中软国际

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 2017

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 2017, together with the comparative audited consolidated figures for the year ended 31 December 2016 are as follows:

HIGHLIGHTS
Results for the year ended 31 December 2017

Income statement highlights	**2017** *RMB'000*	2016 *RMB'000*	Growth rate
Turnover	**9,243,684**	6,783,367	36.3%
Revenue from service	**8,807,512**	6,573,770	34.0%
Profit for the year	**561,307**	409,833	37.0%
Profit attributable to owners of the Company	**565,567**	442,081	27.9%
Basic earnings per share (cents)	**23.59**	20.34	16.0%
Profit for the year after excluding share option expense	**711,259**	455,118	56.3%
Profit attributable to Owners of the Group after excluding share option expense	**715,519**	487,366	46.8%
Basic EPS after excluding share option expense (RMB cents)	**29.85**	22.43	33.1%

- The Board recommended the payment of a final dividend for the year ended 31 December 2017 of HK$0.018 per share.

- In order to ascertain the right to attend the forthcoming annual general meeting, the Register of Member will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, 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 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
Turnover	3	**9,243,684**	6,783,367
Cost of sales and services		**(6,493,218)**	(4,767,529)
Gross profit		**2,750,466**	2,015,838
Other income		**100,491**	41,908
Other gains or losses		**(4,065)**	1,807
Selling and distribution costs		**(369,729)**	(219,022)
Administrative expenses		**(1,086,325)**	(806,614)
Research and development costs		**(567,313)**	(345,269)
Allowance for doubtful debts		**(25,862)**	(17,958)
Other expenses		**(81,742)**	(88,012)
Finance costs	4	**(102,915)**	(95,735)
Share of results of investments accounted for using the equity method		**19,763**	17,492
Gain arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary		**–**	20,152
Profit before taxation		**632,769**	524,587
Income tax expense	5	**(71,462)**	(114,754)
Profit for the year	6	**561,307**	409,833

	NOTES	2017 RMB'000	2016 RMB'000
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
– exchange differences arising on translation of foreign operations		**(52,931)**	19,497
Other comprehensive (expense) income for the year, net of tax		**(52,931)**	19,497
Total comprehensive income for the year		**508,376**	429,330
Profit (loss) for the year attributable to:			
Owners of the Company		**565,567**	442,081
Non-controlling interests		**(4,260)**	(32,248)
		561,307	409,833
Total comprehensive income (expenses) attributable to:			
Owners of the Company		**512,636**	461,578
Non-controlling interests		**(4,260)**	(32,248)
		508,376	429,330
Earnings per share			
Basic	8	**RMB0.2359**	RMB0.2034
Diluted	8	**RMB0.2311**	RMB0.1979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**852,519**	819,799
Intangible assets		**179,450**	231,075
Goodwill		**996,789**	1,008,479
Investments accounted for using the equity method		**133,218**	104,190
Available-for-sale investment		**65,342**	61,965
Prepaid lease payments		**37,863**	38,723
Other receivable		**30,000**	30,000
Deferred tax assets		**7,504**	7,646
		2,302,685	2,301,877
Current assets			
Inventories		**26,024**	20,893
Trade and other receivables	9	**1,960,240**	2,092,700
Bills receivable		**11,909**	23,186
Prepaid lease payments		**860**	860
Amounts due from customers for contract work	10	**2,579,998**	1,430,206
Amounts due from related companies		**83,854**	59,939
Pledged deposits		**658**	670
Bank balances and cash		**1,785,305**	1,298,972
		6,448,848	4,927,426
Current liabilities			
Amounts due to customers for contract work	10	**44,572**	122,271
Trade and other payables	11	**1,584,295**	1,203,843
Bills payable		**20,473**	812
Amounts due to related companies		**59,151**	37,983
Dividend payable		**78**	83
Taxation payable		**157,699**	130,450
Borrowings	12	**685,750**	922,452
Consideration payable on acquisition of a subsidiary		**–**	21,035
		2,552,018	2,438,929
Net current assets		**3,896,830**	2,488,497
Total assets less current liabilities		**6,199,515**	4,790,374

	NOTES	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Deferred tax liabilities		**15,904**	18,943
Convertible loan notes		**953,645**	244,296
Borrowings	12	**–**	194,496
		969,549	457,735
		5,229,966	4,332,639
Capital and reserves			
Share capital		**110,283**	106,387
Share premium		**2,809,329**	2,652,697
Reserves		**2,246,189**	1,505,130
Equity attributable to owners of the Company		**5,165,801**	4,264,214
Non-controlling interests		**64,165**	68,425
Total equity		**5,229,966**	4,332,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 ("RMB"), which is same as the functional currency of the Company.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Group's liabilities arising from financing activities consist of borrowings, convertible loan notes and amounts due to related companies. A reconciliation between the opening and closing balances of these items is provided in note 39 of annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 39 of annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)–Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Other than described below, the directors of the Company anticipate that the application of the new and revised HKFRSs that have been issued but are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

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 (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the category of customers by the Group's operating divisions.

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

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

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

Information regarding the above segments is reported as below.

Segment revenues and results

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

	Segment revenue		Segment results	
	2017	2016	**2017**	**2016**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Technical professional services business	**7,858,648**	5,481,921	**715,660**	533,611
Internet IT services business	**1,385,036**	1,301,446	**132,835**	115,656
	9,243,684	6,783,367	**848,495**	649,267

In 2017, the Group recognised a total of RMB4,196,228,000 (2016: RMB1,647,477,000) revenue from project-based development contracts.

