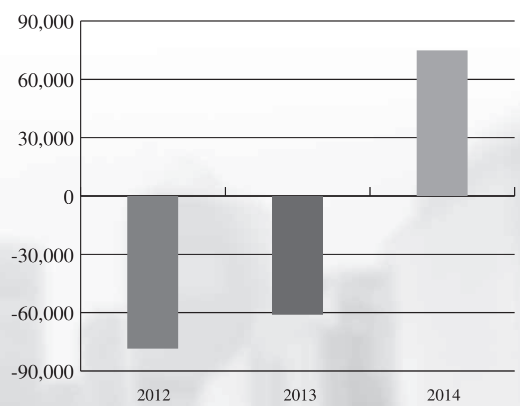
EBIT



Profit for the year attributable to the owners of the Company



Net cashflow from operating activities



KEY OPERATING DATA

	2014 RMB'000	2013 RMB'000	% Increase over the same period last year
Revenue	**4,429,202**	3,205,985	38.2%
Service revenue	**4,147,015**	3,067,927	35.2%
Cost of sales	**(3,080,046)**	(2,200,799)	40.0%
Gross profit	**1,349,156**	1,005,186	34.2%
Other income, gains and losses	**86,756**	61,836	40.3%
Selling and distribution costs	**(219,789)**	(175,369)	25.3%
Administrative expenses	**(664,752)**	(512,223)	29.8%
Research and development cost expensed	**(64,161)**	(52,156)	23.0%
Allowance for doubtful debts	**(27,103)**	(24,613)	10.1%
Amortization of intangible assets and prepaid lease payments	**(80,676)**	(49,803)	62.0%
Share of results of associates	**1,429**	(1,138)	N/A
Gain on disposal of associates	**–**	494	N/A
Gain from fair value change	**764**	–	N/A
EBIT	**381,624**	252,214	51.3%
Finance costs	**(84,385)**	(47,296)	78.4%
Profit before taxation	**297,239**	204,918	45.1%
Taxation	**(42,183)**	(4,890)	762.6%
Profit for the year	**255,056**	200,028	27.5%
Taxation	**42,183**	4,890	762.6%
Finance Costs	**84,385**	47,296	78.4%
Depreciation of property, plant and equipments	**60,137**	52,562	14.4%
Amortization of intangible assets and prepaid lease payments	**80,676**	49,803	62.0%
Share of results of associates	**(1,429)**	1,138	N/A
Gain from disposal of associates	**–**	(494)	N/A
Gain from fair value change	**(764)**	–	N/A
EBITDA	**520,244**	355,223	46.5%
Share option expenses	**16,906**	5,372	214.7%
Foreign exchange loss	**1,111**	1,860	(40.3%)
Allowance for doubtful debts	**27,103**	24,613	10.1%
Business contribution profit	**565,364**	387,068	46.1%

Management Discussion and Analyses

GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different business lines for 2014 are as follow:

	Revenue			Service revenue			Results		
	2014 RMB'000	2013 RMB'000	Growth rate	**2014 RMB'000**	2013 RMB'000	Growth rate	**2014 RMB'000**	2013 RMB'000	Growth rate
Professional Services Business (PSG)	**1,985,889**	1,568,556	26.6%	**1,703,702**	1,430,498	19.1%	**162,563**	125,277	29.8%
Outsourcing Services Business (OSG)	**2,026,301**	1,388,388	45.9%	**2,026,301**	1,388,388	45.9%	**155,193**	101,283	53.2%
Emerging Services Business (ESG)	**325,898**	154,678	110.7%	**325,898**	154,678	110.7%	**39,117**	18,514	111.3%
Training Business	**91,114**	94,363	(3.4%)	**91,114**	94,363	(3.4%)	**14,891**	(2,212)	N/A
Total	**4,429,202**	3,205,985	38.2%	**4,147,015**	3,067,927	35.2%	**371,764**	242,862	53.1%

In terms of segment service revenue, the ESG, OSG, and PSG achieved a YoY growth of 110.7%, 45.9% and 19.1% respectively. ETC revenue eased off 3.4% on a year over year basis. For ESG, the high growth of its cloud and mobile businesses pushed the ESG's overall business to increase significantly from that of last year. For OSG, the main growth contribution came from a higher growth of Huawei and Greater China businesses compare to that of last year. For PSG, the increase of revenue from the finance, banking, and public services helped contributed to the growth of PSG's business.

During the reporting period, the overall results (profits) achieved a YoY growth of 53.1%, higher than the YoY revenue and service revenue growth of 38.2% and 35.2%.

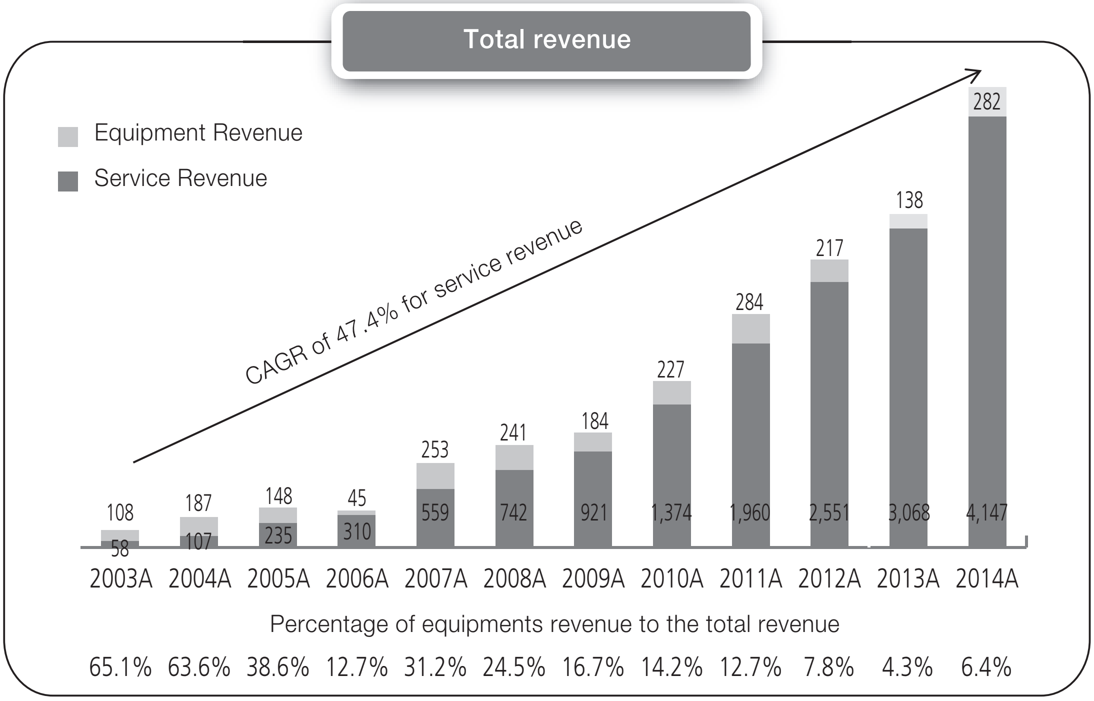
In terms of segments results, the PSG achieved a YoY growth of 29.8%, higher than the YoY revenue growth of 26.6%. The main reason for growth comes from the utilization of Jointforce from different businesses of the PSG, resulting in higher utilization rate and profit.

The OSG results achieved a YoY growth of 53.2%, higher than the YoY revenue growth of 45.9%. The growth came from tighter administrative and business operation management that improved the operating efficiency.

The ESG results achieved a YoY growth of 111.3%, slightly higher than the YoY service revenue growth of 110.7%. This is because the ESG investment into research and development to expand businesses offset the effects of Jointforce. The Group believes that the margins will improve in the future as Jointforce becomes more widely used.

The Group firmly believes that as more people use the Jointforce, the Group's gross and operating margins will continue to improve, resulting in better overall revenue and results.

Since the Group got listed on the Hong Kong Stock Exchange in 2003, it has maintained high revenue and service revenue growth, recording a CAGR of 34.8% and 47.4% respectively from 2003 to 2014. The details are as follow:



CUSTOMER

The Group's customers include large enterprises headquartered in Greater China, Europe, United States, and Japan. The Group has bigger market presences in the fast-growing Chinese market, particularly in government and manufacturing, finance and banking, electricity, high-technology, and other mainstream industries. In 2014, the service revenue from the top five and ten customers accounted for 46.2% and 52.0% of the total service revenue.

The Group has 1,678 active customers in 2014, and 263 customers are new customers when compare to last year. The Group has 77 large account customers (contributed to more than RMB6 million of service revenue), and the new large customers include a world class drilling contractor, a municipal level bureau who uses government cloud, a telecommunication industry leading enterprise, and a Japanese company providing solutions for government, transportation, communications, financial, medical and other industries.

MARKET

The Group's business is concentrated in Greater China. In 2014, the Group continued to set the Greater China market as an important area for development. China's strong economic growth and the immense market potentials give rise to long-term growth opportunities for the Group. Furthermore, several of the Group's multinational corporation also stated that China will be an important aspect of their global footprints. This shows that they have confidence in the Chinese economy, and will provide expansion opportunities for the Group. Lastly, the Group will continue to expand oversea through Catapult Systems, a Microsoft's cloud integration service provider.

Management Discussion and Analyses

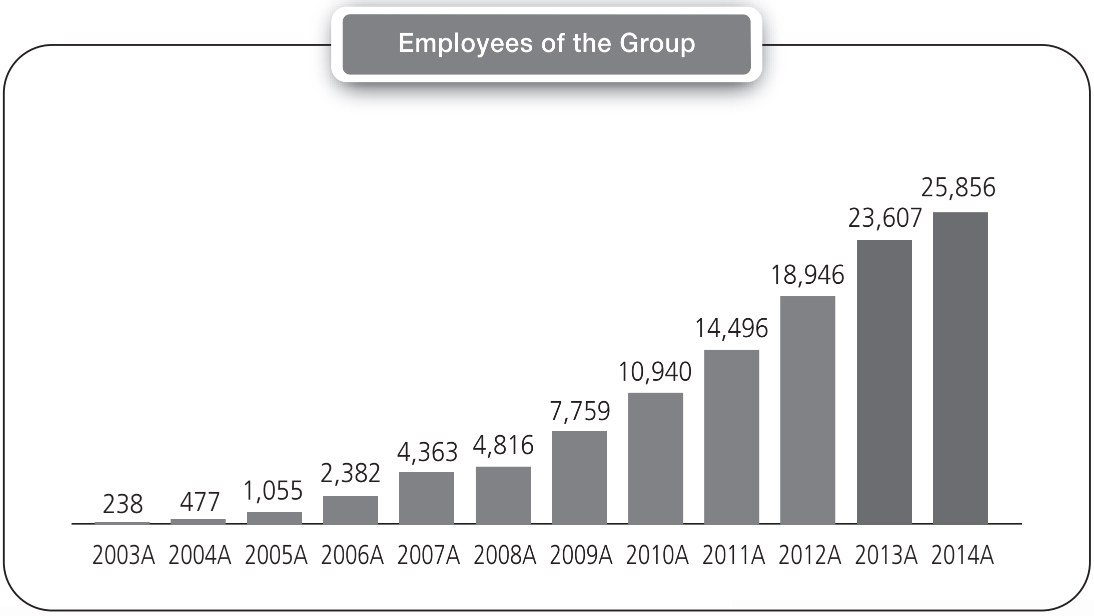
Human Resources

As of the end of 2014, the Group has a total of 25,856 employees, compared to 23,607 employees at the end of 2013. The 9.5 % increase of employees is significantly less than the 35.2% growth in service revenue. This is largely due to the implementation of Jointforce, leading to increase utilization rate of the employees.

As of the end of 2014, the Group has 24,173 engineers and developers, accounting for 93.5% of total employees. The Group has 3,515 project managers and consultants (core talents), accounting for 14.5% of the total engineers and developers.

The Group works with over 500 universities and educational institutes to build training centers and develop custom courses in Beijing, Tianjin, Dalian, Changchun, Changsha, Wuxi, Chongqing, Xiamen, Nanjing, Chengdu, and Guangzhou. Each of the Group's business segment can participate in the course design, process tracking and appraisal to select quality students from a huge talent pool, ensuring constant supply of practical personnel.

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



EARNINGS CAPABILITY

For 2014, the Group's EBITDA was RMB520.244 million, representing a YoY growth of 46.5% (for 2013: RMB355.223 million). The EBITDA margin increased 0.6% to 11.7% (for 2013: 11.1%). The EBITDA to service revenue margin increased 0.9% to 12.5% (for 2013: 11.6%). The details on profit and EBITDA for the reporting period is as follows:

	2014 RMB'000	2013 RMB'000	Growth rate
Profit for the year	**255,056**	200,028	27.5%
Taxation	**42,183**	4,890	762.6%
Finance costs	**84,385**	47,296	78.4%
Depreciation of property, plant and equipments	**60,137**	52,562	14.4%
Amortization of intangible assets and prepaid lease payments	**80,676**	49,803	62.0%
Share of results of associates	**(1,429)**	1,138	N/A
Gain from disposal of associate	**–**	(494)	N/A
Gain from fair value change	**(764)**	–	N/A
EBITDA	**520,244**	355,223	46.5%

In order to help the shareholders and investors to easily identify the operating results of the Group when reading reports from different reporting periods, and comparing results to other peer companies, the Group removed any non-business related, non-cash related items (for eg., share option expenses, net foreign exchange, and provision for doubtful debts) to calculate the profit contribution from business in 2014. The details of EBITDA to business contribution profit is as follows:

	2014 RMB'000	2013 RMB'000	Growth rate
EBITDA	**520,244**	355,223	46.5%
Share option expenses	**16,906**	5,372	214.7%
Foreign exchange loss	**1,111**	1,860	(40.3%)
Allowance for doubtful debts	**27,103**	24,613	10.1%
Business contribution profit	**565,364**	387,068	46.1%

For 2014, the Group's business contribution profit was RMB565.364 million, representing a YoY growth of 46.1% (for 2013: RMB387.068 million). The business contribution profit margin increased 0.7% to 12.8% (for 2013: 12.1%), and business contribution profit margin (to service revenue) increased 1.0% to 13.6% (for 2013: 12.6%).

