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CHINASOFT INTERNATIONAL LIMITED

中 軟 國 際 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

The board (the “Board”) of directors (the “Directors”) of Chinasoft International Limited (“Chinasoft” or the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014, together with the comparative audited consolidated figures for the year ended 31 December 2013 are as follows:

HIGHLIGHTS

Results for the year ended 31 December 2014

Income statement highlights	2014 RMB'000	2013 RMB'000	Growth rate
Revenue	4,429,202	3,205,985	38.2%
Revenue from service	4,147,015	3,067,927	35.2%
EBIT	381,624	252,214	51.3%
Profit attributable to Owners of the Group	200,038	148,301	34.9%
Net cashflow from operating activities	74,796	(61,038)	N/A

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.
- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Wednesday, 13 May 2015 to Monday 18 May 2015, both dates inclusive, during which period no share transfer shall be registered.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Turnover	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	(84,385)	(47,296)
Share of results of associates	1,429	(1,138)
Gain on disposal of available-for-sale investments	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	(42,183)	(4,890)
Profit for the year	255,056	200,028
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– 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
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		
Basic	RMB0.1072	RMB0.0837
Diluted	RMB0.1054	RMB0.0824

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current liabilities		
Deferred tax liabilities	19,294	17,589
Consideration payable on acquisition of a subsidiary	38,900	35,636
Convertible loan notes	193,771	189,038
Borrowings	62,000	518,268
	313,965	760,531
	2,701,031	2,441,201
Capital and reserves		
Share capital	88,014	87,085
Share premium	1,686,561	1,667,181
Reserves	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

NOTES

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.

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 HKAS39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-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

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.

3. 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.

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 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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 <i>RMB'000</i>	2013 <i>RMB'000</i>
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.

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.

Segment assets and liabilities

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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.

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

Segment revenue by products and services:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sale of software and hardware products	<u>282,187</u>	<u>138,058</u>
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	<u>91,114</u>	<u>94,363</u>
	<u>4,147,015</u>	<u>3,067,927</u>
	<u><u>4,429,202</u></u>	<u><u>3,205,985</u></u>

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 <i>RMB'000</i>	2013 <i>RMB'000</i>
Customer A	<u><u>1,337,463</u></u>	<u><u>711,548</u></u>

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

4. FINANCE COSTS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
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	<u>13,250</u>	<u>13,773</u>
Total borrowing cost	85,436	47,296
Less: amounts capitalised in construction in progress	<u>(1,051)</u>	<u>–</u>
	<u><u>84,385</u></u>	<u><u>47,296</u></u>

5. INCOME TAX EXPENSE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	52,520	22,842
– over-provision in prior year	(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	(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.

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)
Tax refunded as a result of tax concession or privilege granted to the company subsequently	(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

6. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	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
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

7. DIVIDEND

No dividend was paid or proposed during 2013 and 2014, nor has any dividend been proposed since the end of the reporting period.

8. 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.

9. TRADE AND OTHER RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	667,518	592,872
Less: Allowance for doubtful debts	(132,198)	(118,599)
	535,320	474,273
Trade receivables from related companies (<i>Note i</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 (<i>Note ii</i>)	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. 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.

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 <i>RMB'000</i>	2013 <i>RMB'000</i>
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	2013
	<i>RMB'000</i>	<i>RMB'000</i>
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.

Movement in the allowance for doubtful debts

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
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

10. 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)
	<u>1,198,220</u>	<u>843,459</u>
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)
	<u>1,198,220</u>	<u>843,459</u>

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.

11. 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
	<u>771,852</u>	<u>741,528</u>

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
	<u>336,422</u>	<u>377,471</u>

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.

12. BORROWINGS

	2014 RMB'000	2013 RMB'000
Unsecured bank loans (<i>Note (i)</i>)	1,287,073	975,216
Secured bank loans (<i>Note (ii)</i>)	15,117	14,380
	<u>1,302,190</u>	<u>989,596</u>
	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	–
	<u>690,544</u>	<u>989,596</u>
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	<u>(1,240,190)</u>	<u>(471,328)</u>
Amounts shown under non-current liabilities	<u>62,000</u>	<u>518,268</u>
	2014 RMB'000	2013 RMB'000
Total borrowings		
At fixed interest rates	478,624	264,479
At floating interest rates (<i>Note (iii)</i>)	823,566	725,117
	<u>1,302,190</u>	<u>989,596</u>
	2014 RMB'000	2013 RMB'000
Analysis of borrowings by currency		
Denominated in RMB	613,444	529,280
Denominated in USD	<u>688,746</u>	<u>460,316</u>

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.