Reconciliation of segment results to profit before taxation:

	2017	2016
	RMB'000	*RMB'000*
Segment results	**848,495**	649,267
Other income, gains and losses unallocated	**84**	4,727
Interest charge on convertible loan notes	**(40,156)**	(32,792)
Corporate expenses	**(25,702)**	(71,482)
Share option expenses	**(149,952)**	(45,285)
Gain arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	**–**	20,152
Profit before taxation	**632,769**	524,587

Geographical information

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

The Group's revenues from external customers (based on location of the operations) by geographical location are detailed below:

	Revenues from external customers	
	2017	2016
	RMB'000	*RMB'000*
PRC	**8,766,645**	6,338,687
USA	**402,095**	408,062
Japan	**63,263**	36,618
Others	**11,681**	–
	9,243,684	6,783,367

Segment revenue by products and services:

	2017	2016
	RMB'000	*RMB'000*
Sale of software and hardware products	**436,172**	209,597
Provision of services		
Technical professional services	**7,615,969**	5,413,546
Internet IT services	**1,191,543**	1,160,224
	8,807,512	6,573,770
	9,243,684	6,783,367

Information about major customers

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

	2017	2016
	RMB'000	*RMB'000*
Customer A[1]	**4,872,538**	3,634,503

[1] Revenue from TPG.

No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

Other segment information

2017	**IIG**	**TPG**	**Unallocated**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	**68,642**	**108,211**	**669**	**177,522**
Finance costs	**19,155**	**43,604**	**40,156**	**102,915**
Allowance for doubtful debts	**12,365**	**13,497**	**–**	**25,862**
Interest income from pledged deposits and bank balances	**(2,210)**	**(2,346)**	**(1,171)**	**(5,727)**
Share of results of investments accounted for using the equity method	**(21,654)**	**1,891**	**–**	**(19,763)**
Loss on disposal of property, plant and equipment	**130**	**358**	**131**	**619**

2016	IIG	TPG	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss				
Depreciation and amortisation	60,003	82,299	2,045	144,347
Finance costs	14,951	39,693	41,091	95,735
Allowance (reversal of allowance) for doubtful debts	26,631	(8,673)	–	17,958
Interest income from pledged deposits and bank balances	(2,653)	(2,098)	(30)	(4,781)
Share of results of investments accounted for using the equity method	(19,461)	1,969	–	(17,492)
Loss on disposal of property, plant and equipment	27	76	–	103

4. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**58,913**	69,633
Imputed interest on consideration payable on acquisition of a subsidiary	**–**	918
Effective interest on convertible loan notes	**40,156**	32,792
Others	**3,846**	4,329
Total borrowing costs	**102,915**	107,672
Less: amounts capitalised in construction in progress *(Note)*	**–**	(11,937)
	102,915	95,735

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

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Tax charge comprises:		
PRC Enterprise Income Tax		
– current year	**89,085**	129,162
– over-provision in prior years	**(15,812)**	(12,250)
	73,273	116,912
Japan Corporate Income Tax	**657**	48
Others	**504**	485
	74,434	117,445
Deferred tax	**(2,972)**	(2,691)
	71,462	114,754

Under the Law of the People's Republic of China on Enterprise Income Tax ("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 exemptions set out below.

Pursuant to a certificate issued by Beijing Municipal Science and Technology Commission dated 30 October 2014, Chinasoft International Information Technology Limited ("Chinasoft Beijing") was designated as a High and New Technology Enterprise ("HNTE") Key software enterprise for a period up to the end of 2017. As a result, Chinasoft Beijing was subject to the income tax rate of 15% for both years.

According to the Notice of the Ministry of Industry and Information Technology, the Ministry of Finance, the State Taxation Administration and National Development Reform Commission on Relevant Issues Concerning the Preferential Policies on Enterprise Income Tax of Software and Integrated Circuit Industry ("Cai Shui 2016 No. 49") and the Notice of the Ministry of Finance and the State Taxation Administration on Further Encouraging the Development of Enterprise Income Tax Policies for the Software Industry and Integrated Circuit Industry ("Cai Shui 2012 No. 27"), Chinasoft-International Huateng (Shanghai) Software Systems Co., Ltd. ("Shanghai Huateng") was entitled to a reduced income tax rate of 10% for the year ended 31 December 2016 and 2017.

According to Cai Shui 2016 No. 49 and Cai Shui 2012 to No. 27, Chinasoft International Technology Services Limited ("CSITS") was entitled to a reduced income tax rate of 10% for the years ended 31 December 2016 and 2017.

Pursuant to a certificate issued by the Industry and Information Technology Department of Beijing City dated 20 October 2014, Chinasoft International Technology service (Beijing) Ltd., ("CSITS BJ") was designated as a software enterprise for a period up to 31 December 2018. As such, CSITS BJ was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2014. As a result, CSITS BJ was entitled a 50% tax reduction for the year ended 31 December 2016 and 2017.

Pursuant to a certificate issued by the Industry and Information Technology Department of Shanghai City dated 30 August 2014, Chinasoft International Technology service (Shanghai) Ltd., ("CSITS SH") was designated as a software enterprise for a period up to 31 December 2018. As such, CSITS SH was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2014. As a result, CSITS SH was entitled a 50% tax reduction for the year ended 31 December 2016 and 2017.