OPERATING RESULTS

The Group's consolidated income statements in 2013 and 2014 are as follow:

	2014 RMB'000	Percentage of revenue	Percentage of service revenue	2013 RMB'000	Percentage of revenue	Percentage of service revenue
Revenue	4,429,202			3,205,985		
Service Revenue	4,147,015			3,067,927		
Cost of sales	(3,080,046)	(69.5%)		(2,200,799)	(68.6%)	
Gross profit	1,349,156	30.5%	32.5%	1,005,186	31.4%	32.8%
Other income, gains and losses	86,756	2.0%	2.1%	61,836	1.9%	2.0%
Selling and distribution expenses	(219,789)	(5.0%)	(5.3%)	(175,369)	(5.5%)	(5.7%)
Administrative expenses	(664,752)	(15.0%)	(16.0%)	(512,223)	(16.0%)	(16.7%)
Research and development expenses	(64,161)	(1.4%)	(1.5%)	(52,156)	(1.6%)	(1.7%)
Allowance for doubtful debts	(27,103)	(0.6%)	(0.7%)	(24,613)	(0.8%)	(0.8%)
Amortisation of intangible assets and prepaid lease payments	(80,676)	(1.8%)	(1.9%)	(49,803)	(1.6%)	(1.6%)
Share of results of associates	1,429	0.03%	0.03%	(1,138)	(0.04%)	(0.04%)
Gain from disposal of associates	–	–	–	494	0.02%	0.02%
Gain from fair value change	764	0.02%	0.02%	–	–	–
EBIT	381,624	8.6%	9.2%	252,214	7.9%	8.2%
Finance costs	(84,385)	(1.9%)	(2.0%)	(47,296)	(1.5%)	(1.5%)
Profit before Taxation	297,239	6.7%	7.2%	204,918	6.4%	6.7%
Taxation	(42,183)	(1.0%)	(1.0%)	(4,890)	(0.2%)	(0.2%)
Profit for the year	255,056	5.8%	6.2%	200,028	6.2%	6.5%
Non controlling interest	55,018	1.2%	1.3%	51,727	1.6%	1.7%
Profit for the year attributable to the Owners of the Company	200,038	4.5%	4.8%	148,301	4.6%	4.8%

Comparison of the annual results between 2014 and 2013.

REVENUE

For 2014, the Group's revenue was RMB4,429.202 million representing a YoY growth of 38.2% (for 2013: RMB3,205.985 million). The Group's service revenue was RMB4,147.015 million, representing a YoY growth of 35.2% (for 2013: RMB3,067.927 million). The growth came from further penetration in existing customer base and diversifying the Group businesses.

For ESG, the rapid growth of our mobile Internet products and services and cloud computing business helped to generate high growth compare to the previous year.

For OSG, revenue from Huawei and Greater China businesses maintained high growth rates.

For PSG, the increase of revenue from the finance and banking, and public services businesses made clear contributions to the PSG's business.

In 2014, the revenue from each business line accounted for 44.8%, 45.7%, 7.4%, and 2.1% of the Group's total revenue (for 2013: 48.9%, 43.3%, 4.9%, and 2.9%). The growth in revenue of each business line is as follows:

	2014 RMB'000	**Weight**	2013 RMB'000	Weight	Growth rate
Professional Services Business (PSG)	**1,985,889**	**44.8%**	1,568,556	48.9%	26.6%
Outsourcing Services Business (OSG)	**2,026,301**	**45.7%**	1,388,388	43.3%	45.9%
Emerging Services Business (ESG)	**325,898**	**7.4%**	154,678	4.9%	110.7%
Training Business	**91,114**	**2.1%**	94,363	2.9%	(3.4%)
Total	**4,429,202**	**100%**	3,205,985	100%	38.2%

In 2014, the service revenue from each business line accounted for 41.1%, 48.9%, 7.9%, and 2.1% of the Group's total service revenue (for 2013: 46.6%, 45.3%, 5.0%, and 3.1%). The growth in revenue of each business line is as follows:

	2014 RMB'000	**Weight**	2013 RMB'000	Weight	Growth rate
Professional Services Business (PSG)	**1,703,702**	**41.1%**	1,430,498	46.6%	19.1%
Outsourcing Services Business (OSG)	**2,026,301**	**48.9%**	1,388,388	45.3%	45.9%
Emerging Services Business (ESG)	**325,898**	**7.9%**	154,678	5.0%	110.7%
Training Business	**91,114**	**2.1%**	94,363	3.1%	(3.4%)
Total	**4,147,015**	**100%**	3,067,927	100%	35.2%

Management Discussion and Analyses

MAIN BUSINESS EXPENSES

For 2014, the Group's main business expenses accounted for 69.5% of the revenue, representing a YoY increase of 0.9% (for 2013: 68.6%). The Group's main business expenses were RMB3,080.046 million, representing a YoY growth 40.0% (for 2013: RMB2,200.799 million).

GROSS PROFIT

For 2014, the Group's gross profit was RMB1,349.156 million, representing a YoY growth of 34.2% (for 2013: RMB1,005.186 million). The Group's gross margin was 30.5%, representing a YoY decrease of 0.9% (for 2013: 31.4%). The gross margin (to service revenue) was 32.5%, representing a YoY decrease of 0.3% (for 2013: 32.8%). The main reason for the decrease in gross margin is because of the rapid growth of OSG during the reporting period, OSG and ESG's margins were lower in the reporting period, taking out the structural differences, the Group's margin actually improved.

The Group will increase the Group's margin through the following measures:

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

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

OTHER INCOME, GAINS, AND LOSSES

For 2014, the Group's other income was RMB86.756 million, representing a YoY growth of 40.3% (for 2013: RMB61.836 million).

OPERATING EXPENSES

For 2014, the Group's selling and distribution expenses was RMB219.789 million, representing a YoY growth of 25.3% (for 2013: RMB175.369 million). The selling and distribution expenses accounted for 5.0% of the revenue, representing a YoY decrease of 0.5% (for 2013: 5.5%). The Group's selling and distribution expenses accounted for 5.3% of the service revenue, representing a YoY decrease of 0.4% (for 2013: 5.7%). This shows that the Group has increased its marketing management efficiency.

For 2014, the Group's administrative expenses was RMB664.752 million, representing a YoY growth of 29.8% (for 2013: RMB512.223 million). The administrative expenses accounted for 15.0% of the revenue and 16.0% of the service revenue, representing YoY decreases of 1.0% and 0.7% (for 2013: 16.0%, 16.7%). The main reason for the administration's improved efficiency is because of the operation and management support platform implemented in the previous years has become effective, in addition to the implementation of flat management style through the promotion of Jointforce platform.

For 2014, the Group's research and development expenses were RMB 64.161 million, representing a YoY growth of 23.0% (for 2013: RMB 52.156 million). The research and development expenses accounted for 1.4% of the revenue, representing a YoY decrease of 0.2% (for 2013: 1.6%).

EBITDA AND BUSINESS CONTRIBUTION PROFIT

For 2014, the Group's EBITDA was RMB520.244 million, representing a YoY growth of 46.5% (for 2013: RMB355.223 million). The EBITDA accounted for 11.7% of the revenue, representing a YoY growth of 0.6% (for 2013: 11.1%). The EBITDA to service revenue margin was 12.5%, representing a YoY growth of 0.9% (for 2013: 11.6%).

For 2014, the Group's business contribution profit was RMB565.364 million, representing a YoY growth of 46.1% (for 2013: RMB387.068 million). The business contribution profit margin to revenue and service revenue are 12.8% and 13.6%, representing YoY growths of 0.7% and 1.0% (for 2013: 12.1% and 12.6%).

During the reporting period, Jointforce platform has finally come to effect, cancelling out parts of the margin pressure due to the rise in labor costs, and helping EBITDA and business contribution profit margins to increase.

FINANCE EXPENSES AND INCOME TAX

For 2013, the finance cost accounted for 1.9% of the revenue, representing a YoY growth of 0.4% (for 2013: 1.5%). The finance cost was RMB84.385 million, representing a YoY growth of 78.4% (for 2013: RMB47.296 million). The increase of finance cost is attributable to the interest payments from the syndicated bank loans.

For 2014, the income tax was RMB42.183 million, representing a YoY growth of 762.6% (for 2013: RMB4.890 million). The increase is due to the low income tax refund and less tax exemption for the National Key Software Enterprises last year and increase of tax income from the joint venture with Huawei as the tax incentives expire during the reporting period.

OTHER NON-CASH EXPENSES

For 2014, the Group's depreciation of property, plant and equipment (PPE) accounted for 1.4% of revenue, representing a YoY decrease of 0.2% (for 2013: 1.6%). The Group's PPE was RMB60.137 million, representing a YoY growth of 14.4% (for 2013: RMB52.562 million). The increase is due to the purchase of fix assets to accommodate the increase of employees, resulting in increase of depreciation.

For 2014, the Group's amortization of intangible assets accounted for 1.8% of revenue, representing a YoY growth of 0.2% (for 2013: 1.6%). The amortization of intangible assets was RMB80.676 million, representing a YoY growth of 62.0% (for 2013: RMB49.803 million). The increase is due to the amortization of the newly acquired company and businesses at the end of 2013.

For 2014, the Group's share option expense accounted for 0.4% of revenue, representing a YoY growth of 0.2% (for 2013: 0.2%). The share option expense was RMB16.906 million, representing a YoY growth of 214.7% (for 2013: RMB5.372 million). The increase of share option expense was due to the issuance of 110 million shares during the reporting period was amortized.

For 2014, the Group's allowance for doubtful debt was RMB27.103 million (for 2013: RMB24.613 million), and accounted for 0.6% of the revenue, representing a YoY decrease of 0.2% (for 2013: 0.8%).

Management Discussion and Analyses

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

For 2014, the Group's profit was RMB255.056 million, representing a YoY growth of 27.5% (for 2013: RMB200.028 million). The profit to the revenue and service revenue was 5.8% and 6.2%, representing a YoY decrease of 0.4% and 0.3% respectively (for 2013: 6.2%, 6.5%). The main reason for the decrease of profit margin is due to the significant increase of income tax.

For 2014, excluding the profit attributable to non-controlling interests, the Group's profit attributable to owners of the Company was RMB200.038 million, representing a YoY growth of 34.9% (for 2013: RMB148.301 million).

Based on the profit attributable to owners of the Company, the Group's basic earnings per share in 2014 was RMB10.72 cents, representing a YoY growth of 28.1% (for 2013: RMB8.37 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 and Corporate Governance Report (the "Code") (previously known as Code on Corporate Governance Practices (the "Former Code")) of 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 Code from 1 January 2014 to 31 December 2014, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 19 May 2014 (the "2013 AGM") (deviated from code provision E.1.2) due to other business commitment. However, one of the independent non-executive Directors attended and acted as the Chairman of the 2013 AGM; (ii) the roles of chairman and chief executive officer should be separate and should not be performed by the same individual (deviated from code provision A.2.1).

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") in Appendix 10 of the Listing Rule relating to dealings is securities. Having made specific enquiry of all the Directors, the Directors complied with the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2014.

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
Dr. Zhang Yaqin
Mr. Lin Sheng

Independent non-executive directors:

Mr. Zeng Zhijie
Dr. Leung Wing Yin Patrick
Dr. Song Jun

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.

2. Board Meetings

During the year ended 31 December 2014, three full board meetings were held on 26 March, 29 August and 12 November and the attendance of each director is set out as follows:

Name of Director	Number of attendance
Executive Directors:	
Dr. Chen Yuhong	3/3
Dr. Tang Zhenming	3/3
Mr. Wang Hui	3/3
Non-executive Directors:	
Mr. Zhao John Huan	3/3
Dr. Zhang Yaqin	3/3
Mr. Lin Sheng	3/3
Independent non-executive Directors:	
Mr. Zeng Zhijie	3/3
Dr. Leung Wing Yin Patrick	3/3
Dr. Song Jun	3/3

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.

5. *Chairman and Chief Executive Officer*

Code provision A.2.1 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 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. *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 2015, the board of Directors resolved that Dr. Chen Yuhong, Mr. Zhao John Huan and Dr. Song Jun should retire while Dr. Chen Yuhong and Mr. Zhao John Huan should stand for re-election at the annual general meeting in accordance with the requirements under the Articles of Association of the Company.

7. *Directors' Training*

According to the code provision A.6.5 of the 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.

8. *Board Diversity Policy*

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.

D. BOARD COMMITTEES

1. Remuneration Committee

During the year under review, the chairman of the committee was Dr. Leung Wing Yin Patrick and other members included Dr. Chen Yuhong and Mr. Zeng Zhijie. Dr. Chen Yuhong is an executive Director, and the remaining two 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, 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, 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

The board of Directors considered that the existing terms of appointment and levels of remuneration of the Directors are fair and reasonable, and resolved that a review be carried out again in the year ending 31 December 2015.

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 on 2 June 2003 and amended its written terms of reference to comply with the requirements in the Corporate Governance Code and Corporate Governance Report of the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control system of the Group. During the year ended 31 December 2014, the audit committee comprised of two independent non-executive Directors, Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick. 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 2014.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2014 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.

