

CAPINFO

首都信息發展股份有限公司

SMART CITY WONDERFUL LIFE

智慧城市 精彩生活

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號：1075)



2012 年度報告
Annual Report



SMART CITY EXCITING LIFE

With superior technology and service capabilities, Capinfo has provided services in the field of smart city for many years. Multiple information technology projects constructed by Capinfo have become indispensable major information technology infrastructure for city management and people's daily life. While providing highly efficient and reliable information technology services to customers, Capinfo also brings benefits to the citizens by making their lives more convenient and exciting through information technology, which not only creates the best value for its shareholders, but also fulfils its corporate social responsibilities.

With the advancement of information technology and scientific and technological innovations, the Company will focus on high-end IT businesses such as cloud computing, Internet of Things, medical and health care information system, as well as Big Data, continue to build its brand image as a "smart city service provider"; and proactively participate in the smart city construction, striving to achieve rapid and healthy development of the Company.



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CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

Capinfo Company Limited

COMPANY WEBSITE

www.capinfo.com.cn

H SHARE STOCK CODE

1075

LEGAL REPRESENTATIVE

XU Zhe

AUTHORISED REPRESENTATIVES

WANG Xu, GAO Jiaqing

JOINT COMPANY SECRETARIES

GAO Jiaqing, KOO Ching Fan

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE

HUEN Po Wah

REGISTERED ADDRESS

No. 11 Xi San Huan Zhong Road, Haidian District, Beijing 100036 PRC

DATE AND PLACE OF ESTABLISHMENT

23 January 1998, Beijing

DATE OF INITIAL LISTING ON GEM

21 December 2001

DATE OF TRANSFER OF LISTING TO THE MAIN BOARD

21 January 2011

REGISTRATION NUMBER OF BUSINESS LICENSE OF ENTERPRISE LEGAL PERSON

110000005123441

ORGANIZATION CODE

63369720-7

TAX REGISTRATION NUMBER

110108633697207

PAR VALUE OF H SHARES IN ISSUE

RMB0.10 per H share

TOTAL NUMBER OF SHARES IN ISSUE

2,898,086,091 shares

NUMBER OF DOMESTIC SHARES IN ISSUE

2,123,588,091 shares

NUMBER OF H SHARES IN ISSUE

774,498,000 shares

LEGAL ADVISOR

As to PRC law
Tian Yuan Law Firm
10th Floor, China Pacific Insurance Plaza,
28 Fengsheng Lane, Xicheng District,
Beijing 100032 PRC

As to Hong Kong law
Morrison & Foerster
33th Floor, Edinburgh Tower, The Landmark,
15 Queen's Road Central, Central, Hong Kong, PRC

AUDITORS

Domestic auditor
Grant Thornton (special general partnership)
5th Floor, Scitech Place,
22 Jianguomen Wai Avenue, Chaoyang District,
Beijing 100004 PRC

Overseas auditor
Deloitte Touche Tohmatsu
35/F, One Pacific Place,
88 Queensway, Hong Kong, PRC



SHAREHOLDING STRUCTURE

SHAREHOLDERS



MAJOR COMPANIES INVESTED BY CAPINFO



COMPANY PROFILE



Capinfo Limited Company ("Capinfo" or "the Company") is an IT service provider, whose controlling shareholder is Beijing State-owned Assets Management Co., Ltd. Founded in January 1998, Capinfo was listed at the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited in December 2001, and successfully transferred its listing to the Main Board of the Stock Exchange of Hong Kong Limited in January 2011 with stock code 1075.

Corporate Mission

*To create reliable online business environment
To provide quality network application services*

Corporate Vision

*A leader in providing information technology services to enhance customers' value
An innovator in integration and application of information resources*





As a famous “digital city operator” and “smart city service provider”, Capinfo has, through its time-tested, professional IT service capability and high level of social responsibility, contracted and completed the construction, operation and maintenance of various major information technology application projects and livelihood projects in Beijing and across the whole country over the past ten years, and made remarkable contribution to the development of “Digital Beijing”.