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:

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**632,769**	524,587
Tax at PRC Enterprise Income Tax rate of 25% (2016: 25%)	**158,192**	131,147
Tax effect of share of results of interests in entities measured under equity method	**(4,941)**	(4,373)
Tax effect attributable to tax exemptions and concessions granted to PRC subsidiaries	**(148,587)**	(99,281)
Tax effect of expenses not deductible for tax purpose	**75,906**	50,474
Tax effect of income not taxable for tax purpose	**–**	(5,038)
Over-provision in prior years	**(15,812)**	(12,250)
Tax effect of utilisation of tax losses previously not recognised	**(811)**	(235)
Tax effect of tax losses not recognised	**6,400**	2,865
Effect of different tax rates of subsidiaries	**(1,336)**	(963)
Withholding tax *(Note)*	**2,451**	52,408
Income tax expense for the year	**71,462**	114,754

Note: As detailed in the announcement of the Company dated 2 August 2016, the Group underwent an internal restructuring under which several PRC subsidiaries were transferred within the Group (the "Restructuring"). Under the Restructuring, the PRC subsidiaries distributed dividends amounting to RMB246,887,000 and the Group realised a capital gain of RMB277,191,000 from the tax perspective. Pursuant to the EIT Law, the dividends received from PRC subsidiaries and capital gain arising from the intra-group disposal of certain PRC subsidiaries by oversea subsidiaries were subject to a 10% withholding income tax and the related tax expense of RMB52,408,000 was recognised in 2016.

In 2017, a dividend distribution amounting to RMB28,848,000 was made by a PRC subsidiary prior to its deregistration. RMB24,510,000 of the dividend amount was declared in respect of profit earned from 1 January 2008 onwards and is subject to a 10% withholding income tax under the EIT Law. A related tax expense of RMB2,451,000 was recognised.

6. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**8,388**	11,169
Retirement benefits costs (excluding those for directors)	**331,130**	249,243
Share option expenses (excluding those for directors)	**149,413**	43,980
Other staff costs	**6,597,908**	4,855,958
Total staff costs	**7,086,839**	5,160,350
Less: Staff costs capitalised as development costs	**(30,117)**	(35,425)
	7,056,722	5,124,925
Research and development costs expensed	**567,313**	348,863
Less: Government grants	**–**	(3,594)
	567,313	345,269
Depreciation of property, plant and equipment	**94,920**	56,192
Amortisation of intangible assets	**81,742**	87,979
Amortisation of prepaid lease payments	**860**	893
	177,522	145,064
Less: Amortisation of prepaid lease payments capitalised in construction in progress	**–**	(717)
	177,522	144,347
Auditor's remuneration	**6,300**	5,680
Cost of inventories recognised as an expense	**431,151**	205,631
Minimum lease payments in respect of buildings	**228,611**	139,927
Net foreign exchange loss (gain) (included in other gains and losses)	**3,446**	(1,910)
Loss on disposal of property, plant and equipment	**619**	103
Interest income from pledged deposits and bank balances	**(5,727)**	(4,781)
Government grants	**(86,674)**	(29,055)
Value added tax refund	**(1,210)**	(1,609)

7. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2016 Final – HK1.2 cents (2016: nil) per share	**25,019**	–

Subsequent to the end of the reporting period, a final dividend in respect of year ended 31 December 2017 of HK1.8 cents (2016: HK1.2 cents) per ordinary shares has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**565,567**	442,081
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**40,156**	32,792
Earnings for the purpose of diluted earnings per share	**605,723**	474,873

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,396,988**	2,173,087
Effect of dilutive potential ordinary shares:		
Share options	**29,961**	36,650
Convertible loan notes	**193,746**	190,144
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,620,695**	2,399,881

The computation of diluted earnings per share for the year ended 31 December 2017 did not assume the exercise of the Company's share options granted on 21 September 2017 since the exercise prices of those share options were higher than the average market price of shares of the Company.

The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's share options granted on 16 December 2015, 11 October 2016 and 17 November 2016 since the exercise prices of those share options were higher than the average market price of shares of the Company.

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,688,023**	1,927,924
Less: Allowance for doubtful debts	**(208,090)**	(182,171)
	1,479,933	1,745,753
Advances to suppliers	**124,606**	72,727
Deposits, prepayments and other receivables, net of allowance for doubtful debts	**385,701**	304,220
	1,990,240	2,122,700
Analysed for reporting purposes as:		
Non-current assets	**30,000**	30,000
Current assets	**1,960,240**	2,092,700
	1,990,240	2,122,700

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 dates of invoices for sales of goods and services for projected-based development contracts, and dates of rendering of other services at the end of the reporting period is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**1,129,652**	1,602,798
Between 91 – 180 days	**155,783**	94,115
Between 181 – 365 days	**187,322**	22,878
Between 1 – 2 years	**7,176**	25,099
Between 2 – 3 years	**–**	863
	1,479,933	1,745,753

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. 69% (2016: 83%) 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 RMB314,041,000 (2016: RMB138,343,000) 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/or the credit quality of these customers. 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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**1,641**	88,463
Between 91 – 180 days	**121,480**	6,941
Between 181 – 365 days	**183,744**	17,070
Between 1 – 2 years	**7,176**	25,006
Between 2 – 3 years	**–**	863
Total	**314,041**	138,343

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

	2017	2016
	RMB'000	*RMB'000*
Balance at beginning of the year	**186,917**	185,502
Impairment losses recognised on receivables	**25,942**	44,677
Amounts recovered during the year	**(80)**	(26,719)
Amounts written-off as uncollectible	**(3,412)**	(16,560)
Exchange adjustments	**(32)**	17
Balance at end of the year	**209,335**	186,917

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

	2017	2016
	RMB'000	*RMB'000*
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**8,084,856**	3,832,206
Less: Progress billings	**(5,549,430)**	(2,524,271)
	2,535,426	1,307,935
Analysed for reporting purposes as:		
Amounts due from contract customers for contract work	**2,579,998**	1,430,206
Amounts due to contract customers for contract work	**(44,572)**	(122,271)
	2,535,426	1,307,935

There are no advances received from customers for contract work at the end of 2017 and 2016.