During the year under review, four meetings were held by the audit committee. Details of attendance of 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

3. Nomination Committee

The Company established a nomination committee on 28 March 2012 with written terms of reference in compliance with the requirement in the Corporate Governance Code and Corporate Governance Report of the Listing Rules. 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 2014, the nomination committee comprised of one executive Director. Dr. Chen Yuhong and two independent non-executive Directors, Mr. Zeng Zhijie and Dr. Leung Wing Yin Patrick. 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

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 are estimates made are prudent and reasonable.

The Directors acknowledge 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 acknowledged 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 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 of the Company 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 RMB5.78 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.

Report of Directors

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2014.

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 2014 are set out in the consolidated statement of comprehensive income on page 65.

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 2014 are RMB972,120,000 approximately.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 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 164. This summary does not form part of the audited financial statements.

Report of Directors

DIRECTORS

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

Executive Directors:
Dr. Chen Yuhong
Dr. Tang Zhenming
Mr. Wang Hui

Non-executive Directors:
Mr. Zhao John Huan
Dr. Zhang Yaqin
Mr. Lin Sheng

Independent non-executive Directors:
Mr. Zeng Zhijie
Dr. Leung Wing Yin Patrick
Dr. Song Jun

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independent pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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.

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, Mr. Zhao John Huan, Dr. Zhang Yaqin and Mr. Lin Sheng 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. Mr. Zhao John Huan, Dr. Zhang Yaqin and Mr. Lin Sheng receive no remuneration for holding their office as non-executive Directors.

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. Song Jun have not entered into any service agreements as independent non-executive Directors with the Group. Dr. Leung Wing Yin Patrick and Dr. Song Jun receive 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 161 and 161A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, 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 for Securities Transactions by directors of listed issuers.

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 2014
Zhao John Huan	335,076,453	17.87%
Chen Yuhong	284,392,861	15.17%
Tang Zhenming	12,237,765	0.65%
Wang Hui	8,281,838	0.44%
Zeng Zhijie	750,000	0.04%

Options to subscribe for Shares

Name of Director	Exercise Price (HK$)	No. of share options outstanding as at 1 January 2014	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 2014	Percentage of total issued ordinary share capital of the Company as at 31 December 2014	No of underlying ordinary shares interested in	Note
Chen Yuhong	2.15	–	10,000,000	–	10,000,000	0.53%	10,000,000	(4)
Tang Zhenming	0.65	1,300,000	–	(1,300,000)	–	0.00%	12,800,000	(1)
	0.97	800,000	–	–	800,000	0.04%		(2)
	1.78	2,000,000	–	–	2,000,000	0.11%		(3)
	2.15	–	10,000,000	–	10,000,000	0.53%		(4)
Wang Hui	1.78	1,200,000	–	–	1,200,000	0.06%	11,200,000	(3)
	2.15	–	10,000,000	–	10,000,000	0.53%		(4)
Zeng Zhijie	1.78	450,000	–	(450,000)	–	0.00%	–	(3)

Notes:

(1) These share options were offered on 13 May 2004 under the share option scheme of the Company adopted on 2 June 2003 (the "Share Option Scheme") and accepted on 10 June 2004. The 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
13/05/2004	12/05/2014	25% of the total number of share options granted
13/05/2005	12/05/2014	25% of the total number of share options granted
13/05/2006	12/05/2014	25% of the total number of share options granted
13/05/2007	12/05/2014	25% of the total number of share options granted

(2) These share options were offered on 30 March 2006 under the Share Option Scheme 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

(3) These share options were offered on 10 April 2007 under the Share Option Scheme 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

(4) 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.

Save as disclosed above and so far as was known to the Directors, as at 31 December 2014 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 for Securities Transactions, to be notified to the Company and the Stock Exchange.

As at 31 December 2014, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2014 (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 2014, 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 2014, save as disclosed above, none of the Directors was granted any options to subscribe for shares of the Company. As at 31 December 2014, 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 2014, 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 for Securities Transactions. 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 2014.

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 2014, share options allowing for the subscription of an aggregate of 153,445,000 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 41 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 2014.

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.

CONNECTED TRANSACTIONS

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

On 30 January 2012, 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 for the period from the contract effective date up to and including 31 December 2014. 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 Caps for the provision of IT Outsourcing service by the Group to Huawei Group during the term of the Huawei IT Outsourcing Agreement is RMB1,800 million for the period ended 31 December 2014. During the year 2014, the provision of IT Outsourcing service by the Group to Huawei Group is RMB1,337.6 million.

The independent non-executive directors confirm that the above connected transactions of the Group have been entered into under normal commercial terms 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 43 to the financial statements. Related party transactions set out in note 43 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 43.3% of the Group's total turnover and the Group's largest customer accounted for approximately 30.2% of the Group's total turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 32.1% of the Group's total purchases and the Group's largest supplier accounted for approximately 14.1% 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 2014, 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
Keen Insight Limited ("Keen Insight") *(Note 1)*	Beneficial interest	335.08	17.87%	16.83%
Hony Capital Fund 2008, L.P. *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%
Hony Capital Fund 2008 GP L.P. *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%

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
Hony Capital Fund 2008 GP Limited *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%
Hony Capital Management Limited ("Hony Capital") *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%
Hony Managing Partners Limited *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%
Zhao John Huan *(Note 1)*	Interest of controlled corporation	335.08	17.87%	16.83%
Greater Pacific Capital Partners, LP ("GPC") *(Note 2)*	Beneficial interest	112.95	6.03%	5.67%
Microsoft Corporation ("Microsoft") *(Note 3)*	Beneficial interest	97.25	5.19%	4.88%

* *The total number of issued share consists of 1,874,585,283 Ordinary Shares and 116,404,949 Convertible Notes, which could be converted into 116,404,949 Ordinary Shares.*

Notes:

1. Mr. Zhao John Huan is deemed to be interested in 335,076,453 shares and through Hony Managing Partners Limited, which is wholly owned by Mr. Zhao John Huan. Hony Managing Partners Limited owns 80% of Hony Capital. Hony Capital wholly owns Hony Capital Fund 2008 GP Limited, which controls Hony Capital Fund 2008 GP, L.P.. Hony Capital Fund 2008 GP, L.P. controls Hony Capital Fund 2008, L.P., which holds the entire issued share capital of Keen Insight.

2. GPC is interested in interested in 112,946,639 Ordinary Shares.

3. Microsoft is interested in 97,250,000 Ordinary Shares which was converted on 30 December 2011 from 97,250,000 series A preferred shares of HK$0.05 each in the capital of the Company ("Series A Preferred Shares") allotted and issued on 6 January 2006.

Save as disclosed above, as at 31 December, 2014, 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 of the Company 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 directors and eligible employees, details of the scheme is set out in note 41 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 2014.

COMPETING INTERESTS

As at 31 December 2014, 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 44 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, 31 March 2015

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.

As an IT training institution, Chinasoft contributes their efforts to the employment of university graduates in response to the government policy. Currently, Chinasoft operates practical training facilities with total operating area of more than 30,000 square meters, which can accommodate more than 6,000 students simultaneously. It has collaborated with more than 500 universities and educational institutions for both long-term qualified personnel training and practical training, with more than 40,000 students being trained each year. In addition, by participating in the "Excellent Engineers Training Program" introduced by the Ministry of Education, the Group has developed courses customized for individual companies, which helps the trainees to be recruited by specific companies. Furthermore, Chinasoft also established scholarships in partner colleges and educational institutions, to reward outstanding students and help needy students.

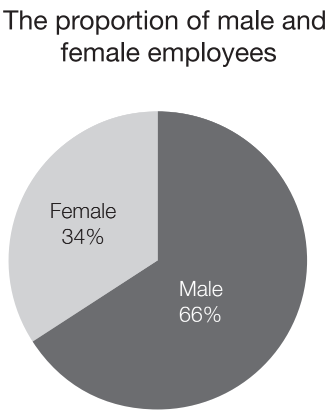
Employee Benefits and Training

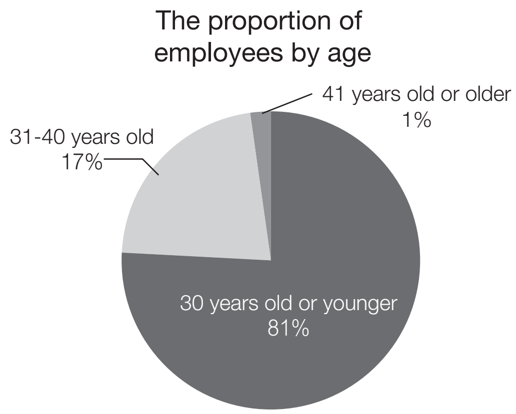
Chinasoft currently has approximately 25,800 employees all over the China and around the world. It values the career development for each employee, and helps each employee to seek for excellence. The Company also offers competitive salaries in the industry by continuously conducting market research and analysis based on market principles, in order to attract and retain qualified talent.

Environment, Society and Governance Report

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.

Biographical Details of Directors and Senior Management

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 52, 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 52, 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 42, 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.

Biographical Details of Directors and Senior Management

Non-executive Director

Mr. Zhao John Huan (趙令歡), aged 52, was appointed on 29 July 2011. Mr. Zhao has many years of practicing experience in business management and investing operation. Mr. Zhao obtained a master degree in business administration from the Kellogg School of Management at Northwestern University in the United States of America ("USA") in June 1996, dual master degrees in electrical engineering and physics from Northern Illinois University in USA in 1987, and a bachelor degree in physics from Nanjing University (南京大學) in July 1984. Mr. Zhao established Hony Capital Fund 2008, L.P. in 2003 and serves as a president. Mr. Zhao also serves as a vice president of Legend Holdings Limited. Prior to joining Legend Holdings Limited, Mr. Zhao was a managing partner at eGarden Ventures, Ltd., chairman and chief executive officer of Infolio Inc. and Vadem Inc., a vice president and general manager at US Robotics Inc.. Prior to studying in USA, Mr. Zhao was a director of a workshop in Jiangsu Wireless Company.

Dr. Zhang Yaqin (張亞勤), aged 48, was appointed on 31 December 2008. Dr Zhang is currently the corporate vice president of Microsoft Corporation and the chairman of Microsoft Asia-Pacific Research & Development Group, responsible for driving Microsoft's overall research and development efforts in China and the Asia-Pacific region. Dr Zhang was also a member of Executive Management Committee of Microsoft (China) Limited and formulate unified strategy with other members for Microsoft in the Greater China region. Dr Zhang is a world-class scientist in the field of communication and software areas. He joined Microsoft in 1999 and served as the chief scientist of Microsoft Research Asia and was promoted to corporate vice president of Microsoft Corporation in 2004, in charge of Microsoft's Mobile and Embedded Division in Microsoft's headquarters. Dr Zhang was the core leader of Microsoft to enter into the non-PC market. In 1997, Dr. Zhang Yaqin,only aged 31 at that time, was rewarded as a Fellow of IEEE, becoming the youngest scientist receiving this honor in the 100 years of history of the association.

Mr. Lin Sheng (林盛), aged 41, was appointed on 29 July 2011. Mr. Lin obtained a master degree in economics in July 1999, and also a dual bachelor degree in engineering physics and business administration from Tsinghua University in July 1997. Mr. Lin joined Hony Capital in April 2003 and mainly responsible for the medicine, medical services and telecom, media and technology industry research and investment. Mr. Lin was a senior officer of Lenovo from April 2000 to April 2003, where he was responsible for strategic planning, market positioning, product design and business line operations.

Biographical Details of Directors and Senior Management

Independent Non-executive Director

Mr. Zeng Zhijie (曾之杰), aged 47, 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 58, 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. Song Jun (宋軍), aged 54, was appointed on 18 May 2011. Dr. Song has over 20 years of extensive experience in corporate management and operation. Dr. Song obtained a doctorate degree from Tsinghua University in 1990. He was a researcher and the vice president and secretariat of Tsinghua University Education Foundation. He had held the positions of chairman and president of Tsinghua Holdings Co., Ltd. and director or chairman of over ten affiliates of Tsinghua Holdings Co., Ltd.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Frank Waung (汪其方), age 49, 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 53, 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 52, 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 35, 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.

COMPLIANCE OFFICER

Dr. Chen Yuhong (陳宇紅), is the compliance officer of the Company. Please refer to the paragraph headed "Directors"in this section above for further details regarding his background.

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 66 to 163, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, 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 the 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.