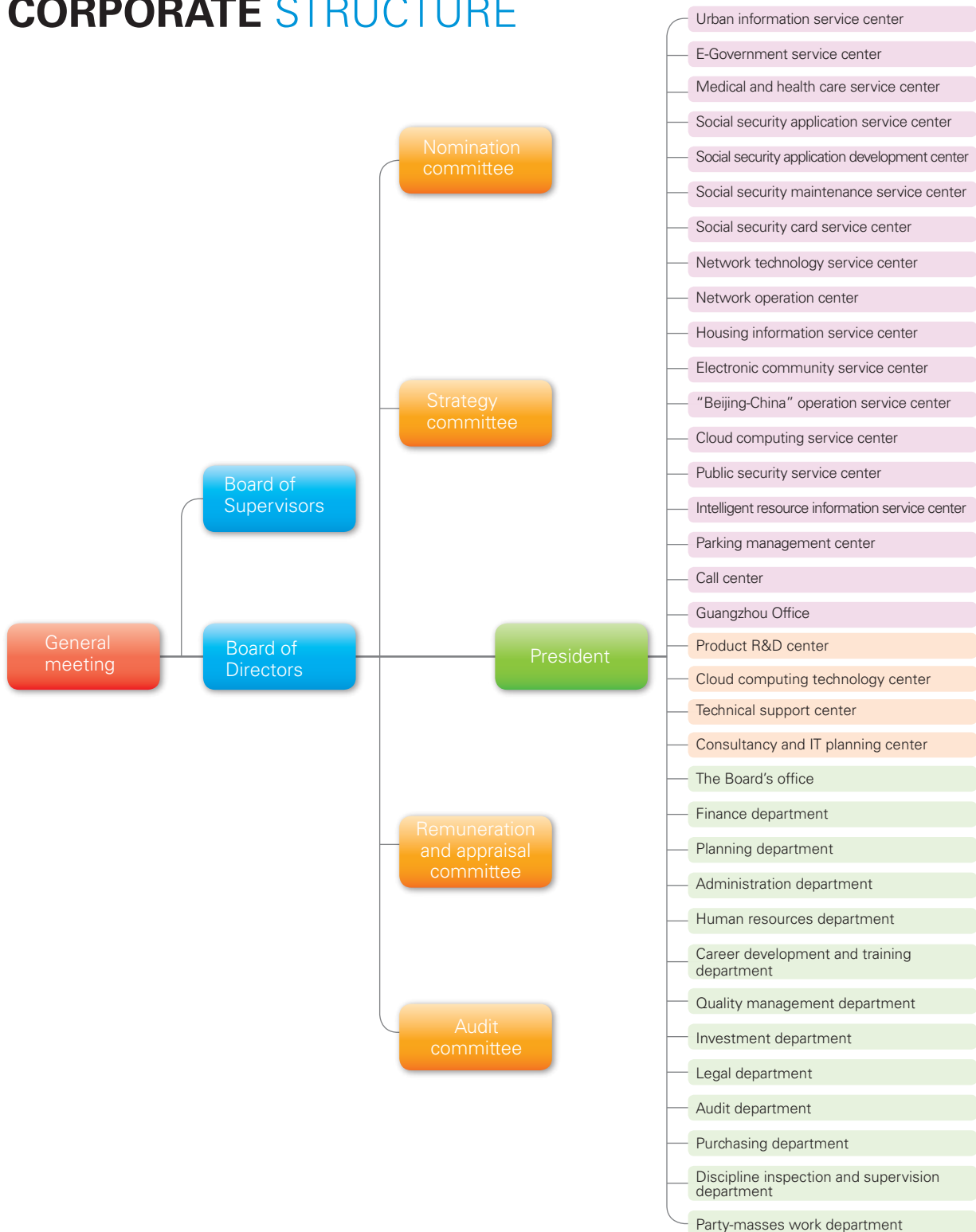
Having established its presence in Beijing and Northeast China, South China, North China and East China over more than ten years, Capinfo will gradually expand its business network across the whole country leveraging on its high quality technology, operation and maintenance services and excellent reputation. Looking forward, Capinfo will stick to the mission of “to create reliable online business environment and provide quality network application services”, focus on the high-end IT business areas of cloud computing, Internet of Things, medical and health care information system and Big Data and enhance our core competitiveness so as to fulfill the development of “Smart City” through advanced technology and professional service.