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**772,647**	552,475
Deposits received from customers	**18,978**	17,800
Other payables and accrued charges	**792,670**	633,568
	1,584,295	1,203,843

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**589,161**	493,523
Between 91 – 180 days	**27,205**	20,484
Between 181 – 365 days	**104,253**	18,791
Between 1 – 2 years	**34,268**	10,770
Over 2 years	**17,760**	8,907
	772,647	552,475

The average credit period on purchases of goods and services 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

	2017	2016
	RMB'000	*RMB'000*
Unsecured bank loans *(Note (i))*	**685,750**	925,291
Secured bank loans *(Note (ii))*	**–**	191,657
	685,750	1,116,948

	2017	2016
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within one year	**685,750**	922,452
More than one year but within five years	**–**	194,496
	685,750	1,116,948
Less: Amounts due within one year shown under current liabilities	**(685,750)**	(922,452)
Amounts shown under non-current liabilities	**–**	194,496

	2017	2016
	RMB'000	*RMB'000*
Total borrowings		
At floating interest rates *(Note (iii))*	**40,000**	715,283
At fixed interest rates *(Note (iv))*	**645,750**	401,665
	685,750	1,116,948

	2017	2016
	RMB'000	*RMB'000*
Analysis of borrowings by currency		
Denominated in RMB	**685,750**	1,116,948

Notes:

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

(ii) Trade and bill receivables with a net carrying value of nil (2016: RMB30,857,000) are pledged to secure certain bank loans granted to the Group. The remaining bank loans amounting to nil (2016: RMB160,800,000) are secured by the land use right and construction in progress of the Group.

(iii) Interests on RMB borrowings are charged at interest rates announced by the People's Bank of China. The average interest rate during the year is 4.58% (2016: 5.37%) per annum.

(iv) Interests on fixed interest rates borrowings are charged at interest rates ranged from 4.35% to 4.79% (2016: 4.35% to 6.31%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Group's businesses achieved high growths. The revenue, service revenue, profit, profit attributable to the owners of the Company and basic EPS increased by 36.3%, 34.0%, 37.0%, 27.9%, 16.0% YoY respectively. The profit excluding share options expense, profit attributable to the owners of the Company excluding share options expense, and basic EPS excluding share options expense increased by 56.3%, 46.8% and 33.1% YoY respectively.

	2017	2016	% Increase (decrease) over the same period last year
	RMB'000	*RMB'000*	
Turnover	**9,243,684**	6,783,367	36.3%
Service revenue*	**8,807,512**	6,573,770	34.0%
Profit for the year	**561,307**	409,833	37.0%
Profit for the year attributable to the owners of the Company	**565,567**	442,081	27.9%
Basic earnings per share (cents)	**23.59**	20.34	16.0%
Profit for the period after excluding share option expense	**711,259**	455,118	56.3%
Profit attributable to Owners of the Group after excluding share option expense	**715,519**	487,366	46.8%
Basic EPS after excluding share option expense (RMB cents)	**29.85**	22.43	33.1%

KEY OPERATING DATA

	2017	2016	% Increase (decrease) over the same period last year
	RMB'000	*RMB'000*	
Turnover	**9,243,684**	6,783,367	36.3%
Service revenue*	**8,807,512**	6,573,770	34.0%
Cost of sales and services	**(6,493,218)**	(4,767,529)	36.2%
Gross profit	**2,750,466**	2,015,838	36.4%
Other income	**100,491**	41,908	139.8%
Other gains or losses	**(4,065)**	1,807	(325.0%)
Selling and distribution costs	**(369,729)**	(219,022)	68.8%
Administrative expenses	**(1,086,325)**	(806,614)	34.7%
Research and development costs	**(567,313)**	(345,269)	64.3%
Allowance for doubtful debts	**(25,862)**	(17,958)	44.0%
Other expenses	**(81,742)**	(88,012)	(7.1%)
Share of results of investments accounted for using the equity method	**19,763**	17,492	13.0%
Gain arising from changes in fair value of contingent consideration payable on acquisition of a subsidiary	**–**	20,152	(100%)
Finance costs	**(102,915)**	(95,735)	7.5%
Profit before taxation	**632,769**	524,587	20.6%
Income tax expense	**(71,462)**	(114,754)	(37.7%)
Profit for the year	**561,307**	409,833	37.0%
Profit for the year attributable to owners of the Company	**565,567**	442,081	27.9%
Basic earnings per share (cents)	**23.59**	20.34	16.0%

GENERAL OVERVIEW

The revenue, service revenue, and results of the Group's different business segments in 2017 are as follow:

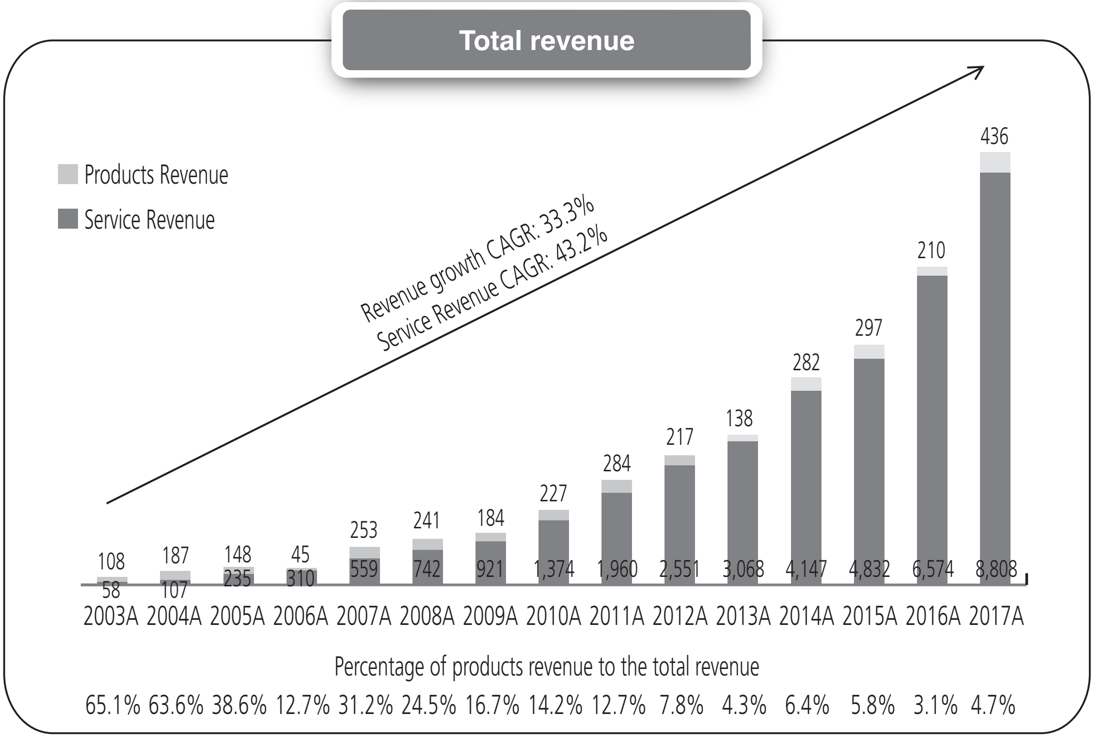
	Turnover			Service revenue			Results		
	2017 *RMB'000*	2016 *RMB'000*	Growth rate	**2017** *RMB'000*	2016 *RMB'000*	Growth rate	**2017** *RMB'000*	2016 *RMB'000*	Growth rate
Technical and professional service Group	**7,858,648**	5,481,921	43.4%	**7,615,969**	5,413,546	40.7%	**715,660**	533,611	34.1%
Internet ITS Group	**1,385,036**	1,301,446	6.4%	**1,191,543**	1,160,224	2.7%	**132,835**	115,656	14.9%
Total	**9,243,684**	6,783,367	36.3%	**8,807,512**	6,573,770	34.0%	**848,495**	649,267	30.7%

For segment revenues, the TPG achieved a YoY revenue and service revenue growth of 43.4% and 40.7%, driven by the growth of the core customer businesses from Huawei, HSBC, Tencent, Ping An, etc. Furthermore, the Group's cloud computing and big data business increased significantly compared to that of last year. The IIG achieved a YoY revenue and service revenue growth of 6.4% and 2.7%, driven by Jointforce's rapidly increasing business.

For segment results, the TPG achieved a YoY growth of 34.1%, slightly lower than the revenue increase due to the investment into new businesses including cloud services and big data. The IIG's result achieved a YoY growth of 14.9%, higher than the revenue and service revenue growths due to the Jointforce's Cloud Software Parks rapidly increasing business that contributed to the overall margins of the IIG.

In the future, the Group will continue to optimize revenue structure and upgrade existing business models through its cloud-driven, and platform strategic transformation. The Group believes that as the JointForce, cloud computing, and big data businesses enter into a rapid expansion phase, coupled with the expansion of overseas business, they will drive the Group's results and margins to increase.

Since listing on the GEM board in 2003, Group has maintained high revenue and service revenue growths, recording a CAGR of 33.3% and 43.2% from 2003-2017. The details are as follow:



CUSTOMERS

The Group's customers include large enterprises headquartered in Great China, Europe, United States, and Japan. In the China market, the Group has acquired a larger market share in telecommunication, banking, finance, Internet and high-technology industry. In 2017, the service revenue from the top five and ten customers are 67.7% and 73.0%.

In 2017, the Group has 1,590 active customers and 112 large customers (contributed to more than RMB6 million of service revenue within the past 12 months).

MARKET

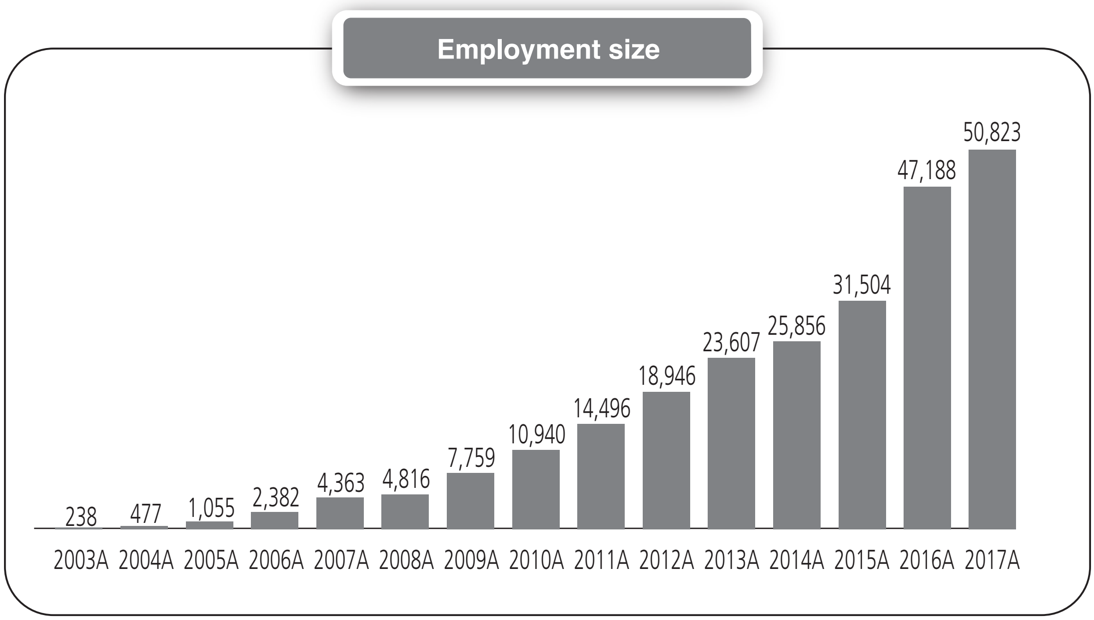
During the reporting period, the Group's businesses were concentrated in the Greater China region, as the Group believes that the Greater China region holds great market potential and growth opportunities for the Group. The Group provides IT services to customers in 32 countries and a group of Fortune 500 companies. In the process the Group has accumulated large global IT servicing experiences. The Group will leverage the "One Belt One Road" initiative to integrate Huawei's products with industries to increase its global blueprint. In the future, the Group will establish global centers in Mexico and Russia and strengthen its global centers in the United States of America, Japan, India, Malaysia, Singapore, etc., using cloud driven digitalization and transformation to fulfill its global blueprint. The Group will become a Global ITS enterprise and establish Chinese influence globally.