Independent Auditor's Report

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Turnover	5	4,429,202	3,205,985
Cost of sales and services		(3,080,046)	(2,200,799)
Gross profit		1,349,156	1,005,186
Other income, gains and losses		59,188	61,836
Selling and distribution costs		(219,789)	(175,369)
Administrative expenses		(664,752)	(512,223)
Research and development costs expensed		(64,161)	(52,156)
Allowance for doubtful debts		(27,103)	(24,613)
Amortisation of intangible assets and prepaid lease payments		(80,676)	(49,803)
Fair value gain on derivative financial instruments		1,074	–
Finance costs	6	(84,385)	(47,296)
Share of results of associates	15	1,429	(1,138)
Gain on disposal of available-for-sale investments	16	27,568	–
Gain on disposal of associates		–	494
Loss arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary		(310)	–
Profit before taxation		297,239	204,918
Income tax expense	7	(42,183)	(4,890)
Profit for the year	8	255,056	200,028
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		(1,766)	(7,839)
– fair value gain on hedging instruments in cash flow hedge		425	649
– reclassification to profit or loss upon discontinue of cash flow hedge		(1,074)	–
Other comprehensive expense for the year, net of tax		(2,415)	(7,190)
Total comprehensive income for the year		252,641	192,838

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTE	2014 RMB'000	2013 RMB'000
Profit for the year attributable to:			
Owners of the Company		**200,038**	148,301
Non-controlling interests		**55,018**	51,727
		255,056	200,028
Total comprehensive income attributable to:			
Owners of the Company		**197,624**	141,116
Non-controlling interests		**55,017**	51,722
		252,641	192,838
Earnings per share	11		
Basic		**RMB0.1072**	RMB0.0837
Diluted		**RMB0.1054**	RMB0.0824

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12	**335,803**	174,186
Intangible assets	13	**325,458**	280,649
Goodwill	14	**983,298**	936,988
Interests in associates	15	**9,629**	13,519
Available-for-sale investment	16	**43,256**	25,000
Prepaid lease payments	17	**40,474**	41,482
Deposits paid for investment in an associate	18	**–**	14,850
Derivative financial instruments	19	**1,074**	649
Deferred tax assets	29	**11,519**	10,389
		1,750,511	1,497,712
Current assets			
Inventories	20	**31,991**	19,883
Trade and other receivables	21	**1,315,781**	1,146,646
Prepaid lease payments	17	**1,009**	1,009
Amounts due from customers for contract work	23	**1,410,425**	1,060,869
Amounts due from related companies	24	**944**	814
Pledged deposits	25	**22,370**	5,201
Bank balances and cash	25	**811,435**	940,823
		3,593,955	3,175,245
Current liabilities			
Amounts due to customers for contract work	23	**212,205**	217,410
Trade and other payables	26	**771,852**	741,528
Bills payable	27	**35,791**	3,387
Amounts due to related companies	24	**16,708**	9,196
Dividend payable		**73**	73
Taxation payable		**52,651**	28,303
Borrowings	28	**1,240,190**	471,328
		2,329,470	1,471,225
Net current assets		**1,264,485**	1,704,020
Total assets less current liabilities		**3,014,996**	3,201,732

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deferred tax liabilities	29	**19,294**	17,589
Consideration payable on acquisition of a subsidiary	36	**38,900**	35,636
Convertible loan notes	30	**193,771**	189,038
Borrowings	28	**62,000**	518,268
		313,965	760,531
		2,701,031	2,441,201
Capital and reserves			
Share capital	31	**88,014**	87,085
Share premium	32	**1,686,561**	1,667,181
Reserves	32	**722,804**	513,957
Equity attributable to owners of the Company		**2,497,379**	2,268,223
Non-controlling interests		**203,652**	172,978
Total equity		**2,701,031**	2,441,201

The consolidated financial statements on pages 66 to 163 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to the owners of the Company												
	Share capital RMB'000	Share premium RMB'000 (note 32)	Hedging reserve RMB'000	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	General reserve fund RMB'000 (note 32)	Statutory enterprise expansion fund RMB'000 (note 32)	Statutory surplus reserve fund RMB'000 (note 32)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	81,804	1,466,006	–	(1,933)	69,758	15,167	15,793	26,749	29,072	225,208	1,927,624	134,659	2,062,283
Profit for the year	–	–	–	–	–	–	–	–	–	148,301	148,301	51,727	200,028
Other comprehensive income for the year													
– Exchange differences arising on translation of foreign operations	–	–	–	(7,834)	–	–	–	–	–	–	(7,834)	(5)	(7,839)
– Fair value gain on hedging instruments in cash flow edge	–	–	649	–	–	–	–	–	–	–	649	–	649
Total comprehensive income for the year	–	–	649	(7,834)	–	–	–	–	–	148,301	141,116	51,722	192,838
Issue of ordinary shares upon acquisition of a business	2,573	69,372	–	–	–	–	–	–	–	–	71,945	–	71,945
Issue of ordinary shares upon exercise of share options	2,511	120,397	–	–	(27,569)	–	–	–	–	–	95,339	–	95,339
Recognition of share option expenses	–	–	–	–	5,372	–	–	–	–	–	5,372	–	5,372
Cancellation of share options	–	–	–	–	(8,748)	–	–	–	–	8,748	–	–	–
Dividend payable to a non-controlling owner of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(600)	(600)
Issue of ordinary shares for acquisition of additional equity interests in subsidiaries	197	11,406	–	–	–	–	–	–	–	–	11,603	(12,803)	(1,200)
Extension of convertible loan notes	–	–	–	–	–	15,224	–	–	–	–	15,224	–	15,224
Appropriations	–	–	–	–	–	–	–	–	20,590	(20,590)	–	–	–
At 31 December 2013	87,085	1,667,181	649	(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	–	(6,657)	–	–	–	–	–	–	–	–	(6,657)	(24,343)	(31,000)
Appropriations	–	–	–	–	–	–	–	–	21,641	(21,641)	–	–	–
At 31 December 2014	88,014	1,686,561	–	(11,532)	48,813	30,391	15,793	26,749	71,303	541,287	2,497,379	203,652	2,701,031

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTE	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		297,239	204,918
Adjustments for:			
Depreciation of property, plant and equipment		60,137	52,562
Amortisation of intangible assets and prepaid lease payments		80,676	49,803
Finance costs		84,385	47,296
Allowance for doubtful debts		27,103	24,613
Share option expenses		16,906	5,372
Interest income		(2,847)	(1,958)
Share of results of associates		(1,429)	1,138
Loss on disposal of property, plant and equipment		193	1,114
Gain on disposal of associates		–	(494)
Gain on disposal of available-for-sale investment		(27,568)	–
Loss arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary		310	–
Fair value gain on derivative financial instruments		(1,074)	–
Operating cash flows before movements in working capital		534,031	384,364
Increase in trade and other receivables		(117,756)	(78,908)
(Decrease) Increase in amounts due to customers for contract work		(5,205)	106,904
Increase in amounts due from customers for contract work		(349,556)	(490,881)
Increase in trade and other payables		18,674	36,886
(Increase) decrease in inventories		(12,108)	4,106
Increase (decrease) in bills payable		32,404	(3,684)
Cash generated from (used in) operations		100,484	(41,213)
Income taxes paid		(25,768)	(32,371)
Taxation refunded		80	12,546
Net cash generated from (used in) operating activities		74,796	(61,038)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Investing activities			
Purchases of property, plant and equipment		**(215,076)**	(80,663)
Acquisition of a business	35	**(90,931)**	(90,000)
Development costs paid		**(79,436)**	(59,689)
Investment in available-for-sale investment		**(43,256)**	–
Loan to staff		**(19,244)**	–
Placement of pledged deposits		**(18,572)**	(12,165)
Purchase of software		**(5,785)**	(17,356)
Investments in an associate		**(1,960)**	–
Advance to related companies		**(130)**	(609)
Refund for acquisition of a subsidiary in prior year	36	**10,856**	–
Deposit paid for investment in an associate returned		**9,900**	–
Proceeds from disposal of property, plant and equipment		**5,653**	2,466
Dividend received from an associate		**5,559**	–
Interest received		**2,847**	1,958
Withdrawal of pledged deposits		**1,403**	11,432
Acquisition of a subsidiary	36	**–**	(226,887)
Deposit paid for investment in an associate		**–**	(14,850)
Proceeds from disposal of associates		**–**	13,453
Repayments from (advances to) associates		**–**	10,182
Net cash used in investing activities		**(438,172)**	(462,728)
Financing activities			
New bank loans raised		**1,273,787**	1,059,558
Proceeds from exercise of share options		**21,283**	95,339
Advance from a related company		**15,512**	–
Repayment of borrowings		**(961,193)**	(413,504)
Interest paid		**(66,091)**	(33,523)
Acquisition of additional equity interest in a subsidiary	37	**(31,000)**	(1,200)
Interest paid on convertible loan notes		**(8,500)**	(8,500)
Repayment of advance from a related party		**(8,000)**	–
Dividend paid to non-controlling		**–**	(600)
Net cash generated from financing activities		**235,798**	697,570
Net (decrease) increase in cash and cash equivalents		**(127,578)**	173,804
Cash and cash equivalents at beginning of the year		**940,823**	774,847
Effect of foreign exchange rate changes		**(1,810)**	(7,828)
Cash and cash equivalents at end of the year, representing bank balances and cash		**811,435**	940,823

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 Group are development and provision of information technology ("IT") solutions services, IT outsourcing services, IT emerging services and training services.

Particulars of the Company's subsidiaries at 31 December 2014 and 2013 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		
			2014	2013	**2014**	2013	
			%	%	**%**	%	
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		
			2014 %	2013 %	**2014** %	2013 %	
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 (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.	PRC	RMB5,000,000	**–**	–	**70**	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.	PRC	RMB2,000,000	**–**	–	**70**	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		
			2014	2013	**2014**	2013	
			%	%	**%**	%	
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") (note 37)	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) (note 37)	PRC	US$8,000,000	**–**	–	**97.65**	88.87	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

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 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Principal activities
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
大連信華信息技術有限公司 Dalian Xinhua Infotech Co., Ltd. (Note i)	PRC	US$250,000	–	–	**97.35**	97.35	Provision of IT outsourcing services
株式會社東京信華 Kabushiki Kaisha Tokyo Xinhua	Japan	JPY10,000,000	–	–	**97.35**	97.35	Provision of IT outsourcing services
DoubleBridge Technologies, Inc.	USA	US$2,204,400	–	–	**97.35**	97.35	Provision of IT outsourcing services
長沙中軟教育科技有限公司 Excellency Training Center of CSI (Changsha)	PRC	RMB1,500,000	–	–	**70**	70	Provision of IT training services
重慶卓睿信息技術有限公司 Excellency Training Center of CSI (Chongqing)	PRC	RMB1,500,000	–	–	**70**	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.	PRC	RMB500,000	–	–	**70**	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)	PRC	RMB1,000,000	–	–	**70**	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)	PRC	RMB1,000,000	–	–	**70**	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)	PRC	RMB3,000,000	–	–	**70**	70	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)	PRC	RMB1,000,000	–	–	**70**	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		
			2014	2013	**2014**	2013	
			%	%	**%**	%	
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**	88.87	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				Principal activities
			Directly		Indirectly		
			2014	2013	**2014**	2013	
			%	%	**%**	%	
北京掌中無限信息技術有限公司 MMIM Info. Technology Co., Ltd. ("MMIM Technology") (Note iv)	PRC	RMB10,000,000	**–**	–	**100**	100	Provision of IT emerging services
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	RMB199,370,143	**–**	–	**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	United Kingdom	GBP100	**–**	–	**100**	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		
			2014 %	2013 %	2014 %	2013 %	
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	PRC	RMB300,000	–	–	100	100	Provision of IT training services
瀋陽中軟教育諮詢有限公司 Excellency Training Center of CSI (Shenyang)	PRC	RMB500,000	–	–	100	100	Provision of IT training services
南京中軟卓訓信息技術有限公司 Nanjing Excellency information & Technology Ltd.	PRC	RMB1,000,000	–	–	100	100	Provision of IT training services
瀋陽中軟卓越計算機培訓學校* Excellency Training Center of CSI (Shenyang) (Note ii)	PRC	RMB200,000	–	–	100	100	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)	PRC	RMB400,000	–	–	100	100	Provision of IT training services

* Newly established during the year ended 31 December 2014.

Except for convertible loan notes issued by the Company, none of the subsidiaries had any debt securities outstanding at 31 December 2014 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 Company does not have legal ownership in equity of MMIM Technology. Nevertheless, under a series of agreements enacted among the registered owners of MMIM Technology and MMIM Interactive, the Group controls this entity by way of owning power over MMIM Technology. The agreement enable the Group to obtain variable returns from its involvement with MMIM Technology and has the ability to use its power to affect MMIM Technology's return. As a result, it is considered as subsidiary of the Company.

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.

The table below shows details of non-wholly-owned subsidiaries of the Group 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	
		2014	2013	2014	2013	2014	2013
				RMB'000	RMB'000	**RMB'000**	RMB'000
CSITS	PRC	**40%**	40%	**41,245**	39,616	**120,861**	79,616
CSIHS	PRC	**49%**	49%	**2,805**	4,525	**44,740**	41,935
Individually immaterial subsidiaries with non-controlling interests						**38,051**	51,427
						203,652	172,978

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

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

	2014 RMB'000	2013 RMB'000
CSITS		
Current assets	**1,219,879**	820,132
Non-current assets	**133,127**	36,872
Current liabilities	**(1,043,839)**	(658,860)
Non-current liabilities	**(7,910)**	–
Equity attributable to owners of the company	**180,396**	118,528
Equity attributed to non-controlling interests	**120,861**	79,616
Revenue	**1,848,961**	1,154,963
Expenses	**(1,745,848)**	(1,055,923)
Profit and total comprehensive income for the year	**103,113**	99,040
Net cash inflow from operating activities	**24,356**	156,961
Net cash outflow from investing activities	**(14,645)**	(37,775)
Net cash inflow from financing activities	**34,689**	64,398
Net cash inflow	**44,400**	183,584

1. GENERAL INFORMATION OF THE COMPANY – CONTINUED

	2014 RMB'000	2013 RMB'000
CSIHS		
Current assets	**137,279**	122,270
Non-current assets	**5,706**	8,906
Current liabilities	**(51,679)**	(45,594)
Equity attributable to owners of the company	**46,566**	43,647
Equity attributed to non-controlling interests	**44,740**	41,935
Revenue	**128,153**	138,848
Expenses	**(122,429)**	(129,613)
Profit and total comprehensive income for the year	**5,724**	9,235
Net cash outflow from operating activities	**(5,352)**	(7,165)
Net cash inflow (outflow) from investing activities	**213**	(77)
Net cash inflow (outflow) from financing activities	**6,774**	(438)
Net cash inflow (outflow)	**1,635**	(7,680)

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 and a new Interpretation.

Amendments to HKFRS10, HKFRS12 and HKAS 27	Investment Entities
Amendments to HKAS32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS36	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to HKA39	Novation of Derivatives and Continuation of Hedge Accounting
HK(FRIC) – Int 21	Levies

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 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

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

New and revised HKFRSs issued but not yet effective – continued

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

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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

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

[5] Effective for annual periods beginning on or after 1 July 2016.

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

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.

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.