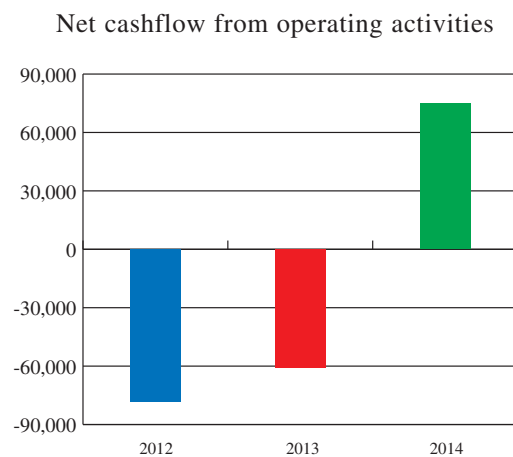
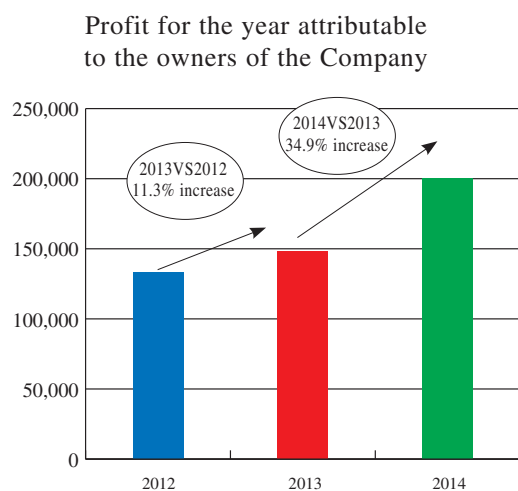
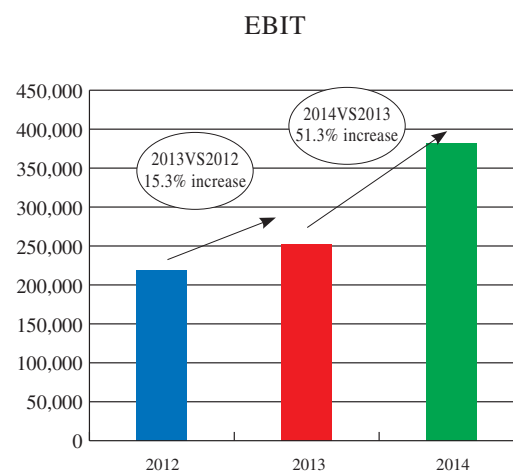
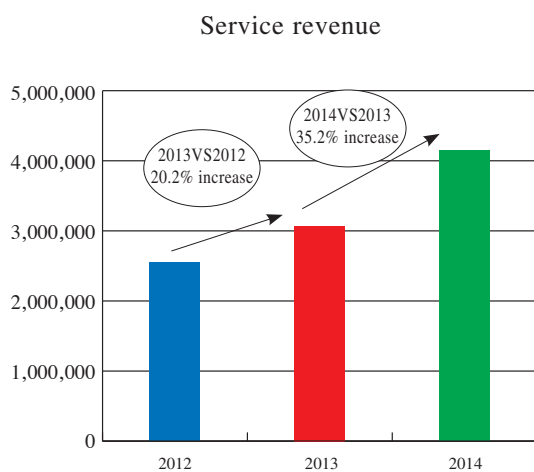
The Company is confident that its negotiations with the lenders will be successful.

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 <i>RMB'000</i>	2013 <i>RMB'000</i>	Growth rate
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:



KEY OPERATING DATA

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	% Increase over the same period last year
Revenue	4,429,202	3,205,985	38.2%
<i>Service revenue</i>	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%

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	2013	Growth	2014	2013	Growth	2014	2013	Growth
	RMB'000	RMB'000	rate	RMB'000	RMB'000	rate	RMB'000	RMB'000	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	<u>4,429,202</u>	<u>3,205,985</u>	<u>38.2%</u>	<u>4,147,015</u>	<u>3,067,927</u>	<u>35.2%</u>	<u>371,764</u>	<u>242,862</u>	<u>53.1%</u>

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%.