HUMAN RESOURCES

As of the end of 2017, the Group has a total of 50,823 employees, representing a YoY increase of 7.7% (2016: 47,188). During the reporting period, the annual average employee size was 49,006, representing a YoY increase of 24.6% (2016: 39,346). The average output per employee increased significantly.

As of the end of 2017, the Group employs 48,415 technical staffs, accounting for 95.3% of the total employees. Of which, 19,546 technical staffs are project managers, consultants, and senior engineers, accounting for 40.4% of the total technical staffs.

Since listing on the GEM board in 2003, the Group's increase in employment size is as follows:



OPERATING RESULTS

The Group's consolidated income statements in 2016 and 2017 are as follow:

	2017	**Percentage of turnover**	**Percentage of service revenue**	2016	Percentage of turnover	Percentage of service revenue
	RMB'000			*RMB'000*		
Revenue	**9,243,684**			6,783,367		
Service Revenue	**8,807,512**			6,573,770		
Cost of sales and services	**(6,493,218)**	**(70.2%)**	**(73.7%)**	(4,767,529)	(70.3%)	(72.5%)
Gross profit	**2,750,466**	**29.8%**	**31.2%**	2,015,838	29.7%	30.7%
Other income	**100,491**	**1.1%**	**1.1%**	41,908	0.6%	0.6%
Other gains or losses	**(4,065)**	**(0.04%)**	**(0.05%)**	1,807	0.03%	0.03%
Selling and distribution costs	**(369,729)**	**(4.0%)**	**(4.2%)**	(219,022)	(3.2%)	(3.3%)
Administrative expenses	**(1,086,325)**	**(11.8%)**	**(12.3%)**	(806,614)	(11.9%)	(12.3%)
Research and development costs	**(567,313)**	**(6.1%)**	**(6.4%)**	(345,269)	(5.1%)	(5.3%)
Allowance for doubtful debts	**(25,862)**	**(0.28%)**	**(0.29%)**	(17,958)	(0.3%)	(0.3%)
Other expenses	**(81,742)**	**(0.9%)**	**(0.9%)**	(88,012)	(1.3%)	(1.3%)
Finance costs	**(102,915)**	**(1.1%)**	**(1.2%)**	(95,735)	(1.4%)	(1.5%)
Share of results of investments accounted for using the equity method	**19,763**	**0.2%**	**0.2%**	17,492	0.3%	0.3%
Gain arising from changes in fair value of contingent consideration payable an acquisition of a subsidiary	**–**	**–**	**–**	20,152	0.3%	0.3%
Profit before taxation	**632,769**	**6.8%**	**7.2%**	524,587	7.7%	8.0%
Income tax expense	**(71,462)**	**(0.8%)**	**(0.8%)**	(114,754)	(1.7%)	(1.7%)
Profit for the year	**561,307**	**6.1%**	**6.4%**	409,833	6.0%	6.2%
Profit for the year attributable to owners of the Company	**565,567**	**6.1%**	**6.4%**	442,081	6.5%	6.7%

REVENUE

In 2017, the Group's revenue was RMB9,243.684 million (2016: RMB6,783.367 million), representing a YoY growth of 36.3%. The Group's service revenue was RMB8,807.512 million (2016: RMB6,573.770 million), representing a YoY growth of 34.0%. The growth mainly came from increasing business from existing large customers and the high growth of could computing, big data, and Jointforce business.

TPG and IIG's revenue and proportion of total revenue in 2017 are as follows:

	2017 *RMB'000*	**Weight**	2016 *RMB'000*	Weight	Growth Rate
TPG	**7,858,648**	**85.0%**	5,481,921	80.8%	43.4%
IIG	**1,385,036**	**15.0%**	1,301,446	19.2%	6.4%
Total	**9,243,684**	**100%**	6,783,367	100%	36.3%

TPG and IIG's service revenue and proportion of the total service revenue in 2017 are as follow:

	2017 *RMB'000*	**Weight**	2016 *RMB'000*	Weight	Growth Rate
TPG	**7,615,969**	**86.5%**	5,413,546	82.4%	40.7%
IIG	**1,191,543**	**13.5%**	1,160,224	17.6%	2.7%
Total	**8,807,512**	**100%**	6,573,770	100%	34.0%

COST OF SALES AND SERVICES

In 2017, the Group's cost of sales and services accounted for 70.2% (2016: 70.3%) of the revenue, representing a YoY decrease of 0.1%. The Group's cost of sales and services were RMB 6,493.218 million (2016: RMB 4,767.529), representing a YoY increase of 36.2%.