For more information of the Company

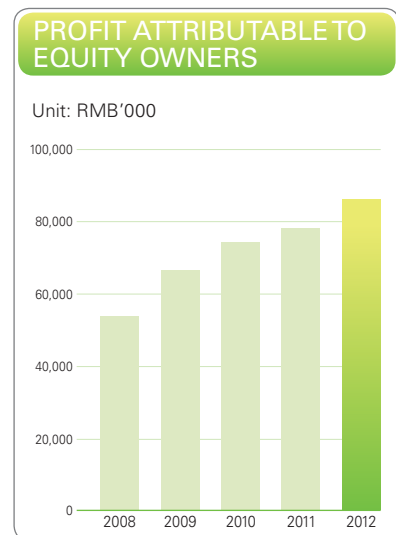
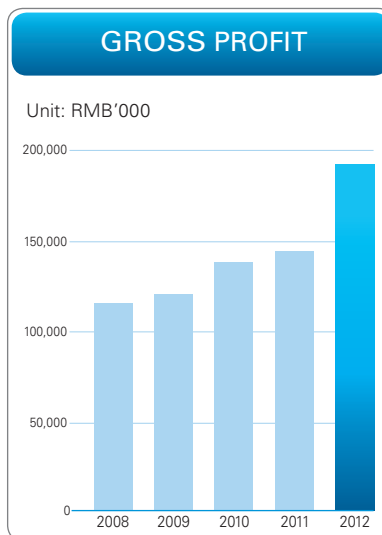
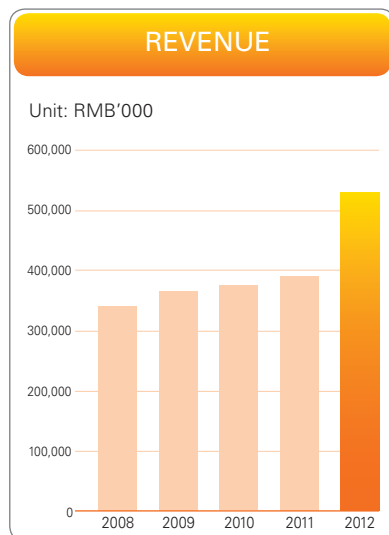


CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

RMB'000	2008	2009	2010	2011	2012
For the Year					
Revenue	339,499	363,125	363,666	388,536	526,097
Gross profit	114,142	119,515	129,816	142,876	191,002
Profit attributable to equity owners	53,215	65,934	73,706	77,540	85,587
Earnings per share (RMB cents)	1.84	2.28	2.54	2.68	2.95
Dividends per share (RMB cents)	0.52	–	3.20	1.20	1.30
– Interim dividend	–	–	2.05	–	–
– Final dividend	0.52	–	1.15	1.20	1.30
At Year-end					
Total assets	860,600	941,918	939,809	975,023	1,116,280
Net assets	626,479	679,299	721,705	750,657	786,660
Current liabilities	234,121	262,619	218,104	224,366	329,620
Financial Ratio					
Net gearing ratio (%)	1.50	1.20	0.88	0.73	0.58
Current ratio (times)	2.47	2.61	3.33	3.57	2.47



EVENT HIGHLIGHTS

January

The Company collaborated with San José State University of the United States in setting up a demonstrative international cooperation base



February

The Company held in-depth discussion with Beijing Medical and Health Care Information Center on the informatization of medical and health care work



March

The Company served as the Designated Information Technology Service Provider for World Snooker China Open for the sixth consecutive year



April

The first batch of "Beijing hospital medical cards" was put into use in Beijing Friendship Hospital



May

The electronic fee collection system for parking on roadsides started a trial run in Chaoyang District Beijing Municipal



June

The Company entered into a contract with the Rural Economic Committee of Panjin City in respect of a cloud project regarding the safety and quality traceability of agriculture products



July

Establishment of Beijing Parking Management Centre Co., Ltd.

August

Smart information machines researched and developed by the Company were put into operation in Chaoyang District

September

Inauguration ceremony was held for the Nanning Office of Housing Fund Project

October

A team of technical talents of the Company paid a field visit to the Silicon Valley of the United States



November

Contract signing with State-owned Assets Supervision and Administration Commission of the People's Government of Beijing in respect of Phase I construction of state-owned enterprises supervision information system



December

The online business hall, SMS service platform and 12329 service hotline of Guangzhou Housing Fund Management Centre were launched



Profit attributable to shareholders reached the compound annual growth rate of **53%** over the last seven years

over **1,200** staff

Signed contracts for **150 projects** in 2012

Sales revenue for the year exceeded **RMB500 million**

Profit attributable to shareholders for the year exceeded **RMB80,000,000**



CEO Wang Xu was awarded as 2012 Outstanding Innovative Entrepreneur in Electronic Information Industry of China



Our E-government cloud platform project was awarded Excellent Demonstration and Application Award in "China Mobile Cup" Smart Beijing Competition



Our Call centre service was awarded 2012 Best China Outsourced Customer Contact Centre (Inbound Call Services) Award



The Company was recognized as Beijing Social Practice Base for University Young Teachers



CHAIRMAN'S STATEMENT





Xu Zhe Chairman

During the year 2012, the Company recorded steady growth of core businesses, achieved remarkable results in new business development, improved both of its market position and competitive edge, and made considerable progress on its corporate governance, which laid a solid foundation for the Company to realize its overall "Twelfth Five-year Strategic Planning".