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

New and revised HKFRSs issued but not yet effective – continued

HKFRS 9 Financial Instruments – continued

- 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.

- 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, 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 2014

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.

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

New and revised HKFRSs issued but not yet effective – continued

HKFRS 15 Revenue from Contracts with Customers – continued

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 ("HKICAP"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business combinations – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interests in associates – continued

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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Project-based development contracts – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Intangible assets – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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 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.

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.

Equity investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the fair value of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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.

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.

When an AFS financial asset is considered to be impaired, cumulated gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments

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

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 Group 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments – continued

Convertible loan notes – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 forecast transaction 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies – continued

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.

Equity-settled share-based payment transactions

Share options granted to employees and customers of the Group

In relation to share options granted after 7 November 2002 and vested before 1 January 2005, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The Group has applied HKFRS 2 to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005 and share options that were granted on or after 1 January 2005. For share options granted to employees on or after 1 January 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity-settled share-based payment transactions – continued

Share options granted to employees and customers of the Group – continued

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options granted to customers of the Group, share options are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counter parties render services, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to share options reserve.

At the time when the 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

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 2014, the carrying amount of trade receivables is RMB995,871,000(2013: RMB814,093,000) which is after allowance for doubtful debts of RMB132,198,000(2013: RMB118,599,000) (see note 21).

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 2014 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 2014, no impairment loss was recognised by the Group (2013: nil). As at 31 December 2014, the carrying amount of goodwill is RMB983,298,000 (2013: RMB936,988,000). 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 contacts 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 2014, the carrying amount of the contingent considerations arising from business combinations which involve fair value estimation is RMB22,473,000 (2013: RMB20,466,000).

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Amortisation of intangible assets

The carrying value of the Group's intangible assets as at 31 December 2014 was approximately RMB325,458,000 (2013: RMB280,649,000). 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' 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 for each type of goods supplied or services provided by the Group's operating divisions.

In the prior year, the Group had three operating divisions which represent three reportable operating segments, namely, (a) professional services business; (b) outsourcing services business and (c) training business. In the current year, the Group changed its internal reporting structure and separate a new operating division from professional services business called "emerging services business", following a separation of the prior division's activities and identification of new segment managers. Subsequent to the change of the internal reporting structure, the Group has four reportable operating segments, which are (a) professional services business; (b) outsourcing services business; (c) emerging services business and (d) training business. Prior period segment disclosure has been restated to conform with the current year's presentation.

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

1. Professional services business ("PSG") – development and provision of solutions for government, manufacturing entities, banks and other financial institutions, and to a lesser extent, sales of standalone software and hardware products

2. Outsourcing services business ("OSG")

3. Emerging services business ("ESG") – mobile internet product and service, cloud migration and operation, cloud consulting and customized SaaS, and PaaS

4. Training business

Information regarding the above segments is reported below.

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Segment revenues and results

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

	Segment revenue		Segment results	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Professional services business	**1,985,889**	1,568,556	**162,563**	125,277
Outsourcing services business	**2,026,301**	1,388,388	**155,193**	101,283
Emerging services business	**325,898**	154,678	**39,117**	18,514
Training business	**91,114**	94,363	**14,891**	(2,212)
	4,429,202	3,205,985	**371,764**	242,862

Reconciliation of segment results to profit before taxation:

	2014	2013
	RMB'000	RMB'000
Segment results	**371,764**	242,862
Other income, gains and losses unallocated	**(20,792)**	2,602
Interest charge on convertible loan notes	**(13,250)**	(13,773)
Corporate expenses	**(24,341)**	(21,401)
Share option expenses	**(16,906)**	(5,372)
Fair value gain on derivative financial instruments	**1,074**	–
Loss arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	**(310)**	–
Profit before taxation	**297,239**	204,918

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 arising from changes in fair value of contingent consideration payable on acquisition of a business, 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.

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

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

	2014 RMB'000	2013 RMB'000
Segment assets		
Professional services business	2,538,105	2,274,155
Outsourcing services business	1,510,986	1,144,377
Emerging services business	109,093	88,132
Training business	107,864	92,355
Segment assets	4,266,048	3,599,019
Goodwill	983,298	936,988
Others	95,120	136,950
Consolidated assets	5,344,466	4,672,957
Segment liabilities		
Professional services business	1,128,565	1,119,316
Outsourcing services business	573,955	356,910
Emerging services business	32,976	33,395
Training business	25,067	37,649
Segment liabilities	1,760,563	1,547,270
Convertible loan notes	193,771	189,038
Bank borrowing and others	689,101	495,448
Consolidated liabilities	2,643,435	2,231,756

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to all operating segments other than goodwill, unallocated bank balances and cash, deferred tax assets and assets used jointly by the operating segments.
- all liabilities are allocated to operating segments other than convertible loan notes, deferred tax liabilities and liabilities for which operating segments are jointly liable.

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Other information

Amounts included in the measure of segment expenses (income) and segment asset:

	PSG		OSG		ESG		Training		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets, other than deferred tax assets	79,396	115,239	250,316	145,922	16,985	279	6,225	7,253	352,922	268,693
Interests in associates	9,629	13,519	–	–	–	–	–	–	9,629	13,519
Deposit paid for investment in an associate	–	14,850	–	–	–	–	–	–	–	14,850
Depreciation of property, plant and equipment	15,945	19,206	42,950	30,904	359	408	883	2,044	60,137	52,562
Amortisation of intangible assets and prepaid lease payments, net of capitalization	41,721	26,308	16,800	2,515	21,107	20,284	1,048	696	80,676	49,803
Allowance for doubtful debts	25,527	10,597	1,411	1,325	–	–	165	12,691	27,103	24,613
Interest income	(1,850)	(911)	(780)	(729)	(33)	(85)	(18)	(15)	(2,681)	(1,740)
Interest on borrowings	22,285	22,021	18,498	9,155	737	–	686	320	42,206	31,496
Share of results of associates	(1,429)	1,138	–	–	–	–	–	–	(1,429)	1,138
Loss on disposal of property, plant and equipment	42	138	124	941	14	35	13	–	193	1,114

Geographical information

The Group's operations are mainly located in its country of domicile (i.e. the PRC and HK) 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) and information about its non-current assets, other than deferred tax assets, available-for-sale investment and derivative financial instruments, by geographical location are detailed below:

	Revenues from external customers		Non-current assets, other than deferred tax assets, available-for-sale investment and derivative financial instruments	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
PRC and HK	3,803,039	2,881,660	1,472,857	1,178,864
USA	577,264	272,620	221,702	282,637
Japan	48,899	51,705	103	173
	4,429,202	3,205,985	1,694,662	1,461,674

5. TURNOVER AND SEGMENT INFORMATION – CONTINUED

Geographical information – continued

Segment revenue by products and services:

	2014 RMB'000	2013 RMB'000
Sale of software and hardware products	**282,187**	138,058
Provision of services		
Professional services	**1,703,702**	1,430,498
Outsourcing services	**2,026,301**	1,388,388
Emerging services	**325,898**	154,678
Training	**91,114**	94,363
	4,147,015	3,067,927
	4,429,202	3,205,985

Information about major customers

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

	2014 RMB'000	2013 RMB'000
Customer A	**1,337,463**	711,548

No other single customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

6. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on borrowings wholly repayable within five years	**66,091**	33,523
Interest on borrowings not wholly repayable within five years	**1,051**	–
Imputed interest on consideration payable on acquisition of a subsidiary	**2,954**	–
Imputed interest on consideration paid on acquisition of a business	**2,090**	–
Effective interest on convertible loan notes	**13,250**	13,773
Total borrowing cost	**85,436**	47,296
Less: amounts capitalised in construction in progress	**(1,051)**	–
	84,385	47,296

7. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	52,520	22,842
– over-provision in prior years	(4,641)	(13,971)
	47,879	8,871
The US Federal and State Income taxes	1,727	144
Japan Corporate Income Tax	442	–
Hong Kong Profits Tax	–	(51)
	50,048	8,964
Deferred tax (note 29)	(7,865)	(4,074)
	42,183	4,890

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 both years.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 28 October 2011, Chinasoft Resources Beijing had been designated as a High and New Technology Enterprise ("HNTE") till the end of 2014. 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 28 September 2010 and 19 November 2013, Chinasoft Resources Shanghai had been designated as a HNTE for a period up to 27 September 2013 and extended for another three years up to 18 November 2016, respectively. Accordingly, the income tax rate of Chinasoft Resources Shanghai was reduced from 25% to 15% for both years.

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 both years.

7. INCOME TAX EXPENSE – CONTINUED

Pursuant to a certificate issued by the Industry and Information Technology Department of Shaanxi 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 exempted from income tax for the year ended 31 December 2013 and entitled a 50% tax reduction for the year ended 31 December 2014.

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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	297,239	204,918
Tax at PRC Enterprise Income Tax rate of 25% (2013: 25%)	74,310	51,230
Tax effect of share of results of associates	(357)	285
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	(71,159)	(55,891)
Tax effect of expenses not deductible for tax purpose	29,650	24,322
Tax effect of income not taxable for tax purpose	(9,423)	(15,433)
Over-provision in prior years	(4,641)	(13,971)
Tax effect of utilisation of tax losses previously not recognised	(3,092)	(1,182)
Tax effect of tax losses not recognised	26,556	15,555
Effect of different tax rates of subsidiaries	339	(25)
Income tax expense for the year	42,183	4,890

8. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 9)	6,001	3,511
Other staff costs	2,476,343	1,895,163
Retirement benefits costs (excluding those for directors)	195,511	166,535
Share option expenses	15,262	5,372
Total staff costs	2,693,117	2,070,581
Less: Staff costs capitalised as development costs	(79,436)	(59,442)
	2,613,681	2,011,139
Research and development costs expensed	66,653	62,984
Less: Government grants	(2,492)	(10,828)
	64,161	52,156
Depreciation of property, plant and equipment	60,137	52,562
Amortisation of intangible assets	80,527	49,650
Amortisation of prepaid lease payments	1,009	1,013
	141,673	103,225
Less: Amortisation of prepaid lease payments capitalised in construction in progress	(860)	(860)
	140,813	102,365
Auditor's remuneration	5,780	5,580
Cost of inventories recognised as an expense	220,725	112,956
Loss on disposal of property, plant and equipment	193	1,114
Minimum lease payments in respect of buildings	125,337	127,888
Net foreign exchange loss	1,111	1,860
Bank charges related to the upfront fee from the bank borrowing denominated in USD (included in financial cost)	4,358	917
And after crediting:		
Interest income from pledged deposits and bank balances	2,847	1,958
Government grants	53,120	56,910
Tax incentive subsidies	1,761	2,955

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

	Chief executive and executive director	Executive director		Non-executive director			Independent non-executive director			
	Chen Yuhong	Tang Zhenming	Wang Hui	John Zhao	Zhang Yaqin	Lin Sheng	Zeng Zhijie	Leung WingYin Patrick	Song Jun	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fees	–	–	–	–	–	–	95	–	–	95
Other emoluments:										
Salaries and other benefits	1,881	642	1,626	–	–	–	–	–	–	4,149
Retirement benefits costs	39	35	39	–	–	–	–	–	–	113
Share-based payments	548	548	548	–	–	–	–	–	–	1,644
Total directors' remuneration	2,468	1,225	2,213	–	–	–	95	–	–	6,001

Details of emoluments to the directors and the chief executive for the year ended 31 December 2013 are as follows:

	Chief executive and executive director	Executive director			Non-executive director				Independent non-executive director				
	Chen Yuhong	Tang Zhenming	Wang Hui	Jiang Xiaohai	John Zhao	Zhang Yaqin	Lin Sheng	Shen Lipu	Zeng Zhijie	Leung WingYin Patrick	Song Jun	Xu Zeshan	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000
Fees	–	–	–	–	–	–	–	–	96	–	–	–	96
Other emoluments:													
Salaries and other benefits	1,786	612	815	–	–	–	–	–	–	–	96	–	3,309
Retirement benefits costs	36	34	36	–	–	–	–	–	–	–	–	–	106
Total directors' remuneration	1,822	646	851	–	–	–	–	–	96	–	96	–	3,511

Note a: Retired during 2013.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – CONTINUED

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: one) were directors of the Company whose emoluments were included above. The emoluments of the remaining three (2013: four) highest paid individuals were as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	5,088	4,104
Share option expenses	1,753	84
Retirement benefits costs	79	120
	6,920	4,308

Their emoluments were within the following bands:

	No. of employees	
	2014	2013
HK$1,000,001 to HK$1,500,000 (equivalent to RMB792,401 to RMB1,188,600; 2013: equivalent to RMB797,900 to RMB1,196,850)	–	3
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,188,601 to RMB1,584,800; 2013: equivalent to RMB1,196,851 to RMB1,595,800)	–	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB1,981,001 to RMB2,377,200; 2013: equivalent to RMB1,994,751 to RMB2,393,700)	2	–
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,377,201 to RMB2,773,400; 2013: equivalent to RMB2,393,701 to RMB2,792,650)	1	–
	3	4

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 2013 and 2014, nor has any dividend been proposed since the end of the reporting period.