GROSS PROFIT

In 2017, the Group's gross profit was RMB 2,750.466 million (2016: RMB 2,015.838 million), representing a YoY growth of 36.4%. The Group's gross margin was 29.8% (2016: 29.7%), representing a YoY increase of 0.1%. In 2017, the Group's gross profit accounted for 31.2% of service revenue (2016: 30.7%), representing a YOY increase of 0.5%.

In the future, the Group will take the following measures to improve gross margins:

1. Increase the Group's overall technological capabilities and management level to enhance the leading position in advantaged industries, improve productization level of service and continue to raise profit level of traditional service;

2. Increase the rate of expansion for Jointforce's Cloud Software Parks, promote the establishment of Cloud IT Center, increase the speed of the Group's platform transformation and use share economy to become more efficient;

3. Increase the proportion of new businesses including cloud, big data, industrial Internet, artificial intelligence, blockchain, etc.);

4. Increase the proportion of overseas businesses and continue with its global blueprint. The oversea businesses have higher margins than that of the Chinese businesses;

5. Increase the proportion of its own IP based solution business. Contracts with the Group's IP's are quicker to scale and have higher gross margins.

OTHER INCOME

In 2017, the Group's other income was RMB100.491 million (2016: RMB41.908 million), representing a YoY increase of 139.8%. The growth was mainly due to the Group improved its market place and thus got more support from government.

OTHER GAINS OR LOSSES

In 2017, the Group's other losses were RMB 4.065 million (2016 other gains: 1.807 million). This is due to the USD and JPY to RMB loss in foreign exchange during the reporting period.

OPERATING EXPENSES

In 2017, the Group's selling and distribution expenses were RMB 369.729 million (2016: RMB 219.022 million), representing a YoY increase of 68.8%. The Group's selling and distribution expenses accounted for 4.0% (2016: 3.2%) of the revenue, representing a YoY increase of 0.8%. The increase is due to Group enhanced sales distribution in major cities around China, energetically exploring the market of government and administration. Meanwhile, the Group increased oversea sales and marketing expense to explore oversea market.

In 2017, the Group's administrative expenses were RMB 1,086.325 million (2016: RMB 806.614 million), representing a YoY increase of 34.7%. This is due to the increase of share option expense during the reporting period. Excluding the share option expense, the Group's administrative expenses increased by 23% YoY. The Group's administrative expenses accounted for 11.8% (2016: 11.9%) of the revenue, representing a YoY decrease of 0.1%. Excluding share option expense, the Groups administrative expenses to revenue decreased by 1.1%, demonstrating the Group's increased efficiency in management.

In 2017, the Group's research and development (R&D) costs were RMB 567.313 million (2016: RMB 345.269 million), representing a YoY increase of 64.3%. The Group's R&D costs accounted for 6.1% (2016: 5.1%) of the revenue, representing a YoY increase of 1.0%. This increase is because the Group invested more into R&D in JointForce, cloud, big data and cloud transformation of solutions.

FINANCE COSTS AND INCOME TAX

In 2017, the Group's finance costs were RMB 102,915 million (2016: RMB 95,735 million), representing a YoY increase of 7.5%. The Group's finance costs accounted for 1.1% (2016: 1.4%) of the revenue, representing a YoY decrease of 0.3%. This is because during the reporting period, the Group repaid some bank loans.

In 2017, the Group's income tax was RMB 71.462 million (2016: RMB 114.754 million), representing a YoY decrease of 37.7%. This decrease is because in 2016 the Group underwent a business restructure and accrued a tax for the change of the equity of the principal legal entity and there was a one-time income tax expense caused by the dividends of several subsidiaries in the Group, causing the tax expense to increase (2016: 52.408 million). There was no such expense in 2017.

OTHER NON-CASH EXPENSES

In 2017, the Group's amortization of intangible assets accounted for 0.9% (2016: 1.3%) of the revenue, representing a YoY decrease of 0.4%. The Group's amortization of intangible assets was RMB 81.742 million (2016: RMB 88.012 million), representing a YoY decrease of 7.1%.

In 2017, the Group's allowance for doubtful debts was RMB 25.862 million (2016: RMB 17.958 million), representing a YoY increase of 44.0%. This increase is because in 2016, the recovery of bad debts corresponding to the proceeds from disposal of available-for-sale investments in previous years resulted in a lower allowance for bad debts in the same period of last year.

In 2017, the Group's share option expense accounted for 1.6% (2016: 0.7%) of the revenue, representing a YoY increase of 0.9%. The Group's share option expense was RMB 149.952 million (2016: RMB 45.285 million), representing a YoY increase of 231.1%. This increase is because the Group issued 215 million shares of options to incentivize the core talents at the end of 2016 and the beginning of 2017. This expense was amortized during the year, causing a significant year-on-year increase in share option expense.

PROFIT OF THE YEAR AND EARNINGS PER SHARE

In 2017, the Group's profit for the year was RMB 561.307 million (2016: RMB 409.833 million), representing a YoY growth of 37.0%. The Group's profit for the year accounted for 6.1% (2016: 6.0%) and 6.4% (2016: 6.2%) of the revenue and service revenue, representing a YoY increase of 0.1% and 0.2%. Excluding the share option expense, the Group's profit for the year was RMB 711.259 million (2016: RMB 455.118 million), representing a YoY growth of 56.3%.

In 2017, the Group's profit for the year attributable to the owners of the Company was RMB 565.567 million (2016: RMB 442.081 million), representing a YoY growth of 27.9%. Further excluding the share option expense, the profit for the year attributable to the owners of the Company was RMB 715.519 million (2016: RMB 487.366 million), representing a YoY growth of 46.8%.