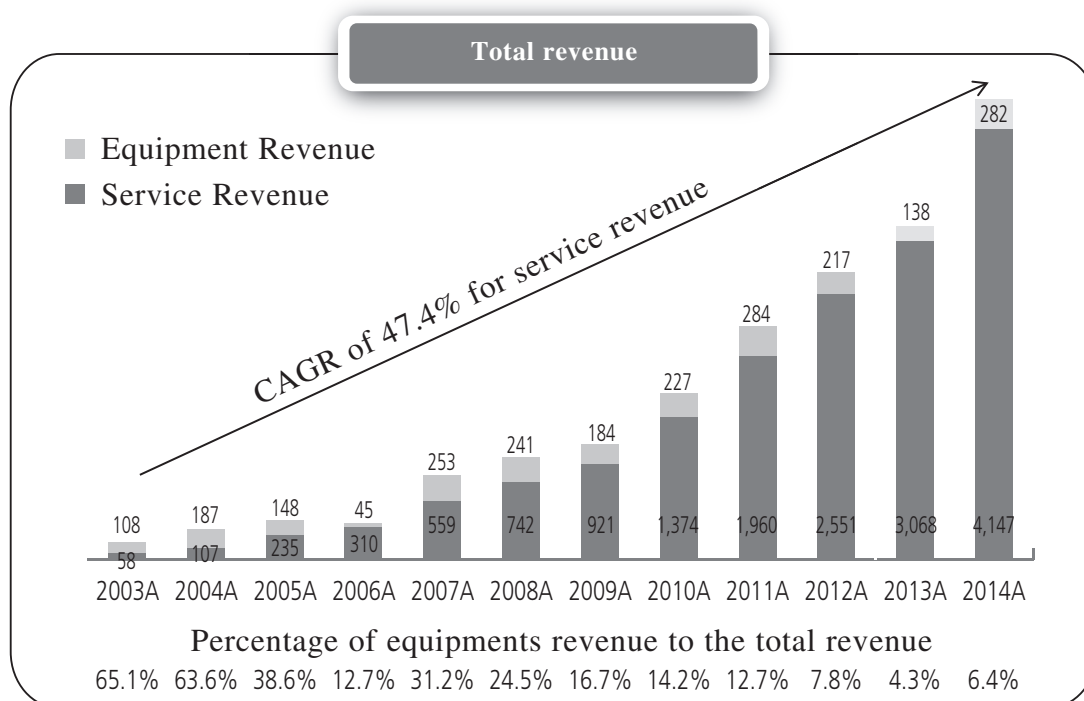
In terms of segments results, the PSG achieved a YoY growth of 29.8%, higher than the YoY revenue growth of 26.6%. The main reason for growth comes from the utilization of Jointforce from different businesses of the PSG, resulting in higher utilization rate and profit.

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 overseas through Catapult Systems, a Microsoft's cloud integration service provider.

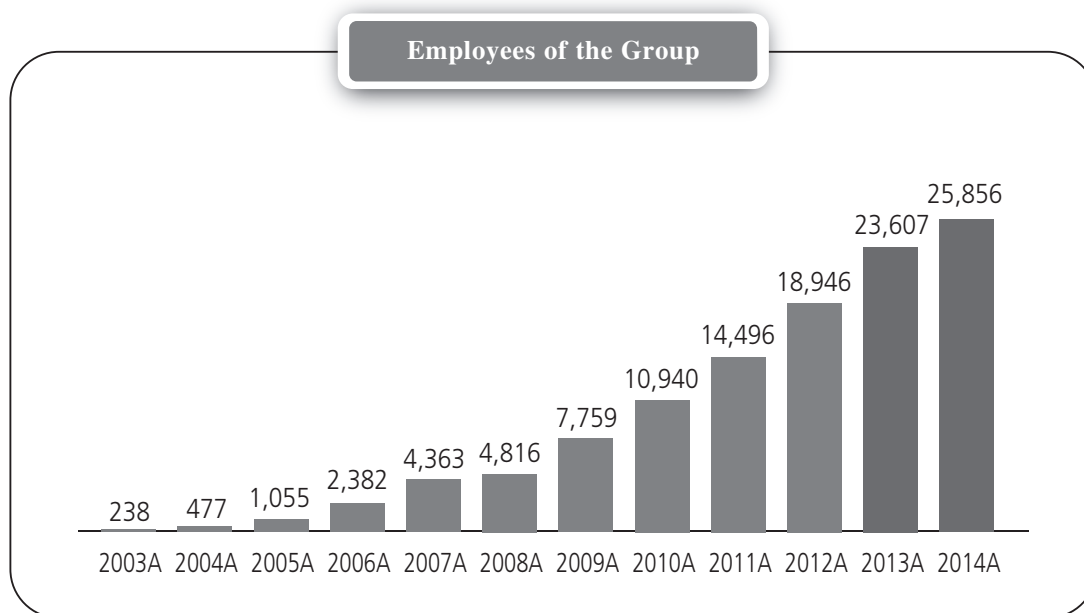
Human Resources

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 <i>RMB'000</i>	2013 <i>RMB'000</i>	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 <i>RMB'000</i>	2013 <i>RMB'000</i>	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	Weight	2013	Weight	Growth rate
	<i>RMB'000</i>		<i>RMB'000</i>		
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	<u>4,429,202</u>	<u>100%</u>	<u>3,205,985</u>	<u>100%</u>	<u>38.2%</u>

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	Weight	2013	Weight	Growth rate
	<i>RMB'000</i>		<i>RMB'000</i>		
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	<u>4,147,015</u>	<u>100%</u>	<u>3,067,927</u>	<u>100%</u>	<u>35.2%</u>

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%).

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).

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.

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 in 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.

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.

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.

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.

FINAL DIVIDEND AND CLOSURE OR REGISTER OF MEMBERS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

In order to ascertain the right to attend the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 13 May 2015 to Monday, 18 May 2015, both days inclusive, during which period no transfer of shares will be effected.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Monday, 18 May 2015. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinasofti.com). The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Chinasoft International Limited
Dr. CHEN Yuhong
Chairman and Chief Executive Officer

Hong Kong, 31 March 2015

As at the date of this announcement, the directors of the Company are as follows:

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, Dr. SONG Jun

* *For identification purposes only*