11. EARNINGS PER SHARE

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic and dilutive earnings per share (Profit for the year attributable to owners of the Company)	200,038	148,301

Number of shares

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,866,438	1,771,895
Effect of dilutive potential ordinary shares:		
Share options	31,919	27,116
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,898,357	1,799,011

The computation of diluted earnings per share for the both years 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	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 January 2013	80,056	206,134	18,330	–	304,520
Exchange adjustments	(12)	(534)	(2)	–	(548)
Additions	31,745	20,364	179	40,885	93,173
Acquisition of a subsidiary (note 36)	214	4,337	–	–	4,551
Disposals	(6,176)	(11,836)	(2,765)	–	(20,777)
At 31 December 2013	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**
DEPRECIATION					
At 1 January 2013	46,691	114,918	10,058	–	171,667
Exchange adjustments	(9)	(290)	–	–	(299)
Provided for the year	16,881	34,236	1,445	–	52,562
Eliminated on disposals	(6,176)	(9,913)	(1,108)	–	(17,197)
At 31 December 2013	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**
CARRYING VALUES					
At 31 December 2014	**40,339**	**77,372**	**4,323**	**213,769**	**335,803**
At 31 December 2013	48,440	79,514	5,347	40,885	174,186

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 1/3%
Motor vehicles	9%-20%

13. INTANGIBLE ASSETS

	Development costs	Technical knowhow	Software	Contract-based customer-related intangibles	Technical expertise	Customer relationship	Patent	Trade name	Technology	Non-compete agreements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST											
At 1 January 2013	127,457	17,367	17,232	19,704	12,494	136,764	13,764	968	6,643	1,019	353,412
Additions	59,689	–	17,356	–	–	–	–	–	–	–	77,045
Acquisitions of a business (note 35)	–	–	–	–	–	30,745	–	–	16,701	–	47,446
Acquisitions of a subsidiary (note 36)	–	–	3,094	–	–	35,554	–	37	–	7,793	46,478
At 31 December 2013	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
Acquisitions of a business (note 35)	–	–	–	–	–	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**
AMORTISATION/IMPAIRMENT											
At 1 January 2013	49,595	13,654	8,591	19,704	12,494	78,805	3,436	911	5,980	912	194,082
Provided for the year	15,818	1,774	3,060	–	–	25,082	1,305	49	2,334	228	49,650
At 31 December 2013	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**
CARRYING VALUES											
At 31 December 2014	**171,234**	**780**	**25,029**	**–**	**–**	**101,485**	**7,718**	**38**	**11,690**	**7,484**	**325,458**
At 31 December 2013	121,733	1,939	26,031	–	–	99,176	9,023	45	15,030	7,672	280,649

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

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 2013	825,153
Acquisition of a business (note 35)	120,905
Acquisition of a subsidiary (note 36)	187,008
At 31 December 2013	1,133,066
Acquisition of a business (note 35)	57,166
Adjustment for acquisition of a subsidiary in prior year (Note ii)	(10,856)
At 31 December 2014	**1,179,376**
IMPAIRMENT	
At 1 January 2013, 31 December 2013 and 31 December 2014	196,078
CARRYING VALUES	
At 31 December 2014	**983,298**
At 31 December 2013	936,988

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 2014 and 2013 has been allocated to the following individual CGUs under the four segments:

	2014 RMB'000	2013 RMB'000
Professional services business segment		
– Chinasoft Beijing	**187,404**	176,154
– Han Consulting (Note i)	**–**	11,250
– HGR and its subsidiaries	**134,188**	134,188
	321,592	321,592
Outsourcing services business segment		
– CSITS and existing outsourcing entities (Note iii)	**278,514**	221,348
– Catapult (Note ii)	**176,152**	187,008
	454,666	408,356
Emerging services business segment		
– MMIM	**206,210**	206,210
Training business segment	**830**	830
	983,298	936,988

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

Except as noted 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.

14. GOODWILL – CONTINUED

Impairment testing on goodwill – continued

CGUs	Discount rate		Growth rate	
	2014	2013	**2014**	2013
Professional services business segment				
– Chinasoft Beijing	**13%**	13%	**3%**	3%
– Han Consulting (Note i)	**N/A**	16%	**3%**	3%
– HGR and its subsidiaries	**13%**	13%	**3%**	3%
Outsourcing services business segment				
– CSITS and existing outsourcing entities	**13%**	13%	**3%**	3%
– Catapult	**16%**	15%	**3%**	3%
Emerging services business segment				
– MMIM	**14%**	17%	**3%**	3%
Training segment	**14%**	13%	**3%**	3%

Notes:

i. In the current year, all the businesses and employees of Han Consulting were transferred to Chinasoft Beijing thus the goodwill of Han Consulting was combined with Chinasoft Beijing.

ii. According to the sale and purchase agreement for acquisition of Catapult, the first instalment paid by the Company is subject to the initial price adjustment and during the year, the Company renegotiated the total consideration and RMB10,856,000 (equivalent to US$1,776,000) was returned to the Group, goodwill recognised in prior year was adjusted in current year.

iii. The Group acquired the outsourcing business with Huawei and the relevant certain assets and leases in connection with the business with Huawei during 2014. Details of the acquisition were set out in note 35. The business and related employees and assets were blent into CSITS under the outsourcing services business segment.

15. INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Unlisted cost of investments in associates	**6,205**	4,245
Share of post-acquisition profits net of dividend received	**3,424**	9,274
	9,629	13,519

15. INTERESTS IN ASSOCIATES – CONTINUED

Included in the unlisted cost of investments in associates is goodwill of RMB3,052,000 (2013: RMB3,052,000) arising on acquisition of China National Tobacco Information Company Limited in 2005.

Particulars of the Group's associates at 31 December 2014 and 2013 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 2014	2013	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
北京雲博中軟国际科技有限公司 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)	Equity joint venture enterprise	PRC	PRC	49%	–	Provision of solutions and IT consulting services

Note: During the year, the Group invested RMB1,960,000 in Chinasoft Zhengtong which represents 49% 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.

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

The Group's associates individually are not material.

16. AVAILABLE-FOR-SALE INVESTMENT

	2014 RMB'000	2013 RMB'000
Unlisted equity investment, at cost	**43,256**	25,000

For the year ended 31 December 2014

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 RMB61,190,000 (equivalent to 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 2014, the Group contributed RMB43,256,000 (equivalent to US$7,075,000) to PointGuard Ventures which represents 19.8% of the share of interest. The investment is measured at cost less impairment at 31 December 2014 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.

For the year ended 31 December 2013

On 17 January 2011, the Group entered into a trust agreement (the "Agreement") with Easy Win Technology Limited ("Easy Win"), an equity owner of Shanghai Huateng Data Service Co., Ltd ("Huateng Data") and Shanghai Huateng Intelligent System Co., Ltd ("Huateng Intelligent"), former associates of the Group. Under the Agreement, Easy Win agreed to acquire and hold on behalf of the Group a 19.8% unlisted equity investment in Fu Fei Tong Information Service Company Limited ("Fu Fei Tong"), an entity established in the PRC and engaged in the provision of digital payment services in the PRC, at a consideration of RMB25,000,000. Pursuant to the Agreement, the Group is entitled to the relevant investment return but is not entitled to other owners' rights on the investment (including voting rights in shareholders' meeting and directors' meeting). The owners' rights, including voting rights in shareholders' and directors' meeting are to be exercised by Easy Win. The directors consider that the Group cannot exercise significant influence on Fu Fei Tong.

The investment is measured at cost less impairment at 31 December 2013 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.

On 26 December 2014, the Group entered into a transfer agreement (the "Transfer Agreement") with Easy Win and under the Transfer Agreement, Easy Win agreed to acquire the investment and the relevant investment return from the Group at a consideration of RMB52,568,000. The transaction was completed upon the signing of the Transfer Agreement.

17. PREPAID LEASE PAYMENTS

	Land use right	Trademark usage right	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2013	43,023	1,651	44,674
Exchange adjustments	–	(46)	(46)
At 31 December 2013	43,023	1,605	44,628
Exchange adjustments	–	5	5
At 31 December 2014	43,023	1,610	44,633
AMORTISATION			
At 1 January 2013	–	1,159	1,159
Provided for the year	860	153	1,013
Exchange adjustments	–	(35)	(35)
At 31 December 2013	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
CARRYING VALUE			
At 31 December 2014	41,303	180	41,483
At 31 December 2013	42,163	328	42,491

	2014			2013		
	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	**40,443**	**31**	**40,474**	41,303	179	41,482
Current assets	**860**	**149**	**1,009**	860	149	1,009
	41,303	**180**	**41,483**	42,163	328	42,491

17. PREPAID LEASE PAYMENTS – CONTINUED

The Group's prepaid lease payments comprise payments for a trademark usage right of RMB180,000 (2013: RMB328,000) and payments associated with a land use right of RMB41,303,000 (2013: RMB42,163,000) in the PRC under medium-term lease.

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

During 2012, the Group entered into an agreement with the relevant government authority to acquire a land use right with a lease term of 50 years. The consideration under the agreement and other directly attributable costs amounted to RMB43,023,000. The land use right is amortised on a straight-line basis over a lease term of 50 years.

18. DEPOSIT PAID FOR INVESTMENT IN AN ASSOCIATE

In December 2013, Chinasoft Beijing entered into an agreement with Shandong Zhaojin Group Co., Ltd. ("Zhaojin"). Pursuant to the agreement, Chinasoft Beijing will invest RMB14,850,000 in Shandong Jinruan Technology Limited ("Shandong Jinruan"), a subsidiary of Zhaojin which is mainly engaged in software development business. The investment will entitle Chinasoft Beijing 30% equity interest in Shandong Jinruan. The amount was paid in December 2013 and a deposit for the investment is recognised.

During the year ended 31 December 2014, the agreement was revoked and RMB9,900,000 was refunded to Chinasoft Beijing. The remaining RMB4,950,000 was included in trade and other receivables.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	RMB'000	RMB'000
Derivative financial assets – Interest rate swaps, non-current	**1,074**	–
Cash flow hedges – Interest rate swaps, non-current	**–**	649

19. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

Cash flow hedges

At the end of the reporting period, 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:

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%

2013

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%

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) (2013: RMB649,000) 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.

The classification of the measure of the derivative financial instruments at 31 December 2014 using the fair value hierarchy is Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Computer hardware, equipment and software products	**31,991**	19,883

21. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**667,518**	592,872
Less: Allowance for doubtful debts	**(132,198)**	(118,599)
	535,320	474,273
Trade receivables from related companies (Note i)	**460,551**	339,820
	995,871	814,093
Advances to suppliers	**85,830**	157,334
Deposits, prepayments and other receivables	**214,836**	175,219
Loans to staff (Note ii)	**19,244**	–
	1,315,781	1,146,646

Note:

i. The balances principally arose from provision of services by the Group to certain related companies (see note 43). The balances included an amount of RMB458,699,000 (2013: RMB335,292,000) 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 are unsecured, interest-bearing at 2.5% per annum and repayable within eight months. The amounts are fully settled after year ended 31 December 2014.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

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:

	2014 RMB'000	2013 RMB'000
Within 90 days	734,189	505,616
Between 91 – 180 days	105,568	164,053
Between 181 – 365 days	146,405	74,929
Between 1 – 2 years	6,383	69,196
Over 2 years	3,326	299
	995,871	814,093

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. 66% (2013: 56%) 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 RMB256,699,000 (2013: RMB293,314,000) 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.

Aging of trade receivables which are past due but not impaired

	2014 RMB'000	2013 RMB'000
Within 90 days	10,946	8,638
Between 91 – 180 days	89,639	142,154
Between 181 – 365 days	146,405	73,027
Between 1 – 2 years	6,383	69,196
Over 2 years	3,326	299
Total	256,699	293,314

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.

21. TRADE AND OTHER RECEIVABLES – CONTINUED

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**118,599**	95,114
Impairment losses recognised on receivables	**27,941**	35,506
Amounts recovered during the year	**(838)**	(10,893)
Amounts written-off as uncollectible	**(13,510)**	(1,000)
Exchange adjustments	**6**	(128)
Balance at end of the year	**132,198**	118,599

22. TRANSFER OF FINANCIAL ASSETS

The following are the Group's trade receivables as at 31 December 2014 and 2013 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 28). These receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	2014 RMB'000	2013 RMB'000
Carrying amount of trade receivables	**3,117**	14,380
Carrying amount of associated liabilities	**3,117**	14,380
Net position	**–**	–

In addition to the above, as at 31 December 2014, trade receivables amounting to RMB242,619,000 (2013: RMB100,000,000) 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 RMB2,357,000 (2013: RMB2,500,000) which was charged to the profit or loss.

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

	2014 RMB'000	2013 RMB'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**3,155,285**	2,529,705
Less: Progress billings	**(1,957,065)**	(1,686,246)
	1,198,220	843,459
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**1,410,425**	1,060,869
Amounts due to contract customers for contract work	**(212,205)**	(217,410)
	1,198,220	843,459

At 31 December 2014, retentions held by customers for contract work amounted to RMB10,201,000 (2013: RMB8,488,000). There are no advances received from customers for contract work at the end of 2014 and 2013.

24. AMOUNTS DUE FROM/TO RELATED COMPANIES

At the end of 2014 and 2013, the amount due from a related company 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 6% (2013: 5.39%) per annum and repayable on demand.

25. 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 0.45% (2013: 0.63%) 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 0.45% (2013: from 1.49% to 2.85%) per annum as at 31 December 2014. At the end of the reporting period, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	2014 RMB'000	2013 RMB'000
Hong Kong Dollar	9,642	1,978
United States Dollar	24,406	163,814
Japanese Yen	6,537	13,579

26. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	336,422	377,471
Deposits received from customers	65,486	65,571
Other payables and accrued charges	369,944	298,486
	771,852	741,528

26. 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:

	2014 RMB'000	2013 RMB'000
Within 90 days	111,143	182,056
Between 91 – 180 days	26,588	36,900
Between 181 – 365 days	19,213	106,461
Between 1 – 2 years	138,117	34,282
Over 2 years	41,361	17,772
	336,422	377,471

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.