The Group's basic earnings per share (EPS), based on the profit for the year attributable to the owners of the Company, was RMB 23.59 cents (2016: RMB 20.34 cents), representing a YoY growth of 16.0%. Excluding the share option expense, the Group's basic EPS was RMB 29.85 cents (2016: RMB 22.43 cents), representing a YoY growth of 33.1%.

FUNDRAISING ACTIVITIES

During the current and last reporting periods, the Group had conducted several fund raising activities which details are summarized as below:

(1) On 18 April 2017 and 18 May 2017, the Group entered into the Subscription Agreement and Supplemental Agreement respectively with Dan Capital Management Ltd. (the "Dan Capital") pursuant to which the Company has conditionally agreed to issue, and Dan Capital has conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK$900,000,000 due in 2022 ("2017 CN").

The 2017 CN was issued on 3 July 2017 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2016. The intended use and actual use of the proceeds are as follow:

Intended use of proceeds		**Actual use of proceeds**
(i)	Approximately HK$600,000,000 for mergers and acquisitions and establishing an M&A fund to upgrade new technological capability and strengthen the ecological construction of the cloud services	Not yet utilised as at 31 December 2017
(ii)	Approximately HK$100,000,000 for upgrading the Jointforce to forge a comprehensive platform for the IT industry chain	All used as intended during the year ended 31 December 2017
(iii)	Approximately HK$200,000,000 for replenishing the Company's working capital and repaying certain bank loans with relatively higher interest rates	All used as intended during the year ended 31 December 2017

As at 31 December 2017, a maximum number of 180,000,000 ordinary shares will be allotted and issued upon full conversion of 2017 CN at the initial conversion price of HK$5.00 per conversion share.

(2) On 3 February 2016, the Group entered into the Subscription Agreement with Huarong International Asset Management Growth Fund (the "Huarong") pursuant to which the Company has conditionally agreed to issue and Huarong has conditionally agreed to subscribe for the total amount of the principal amount is US$70,000,000 (equivalent to approximately RMB458.649 million) of the Convertible Notes due in 2019 ("2016 CN"). The 2016 CN was issued in two installments, namely the First Tranche Convertible Notes and the Second Tranche Convertible Notes.

The total amount of the First Tranche Convertible Notes is US$30,000,000 (equivalent to approximately RMB196.564 million) and the Second Tranche Convertible Notes total principal amount of US$40,000,000 (equivalent to approximately RMB262.085 million) have been issued on 15 February 2016 and 10 March 2016 under the general mandate granted to the Directors at the annual general meeting of the Company held on 18 May 2015.

The intended use and actual use of the proceeds are as follow:

Intended use of proceeds	**Actual use of proceeds**
(i) Approximately USD70,000,000 for replenishing the Company's working capital	All used as intended.

On 14 December 2016, the 2016 CN with the principal amount of USD30,000,000 were converted into 77,994,690 ordinary shares. As at 31 December 2017, the outstanding 2016 CN with the principal amount of USD40,000,000 could be converted into 103,992,922 ordinary shares upon full conversion at a conversion price of HK$3.00 per share.

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the Board, the Group has complied with the CG Code from 1 January 2017 to 31 December 2017, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 18 May 2017 (the "2016 AGM") (deviated from code provision E.1.2 of the CG Code) due to other business commitment. However, another executive Director attended and acted as the Chairman of the 2016 AGM; (ii) the roles of Chairman and Chief Executive Officer were performed by the same individual. The Board believes that by holding both roles, Dr. Chen will be able to provide the Group with strong and consistent leadership, and it allows for more effective and efficient business plannings 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 (deviated from code provision A.2.1 of the CG Code); (iii) independent non-executive Directors and other non-executive Directors, as equal Board members should attend general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive Directors and non-executive Directors of the Company were unable to attend the Company's 2016 AGM due to their respective business engagement. Other Board members who attended the 2016 AGM were available to answer questions to ensure effective communication with the shareholders (deviated from code provision A.6.7 of the CG Code).

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules relating to dealings in securities. In response to a specific enquiry by the Company, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

COMPETING INTERESTS

As at 31 December 2017, 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 purchased, sold or redeemed any listed securities of the Company during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 2 June 2003 and amended its written terms of reference on 31 December 2015 to comply with the requirements in the CG Code. The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code. The Audit Committee is mainly responsible for reviewing and supervising the Group's financial reporting and internal control system. During the year ended 31 December 2017, the Audit Committee comprised of three independent non-executive Directors, Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong. Dr. Leung Wing Yin Patrick is the Chairman of the Audit Committee. The Audit Committee met at least on a semi-yearly basis during the year ended 31 December 2017.

The Group's unaudited interim results and audited annual results during the year ended 31 December 2017 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

The Directors have recommended the payment of a final dividend of HK$0.018 per ordinary share from share premium account of the Company in respect of the year ended 31 December 2017. The proposed dividend payments from share premium account of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 18 May 2018 at 4:00 p.m.. Upon shareholders' approval at the upcoming annual general meeting, the proposed final dividend will be paid on Wednesday, 13 June 2018 to shareholders whose names shall appear on the register of members of the Company on Friday, 1 June 2018.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 May 2018.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 30 May 2018 to Friday, 1 June 2018, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 May 2018.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on Friday, 18 May 2018 at 4:00 p.m.. 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 has been prepared in English and Chinese respectively. In case of discrepancy, the Chinese version shall prevail, except for the financial statements prepared in accordance with International Financial Reporting Standards, where the English version shall prevail. 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, 26 March 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer) and Dr. Tang Zhenming, three non-executive Director, namely Dr. Zhang Yaqin, Mr. Samuel Thomas Goodner and Mr. Gao Liangyu, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Leung Wing Yin Patrick and Dr. Lai Guanrong.

* *For identification purposes only*