27. BILLS PAYABLE

An aged analysis of bills payable is as follows:

	2014 RMB'000	2013 RMB'000
Within 90 days	35,791	3,387

28. BORROWINGS

	2014 RMB'000	2013 RMB'000
Unsecured bank loans (Note (i))	1,287,073	975,216
Secured bank loans (Note (ii))	15,117	14,380
	1,302,190	989,596

28. BORROWINGS – CONTINUED

	2014 RMB'000	2013 RMB'000
Carrying amount repayable:		
Within one year	628,544	471,328
More than one year, but not exceeding two years	–	198,180
More than two years, but not exceeding five years	–	320,088
More than five years	62,000	–
	690,544	989,596
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants	611,646	–
Less: Amounts due within one year shown under current liabilities	(1,240,190)	(471,328)
Amounts shown under non-current liabilities	62,000	518,268

	2014 RMB'000	2013 RMB'000
Total borrowings		
At fixed interest rates	478,624	264,479
At floating interest rates (Note (iii))	823,566	725,117
	1,302,190	989,596

	2014 RMB'000	2013 RMB'000
Analysis of borrowings by currency		
Denominated in RMB	613,444	529,280
Denominated in USD	688,746	460,316

28. BORROWINGS – CONTINUED

Notes:

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

(ii) Trade receivables with a net carrying value of approximately RMB3,117,000 (2013: RMB14,380,000) are pledged to secure certain bank loans granted to the Group. The remaining bank loans amount to RMB12,000,000 (2013:nil) are secured by the leasehold land 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 5.89% (2013: 6.30%) per annum. Interest on USD borrowings are charged at LIBOR plus 2.95% for both years.

During the year, in respect of bank loans with a carrying amount of RMB611,646,000 as at 31 December 2014, the Group cannot fulfil certain term of the bank loans, which is primarily related to ratio of consolidated total debt to consolidated tangible net worth of the Group. The Company informed the lenders and commenced renegotiation of the terms of the loans with the relevant banks. Therefore, the loans have been classified as current liabilities as at 31 December 2014.

The Company is confident that its negotiations with the lenders will be successful.

29. DEFERRED TAXATION

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

	Deferred development costs	Customer relationship	Patent	Technology	Deferred revenue	Tax losses	Property, plant and equipment	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	(450)	(14,377)	(2,581)	(166)	–	–	804	9,711	(28)	(7,087)
Acquisitions of a business (note 35)	–	(4,151)	–	(2,255)	–	–	–	–	–	(6,406)
Acquisitions of a subsidiary (note 36)	–	–	–	–	1,959	260	–	–	–	2,219
Credit to profit or loss	450	5,290	326	333	(350)	952	–	(3,487)	560	4,074
At 31 December 2013	–	(13,238)	(2,255)	(2,088)	1,609	1,212	804	6,224	532	(7,200)
Acquisitions of a business (note 35)	–	(8,046)	–	–	–	–	–	–	(394)	(8,440)
Credit 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)

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

	2014	2013
	RMB'000	RMB'000
Deferred tax assets	**11,519**	10,389
Deferred tax liabilities	**(19,294)**	(17,589)
	(7,775)	(7,200)

At the end of the reporting period, the Group had unused tax losses available for offset against future profits of approximately RMB283,609,000 (2013: RMB217,041,000) which may be carried forward indefinitely except for losses of approximately RMB177,385,000 (2013: RMB151,473,000) which will expire from 2015 to 2019 (2015: RMB1,062,000, 2016: RMB8,872,000, 2017: RMB35,885,000, 2018: RMB65,998,000, 2019: RMB65,568,000). A deferred tax asset has been recognised in respect of RMB3,996,000 (2013: 3,350,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB279,613,000 (2013: RMB213,691,000) tax losses due to the unpredictability of future profit streams.

30. CONVERTIBLE LOAN NOTES

On 30 November 2010, the Company announced the completion of issue of 4.25% convertible loan notes in the principal amount of RMB200 million took place on 29 November 2010.

The convertible loan notes entitle the holders to convert them into ordinary shares of the Company (unless previously redeemed, converted or purchased and cancelled) at any time on or after 29 November 2010 up to 29 November 2013 (the "Maturity Date") at a conversion price (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. Interest of 4.25% per annum will be paid semi-annually with the first interest payment date fell on 15 January 2011. The convertible loan notes will be redeemed by the Company at the Maturity Date at the principal amount outstanding together with accrued interest thereon up to and including the Maturity Date.

The Company has no right to require early cancellation or redemption of any of the convertible loan notes prior to the Maturity Date. 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. Details of the issue of convertible loan notes were set out in a circular dated 1 November 2010 issued by the Company.

On 23 October 2013, the Company and the loan notes holders entered into a letter agreement pursuant to which the company and the loan notes holders agreed to extend the maturity date of convertible loan notes for a further term of three years from 29 November 2013 to 29 November 2016. The conversion period of the loan notes is accordingly be extended for three years to 29 November 2016. Save for the extension of the maturity date and conversion period, all other existing terms and conditions of the convertible notes remain unchanged and in full force and effect after the extension. Details of the extension of convertible loan notes were set out in an announcement dated 23 October 2013.

None of the conversion rights attached to the convertible loan notes has been exercised by the holders or any portion of the principal amount of the convertible loan notes has been redeemed by the holders. As such, the aggregate outstanding principal amount of the convertible loan notes remained at RMB200 million.

31. SHARE CAPITAL

	Number of shares	Nominal amount
		HK$'000
Ordinary shares of HK$0.05 each:		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	4,000,000,000	200,000

	Number of shares	Amount	Amount shown in the financial statements
		HK$	RMB'000
Issued and fully paid			
At 1 January 2013	1,718,364,659	85,918,233	81,804
Exercise of share options	63,296,350	3,164,818	2,511
Issued in consideration for the acquisition of a business	64,588,274	3,229,414	2,573
Issued in consideration for the acquisition of additional equity interest of a subsidiary	4,926,000	246,300	197
At 31 December 2013	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

All the shares which were issued by the Company during the year rank pari passu with existing shares in all respects.

32. 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 2013 and 2014.

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.

33. 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 28, convertible loan notes disclosed in note 30, 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.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,046,316**	1,836,513
Available-for-sale financial assets	**43,256**	25,000
Derivative instruments	**1,074**	649
Financial liabilities		
Amortised cost	**1,926,603**	1,627,935

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from/to related parties, pledged deposits, bank balances and cash, derivative financial instruments, trade and other payables, dividend payable, borrowings, bills payable, contingent consideration 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.

34. 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 and trade receivables denominated in foreign currencies arising from income generated from provision of services and trade payables arising from purchases dominated in foreign currencies, which expose the Group to foreign currency risk. Approximately 1.4% (2013: 2.2%) 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar	**14,924**	6,381	**76**	729
United States Dollar	**108,364**	261,982	**717,840**	498,280
Japanese Yen	**17,367**	22,629	**2,524**	8,235
Others	**233**	179	**–**	106

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.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

	Hong Kong Dollar Impact		United States Dollar Impact		Japanese Yen Impact	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**(557)**	(212)[a]	**22,855**	8,861[b]	**(557)**	(540)[c]

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

(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 period.

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

(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 2014, except for an amount of RMB823,566,000 (2013: RMB725,117,000) 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 30 for details), borrowings with fixed interest rates (see note 28) and amount due to related companies (see note 24). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings (see note 28) and short-term bank deposits (see note 25) 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. In order to minimise the cash flow interest rate risk, the Group uses floating to fixed interest rate swaps to minimise the cash flow interest rate risk exposure associated with certain borrowings at floating interest rates amounting to RMB611,646,000 (2013: 457,268,000) (see note 19 for details) during the year ended 31 December 2014.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

Sensitivity analysis

Excluding the interest rate swap and related hedged borrowing mentioned above, the sensitivity analyses below have been determined based on the exposure to interest rates for remaining floating rate borrowings (see note 28). A 50 basis points (2013: 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 (2013: 50 basis points) higher and all other variable were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by RMB794,000 (2014: RMB1,004,000). This is attributable to the Group's exposure to interest rate on floating rate borrowings.

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 2014 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 91.4% (2013: 88.7%) of the total trade receivables as at 31 December 2014. The Group has concentration of credit risk as 40.7% (2013: 29.0%) and 48.6% (2013: 42.1%) 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.

34. FINANCIAL INSTRUMENTS – CONTINUED

Financial risk management objectives and policies – continued

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 2014, the Group has available unutilised general borrowing facilities of approximately RMB155,913,000 (2013: RMB289,471,000).

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 RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2014 RMB'000
2014							
Trade and other payables		339,170	–	–	–	339,170	339,170
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)		–	–	–	44,559	44,559	38,900
		1,398,812	281,859	46,276	328,211	2,055,158	1,926,603

34. 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 RMB'000	Over 6 months but not more than 1 year RMB'000	1-2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31 December 2013 RMB'000
2013							
Trade and other payables		401,009	–	–	–	401,009	401,009
Bills payable		3,387	–	–	–	3,387	3,387
Amounts due to related companies	5.39	9,692	–	–	–	9,692	9,196
Dividend payable		73	–	–	–	73	73
Borrowings	6.30	408,501	113,286	230,831	340,253	1,092,871	989,596
Convertible loan notes	7.24	4,285	4,215	8,500	211,714	228,714	189,038
Consideration payable on acquisition of a subsidiary (Note)		–	–	–	50,619	50,619	35,636
		826,947	117,501	239,331	602,586	1,786,365	1,627,935

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.

34. 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)
	31/12/2014	31/12/2013		
Derivative financial instruments – interest rate swaps	Assets – RMB1,074,000	Assets – RMB649,000	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)
	31/12/2014	31/12/2013			
Contingent consideration in a business combination included in consideration payable on acquisition of a subsidiary	Liabilities – RMB22,473,000	Liabilities – RMB20,466,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 6% (Note 1) Probability-adjusted profits, with a range from RMB33,398,000 to RMB90,173,000 (Note 2)

34. FINANCIAL INSTRUMENTS – CONTINUED

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 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 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.

35. ACQUISITION OF A BUSINESS

For the year ended 31 December 2014

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 and the relevant certain assets and leases in connection with the business with Huawei at a consideration of RMB90,931,000 (equivalent to US$15,000,000), which was satisfied in cash and to be paid 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 the current year, 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

35. ACQUISITION OF A BUSINESS – CONTINUED

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.

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.

For the year ended 31 December 2013

On 27 December 2012, Chinasoft Beijing, a wholly owned subsidiary of the Company, and Beijing Along Grid Technology Co. Ltd. ("Along Grid") entered into a sale and purchase agreement. Pursuant to the agreement, Chinasoft Beijing has conditionally agreed to purchase, and Along Grid has conditionally agreed to sell, the IT software outsourcing service and IT software solution business of State Grid Corporation of China electric power field operated by Along Grid and the related employees and assets at a consideration of RMB161,945,000, which was satisfied by RMB90,000,000 in cash and RMB71,945,000 by the allotment and issue of consideration shares. The acquisition was completed in June 2013 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB120,905,000.

35. ACQUISITION OF A BUSINESS – CONTINUED

Consideration transferred

	RMB'000
Cash	90,000
Ordinary shares issued	71,945
	161,945

As part of the consideration, 64,588,274 ordinary share of the Company with par value of HK$0.05 each were issued. The fair value of the issued ordinary shares of the Company, determined using the published price available at the date of acquisition adjusted for the effect of lock-up period, amounted to RMB71,945,000.

Acquisition-related costs amounting to RMB382,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, 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	47,446
Deferred tax liabilities	(6,406)
	41,040

Goodwill arising on acquisition

	RMB'000
Consideration transferred	161,945
Less: net assets acquired	(41,040)
Goodwill arising on acquisition	120,905

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.

35. ACQUISITION OF A BUSINESS – CONTINUED

Net cash outflow on acquisition

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

The Company did not prepare the pro forma information of the combined business for the year ended 31 December 2013 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.

36. ACQUISITION OF A SUBSIDIARY

On 13 November 2013, the Group entered into an agreement to acquire 100% equity interest of Catapult in two phases: (i) acquisition of 92.5% equity interest of Catapult (the "Initial Purchase") on 25 November 2013 at a cash consideration of US$37,925,000 (equivalent to RMB232,640,000) and (ii) the acquisition of the remaining 7.5% equity interest within 120 days from 31 December 2016 (the "Second Purchase") at a consideration of US$3,075,000 (equivalent to RMB18,747,000) plus an earn-out payment up to a maximum of US$5,227,500 (equivalent to RMB31,872,000) ("Contingent Consideration").

As the Group is obliged to purchase the remaining 7.5% equity interest in the Second Purchase and Catapult is forbidden to distribute any dividend until the completion of Second Purchase, the directors of the Group considers that the Group has access to the rights and returns associated with the remaining 7.5% equity interest. Therefore, the Initial Purchase and the Second Purchase is regarded as one single transaction and the entire 100% equity interest is consolidated at the date of acquisition while a liability is recorded for the consideration payable for the remaining 7.5% interest of Catapult.

This acquisition has been accounted for using acquisition method.

36. ACQUISITION OF A SUBSIDIARY – CONTINUED

Consideration transferred

	RMB'000
Cash – first instalment paid	233,975
Cash – second instalment to be paid upon completion of Second Purchase, at present value	15,170
Contingent consideration payable over one year at present value (Note)	20,466
	269,611

Note:

The payment is contingent upon the achievement of profit target for the year ending 31 December 2016. The contingent consideration is measured at fair value of RMB20,466,000 at the date of acquisition, which is based on a discounted cash flow model considering the forecasted financial performance, the market potential of the acquired business and the market performance and has been estimated on a provisional basis. In the meantime, the provisional goodwill of RMB187,008,000 has been recognised. The directors of the Group determine that there is no fair value change to the contingent consideration from the date of acquisition till the end of 2013.

The values of the assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	4,551
Intangible assets	46,478
Deferred tax assets	2,219
Trade and other receivables	52,955
Borrowings	(15,242)
Trade and other payables	(24,075)
Amount due from customer for contract work	8,629
Cash and cash equivalents	7,088
	82,603

The fair value of trade and other receivables at the date of acquisition amounted to RMB52,955,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB55,719,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB2,764,000.

36. ACQUISITION OF A SUBSIDIARY – CONTINUED

Goodwill arising on acquisition

	RMB'000
Consideration transferred	269,611
Less: net assets acquired	(82,603)
Goodwill arising on acquisition	187,008

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 Catapult. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow on acquisition of Catapult

	RMB'000
Cash consideration paid	233,975
Less: cash and cash equivalent balances acquired	(7,088)
	226,887

Included in the profit for the year ended 31 December 2013 is RMB1,382,000 loss attributable to the additional business generated by Catapult. Revenue for the year includes RMB28,507,000 generated from Catapult.

Had the acquisition been completed on 1 January 2013, total group revenue for the year ended 31 December 2013 would have been RMB3,567,952,000, and profit for the year ended 31 December 2013 would have been RMB208,440,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

36. ACQUISITION OF A SUBSIDIARY – CONTINUED

In determining the 'pro-forma' revenue and profit of the Group had Catapult been acquired at 1 January 2013, the directors had:

- calculated depreciation/amortisation of plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements;
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination; and
- assumed no further contingent consideration need to be paid.

According to the sale and purchase agreement, the first instalment paid by the Company is subject to the initial price adjustment and during the year, the Company renegotiated the total consideration and RMB10,856,000 (equivalent to US$1,776,000) was returned to the Group, goodwill recognised in prior year was adjusted in current year (see note 14).

37. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

For the year ended 31 December 2014

In January 2014, the Group acquired a further 8.78% additional 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.

For the year ended 31 December 2013

In April 2013, the Group acquired a further 2.44% additional equity interests in an existing non-wholly owned subsidiary, Shanghai Huateng from a non-controlling owner of the subsidiary for a consideration of RMB7,222,000 (equivalent to HK$9,015,000) to be satisfied by the issue of 4,926,000 ordinary shares of the Company.

In June 2013, the Group acquired a further 20% equity interests in an existing non-wholly owned subsidiary, Chinasoft Resources Shanghai from a non-controlling owner of the subsidiary for a cash consideration of RMB1,200,000 which was paid in 2013. The fair value of the consideration paid RMB1,200,000 is recognised directly in equity.

38. 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 25.

The group had also pledged certain trade receivables, leasehold land and construction in progress to secure bank loans granted to the Group as per note 28.

39. 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:

	2014 RMB'000	2013 RMB'000
Within one year	90,343	101,517
In the second to fifth year inclusive	95,769	77,680
	186,112	179,197

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 five years (2013: one year to five years) for the Group and rentals are normally fixed during the lease period.

40. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– investment in available for sale financial assets	17,934	–
– acquisition of property, plant and equipment	262,575	336,900
– acquisition of a business	–	70,419
	280,509	407,319
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	97,175	179,863

41. 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.

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.

41. 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
Directors and other 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	1,900,000	–	(125,000)	–	1,775,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	2,450,000	–	(125,000)	–	2,325,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	1,875,000	–	(125,000)	–	1,750,000
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	2,885,000	–	(1,050,000)	–	1,835,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	5,095,000	–	(1,125,000)	–	3,970,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	4,937,500	–	(1,237,500)	–	3,700,000
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	5,337,500	–	(1,237,500)	–	4,100,000
	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	–	33,000,000	–	–	33,000,000
			23.01.2014 – 22.01.2015	23.01.2015 – 22.01.2017	–	33,000,000	–	–	33,000,000
			23.01.2014 – 22.01.2016	23.01.2016 – 22.01.2017	–	44,000,000	–	–	44,000,000
					65,355,000	110,000,000	(17,410,000)	(4,500,000)	153,445,000

41. 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
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

The movements of the share options granted to the directors, other employees and customers of the Group during the year ended 31 December 2013 are as follows:

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share option: Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2013
Directors and other employees:									
	13.8.2003	HK$0.58	13.8.2003 – 12.8.2006	13.8.2006 – 12.8.2013	1,392,500	–	–	(1,392,500)	–
			13.8.2003 – 12.8.2007	13.8.2007 – 12.8.2013	1,877,500	–	(717,500)	(1,160,000)	–
	13.5.2004	HK$0.65	Nil	13.5.2004 – 12.5.2014	375,000	–	(225,000)	–	150,000
			13.5.2004 – 12.5.2005	13.5.2005 – 12.5.2014	375,000	–	(225,000)	–	150,000
			13.5.2004 – 12.5.2006	13.5.2006 – 12.5.2014	5,200,000	–	(1,050,000)	–	4,150,000
			13.5.2004 – 12.5.2007	13.5.2007 – 12.5.2014	7,300,000	–	(1,050,000)	–	6,250,000
	30.3.2006	HK$0.97	Nil	30.3.2006 – 29.3.2016	175,000	–	–	–	175,000
			30.3.2006 – 29.3.2007	30.3.2007 – 29.3.2016	2,475,000	–	(575,000)	–	1,900,000
			30.3.2006 – 29.3.2008	30.3.2008 – 29.3.2016	3,275,000	–	(825,000)	–	2,450,000
			30.3.2006 – 29.3.2009	30.3.2009 – 29.3.2016	1,875,000	–	–	–	1,875,000

41. SHARE OPTION SCHEME – CONTINUED

Type of option holders	Date of grant	Exercise price	Vesting period	Exercise period	Number of share option: Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12.31.2013
	10.4.2007	HK$1.78	Nil	10.4.2007 – 9.4.2017	2,985,000	–	(100,000)	–	2,885,000
			10.4.2007 – 9.4.2008	10.4.2008 – 9.4.2017	5,595,000	–	(500,000)	–	5,095,000
			10.4.2007 – 9.4.2009	10.4.2009 – 9.4.2017	5,562,500	–	(625,000)	–	4,937,500
			10.4.2007 – 9.4.2010	10.4.2010 – 9.4.2017	6,212,500	–	(875,000)	–	5,337,500
	22.10.2010	HK$2.00	Nil	22.10.2010 – 21.10.2013	18,714,600	–	(17,168,850)	(1,545,750)	–
			22.10.2010 – 21.10.2011	22.10.2011 – 21.10.2013	18,840,000	–	(17,100,000)	(1,740,000)	–
			22.10.2010 – 21.10.2012	22.10.2012 – 21.10.2013	25,200,000	–	(22,260,000)	(2,940,000)	–
	19.9.2012	HK$1.67	Nil	19.9.2012 – 18.9.2015	9,000,000	–	–	–	9,000,000
			19.9.2012 – 18.9.2013	19.9.2013 – 18.9.2015	9,000,000	–	–	–	9,000,000
			19.9.2012 – 19.9.2014	19.9.2014 – 18.9.2015	12,000,000	–	–	–	12,000,000
					137,429,600	–	(63,296,350)	(8,778,250)	65,355,000
Customers:	13.5.2004	HK$0.65	Nil	13.5.2004 – 12.5.2014	2,000,000	–	–	–	2,000,000
			13.5.2004 – 12.5.2005	13.5.2005 – 12.5.2014	2,000,000	–	–	–	2,000,000
			13.5.2004 – 12.5.2006	13.5.2006 – 12.5.2014	2,000,000	–	–	–	2,000,000
			13.5.2004 – 12.5.2007	13.5.2007 – 12.5.2014	2,000,000	–	–	–	2,000,000
					8,000,000	–	–	–	8,000,000
Total					145,429,600	–	(63,296,350)	(8,778,250)	73,355,000
Exercisable at the end of the year									61,355,000
Weighted average exercise price					HK$1.62	–	HK$1.90	HK$1.59	HK$1.32

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.44 (2013: HK$2.41).

41. SHARE OPTION SCHEME – CONTINUED

The estimated fair value of the share options granted on 19 September 2012 was HK$0.53 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$1.67
Exercise price	HK$1.67
Expected volatility	49.36%
Time to maturity	3 years
Risk-free rate	0.29%
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 2012.

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 Group recognised a total expense of RMB16,906,000 for the year ended 31 December 2014 (2013: RMB5,372,000) in relation to share options granted by the Company.

42. 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 RMB195,624,000 (2013: RMB166,641,000) represents contributions to the schemes made by the Group at rates specified in the rules of the respective schemes.

43. 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	**2014** **RMB'000**	2013 RMB'000
Provision of IT outsourcing services			
– Huawei Group	(a) & (i)	**1,337,463**	711,548
Provision of IT solution services			
– Huateng Data	(b) & (ii)	**–**	1,044
Sales of software and provision of IT solution service			
– Hony Capital Limited	(c) & (iii)	**–**	517
Outsourcing service fee charged by			
– Huateng Intelligent	(b) & (iv)	**–**	11,337

43. RELATED PARTY TRANSACTIONS – CONTINUED

Notes:

(a) Huawei is the non-controlling owner of CSITS, a non-wholly owned subsidiary of the Company. Following the establishment of CSITS in April 2012, Huawei Group became a related party of the Group thereafter.

(b) Huateng Data and Huateng Intelligent were disposed of by the Group in August 2013. Following the disposal of Huateng Data and Huateng Intelligent by the Group in August 2013, Huateng Data and Huateng Intelligent ceased to be related parties of the Group thereafter. The transactions with Huateng Data and Huateng Intelligent shown above represent the transactions occurred up to August 2013.

(c) Keen Insight Limited is a substantial shareholder of the Company. Hony Capital Fund 2008, L.P. ("Hony Capital") is the shareholder of Keen Insight Limited. Hony Capital Limited is wholly owned subsidiaries of Hony Capital.

(i) During the year, the Group provided IT outsourcing services of RMB1,337,463,000 (2013: RMB711,548,000) to Huawei Group. At 31 December 2014, an amount of RMB458,699,000 (2013: RMB335,292,000) was included in trade and other receivables in the consolidated statement of financial position.

(ii) During January 2013 to August 2013, the Group provided IT solution services of RMB1,044,000 to Huateng Data. The amount was fully settled during the year ended 31 December 2013.

(iii) During the year ended 31 December 2013, the Group provided IT solution services of RMB517,000 to Hony Capital Limited. At 31 December 2013, an amount of RMB517,000 was included in trade and other receivables in the consolidated statement of financial position.

(iv) During January 2013 to August 2013, the Group received IT solution services of RMB11,337,000 from Huateng Intelligent. The amount was fully paid during the year ended 31 December 2013.

43. 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:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**9,014**	6,066
Retirement benefits costs	**205**	191
Share option expenses	**1,644**	84
	10,863	6,341

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. EVENT AFTER THE REPORTING PERIOD

On 22 January 2015, the Group further made RMB5,896,000 (equivalent to US$962,500) capital contributions to PointGuard Ventures (see note 16).

45. 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:

	2014 RMB'000	2013 RMB'000
Non-current assets		
Interests in subsidiaries	**1,321,395**	1,316,872
Prepaid lease payments	**31**	179
Derivative financial instruments	**1,074**	649
	1,322,500	1,317,700
Current assets		
Other receivables	**29,620**	1,628
Prepaid lease payments	**149**	149
Amounts due from a related company	**1**	1
Amounts due from subsidiaries	**648,806**	517,158
Pledged deposits	**5,098**	3,798
Bank balances and cash	**3,703**	585
	687,377	523,319
Current liabilities		
Trade and other payables	**3,859**	8,361
Borrowings	**672,836**	–
Dividend payable	**73**	73
	676,768	8,434
Net current assets	**10,609**	514,885
Total assets less current liabilities	**1,333,109**	1,832,585
Non-current liabilities		
Convertible loan notes	**193,771**	189,038
Borrowings	**–**	457,268
	193,771	646,306
	1,139,338	1,186,279
Capital and reserves		
Share capital	**88,014**	87,085
Reserves	**1,051,324**	1,099,194
Total equity	**1,139,338**	1,186,279

45. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY – CONTINUED

Note: Movement in reserves

	Share premium	Hedging reserve	Share option reserve	Convertible loan notes reserve	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	1,431,856	–	69,758	15,167	(547,113)	969,668
Loss for the year	–	–	–	–	(60,944)	(60,944)
Other comprehensive income for the year						
– fair value gain on hedging instruments in cash flow hedge	–	649	–	–	–	649
Total comprehensive income (expense) for the year	–	649	–	–	(60,944)	(60,295)
Issue of ordinary share upon acquisition of a business	69,372	–	–	–	–	69,372
Issue of ordinary share upon exercise of share options	120,397	–	(27,569)	–	–	92,828
Recognition of share option expenses	–	–	5,372	–	–	5,372
Cancellation of share options	–	–	(8,748)	–	8,748	–
Issue of ordinary shares for acquisition of additional equity interests in subsidiaries	7,025	–	–	–	–	7,025
Extension of convertible loan notes	–	–	–	15,224	–	15,224
At 31 December 2013	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

Financial Summary

RESULTS

	For the year ended 31 December				
	2010	2011	2012	**2013**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Turnover	1,601,211	2,243,754	2,768,171	3,205,985	**4,429,202**
Profit (loss) before taxation	(15,079)	150,687	187,716	204,918	**297,239**
Taxation	(14,657)	(29,611)	(37,574)	(4,890)	**(42,183)**
Profit (loss) for the year	(29,736)	121,076	150,142	200,028	**255,056**
Attributable to:					
Owners of the Company	(40,133)	110,594	133,189	148,301	**200,038**
Non-controlling interests	10,397	10,482	16,953	51,727	**55,018**
	(29,736)	121,076	150,142	200,028	**255,056**
Dividend	–	–	–	–	**–**

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2011	2012	**2013**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,373,623	2,947,534	3,442,350	4,672,957	**5,344,466**
Total liabilities	(1,271,620)	(1,143,849)	(1,380,067)	(2,231,756)	**2,643,435**
	1,102,003	1,803,685	2,062,283	2,441,201	**2,701,031**