CHAIRMAN'S STATEMENT

During the year 2012, guided by the Board of Directors and with the joint efforts of the management and all staff, the Group recorded a turnover of approximately RMB526.1 million, and profit attributable to shareholders amounted to approximately RMB85.6 million, both of which reached the highest level in history. During the year, the Company recorded steady growth of core businesses, achieved remarkable results in new business development, improved both of its market position and competitive edge, and made considerable progress on its corporate governance, which laid a solid foundation for the Company to realize its overall "Twelfth Five-year Strategic Planning".

During the reporting period, the Company had its well-defined strategies implemented in an orderly manner and maintained a robust development momentum. Leveraging on opportunities arising from the construction of smart Beijing and its leading technical strength and service capabilities, the Company won bids for numbers of smart city projects, resulted in further increase of its market share. During the reporting period, the construction of the Beijing Wireless Government Internet of Things Project ("Internet of Things") was under smooth progress. In reliance on the Internet of Things, the Company has become the major force in the construction of the management system for parking on roadsides in Beijing and laid a good foundation for the follow-up parking cards issuance and parking services. The Company also made breakthroughs in major projects. For example, the Company successfully entered into a contract with the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in relation to the information technology project of state-owned enterprises supervision system, which paved the way for the Company to further expand its businesses to enterprise customers; the Company won the bid and became the main contractor for Guangzhou Housing Fund Management Centre, which further accelerated the industry-specific development of the Company. During the reporting period, the newly signed contracts of the Company recorded a significant increase over the corresponding period of last year. The large intake of orders demonstrated that the Company had made remarkable progress in the business development in the area of smart city and laid a solid foundation for its future development.

During the reporting period, the Company deepened its management philosophy, continued to promote the management innovation and enhanced its corporate governance. Focusing on the "Twelfth Five-year Strategic Planning", the Company further defined the development path and specific strategies for industry-specific businesses such as housing information, the Internet of Things, smart medical service and cloud computing. In order to carry through its industry-specific development strategy, the Company integrated its internal technical resources to strengthen the establishment of horizontal technical support platform so as to boost the overall enhancement of the Company's technical strength and core competitiveness.

During the reporting period, through Capinfo Institute, the Company continued to enhance the training of high-calibre personnel, career development of staff and construction of a learning enterprise, and promoted the establishment of "Demonstrative International Cooperation Base" and "Cooperation Base for Introduction of Senior Foreign Experts". All these efforts provided great support for the overall enhancement of the Company's scientific and technological innovation capabilities, achievement of its overall strategic objectives and rapid development of the Company.



With the deepening of economic globalization, the contribution of scientific and technological progress to economic growth increased substantially. Currently, local governments vigorously promote the construction of smart city and further increase the investment in information technology. The importance of emerging technologies represented by Internet of Things, cloud computing and mobile Internet to the development of society informatization has increased over time. The society informatization will see enormous historic development opportunity in the next few years. In 2013, based on the national overall development planning of information industry, the Company will stick to the market-oriented, industry-specific and products centered development path with its advantages in core business resources and operation capability, enhance its operation capability in the capital market and drive the growth of business through investments, mergers and acquisitions, as well as strengthen the talents development and build a solid base of qualified workforce. Facing opportunities and challenges, the Company will conscientiously implement our development strategy, proactively promote transformation, and strive to build the Company into a first-class smart city service provider, so as to create more value for our shareholders.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the shareholders who always support the development of the Company, the frontline staff and people from various sectors who pay continuous attention to the development of the Company.



Xu Zhe
Chairman

Beijing, the PRC
22 March 2013





Wang Xu Executive Director and Chief Executive

The Company kept reinforcing its market competitiveness and innovation capability. The organizational structure and innovation in management were also improved while rapid and healthy expansion of business was maintained. Breakthroughs were achieved in such key aspects of smart city as city service and management, medical services and people's livelihood.



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The growth of China's macro-economy slowed down in 2012. In face of the complex and volatile economic environment, the Company kept reinforcing its market competitiveness and innovation capability. The organizational structure and innovation in management were also improved while rapid and healthy expansion of business was maintained. Breakthroughs were achieved in such key aspects of smart city as city service and management, medical services and people's livelihood. During the year, the Group recorded a turnover of approximately RMB526.1 million, representing an increase of approximately 35.40% over the corresponding period of last year. Profit attributable to shareholders amounted to approximately RMB85.6 million, representing an increase of approximately 10.38% over the corresponding period of last year. The rapid growth of the above performance indicators has laid a solid foundation for the Company in achieving the objectives of its strategic planning.



SMART CITY SERVICE AND MANAGEMENT

During the year, the traditional core businesses of smart city including E-Government network and "Beijing-China" website clusters ran stably. The Company has helped its clients in achieving innovation in various businesses by means of new technologies like cloud computing.

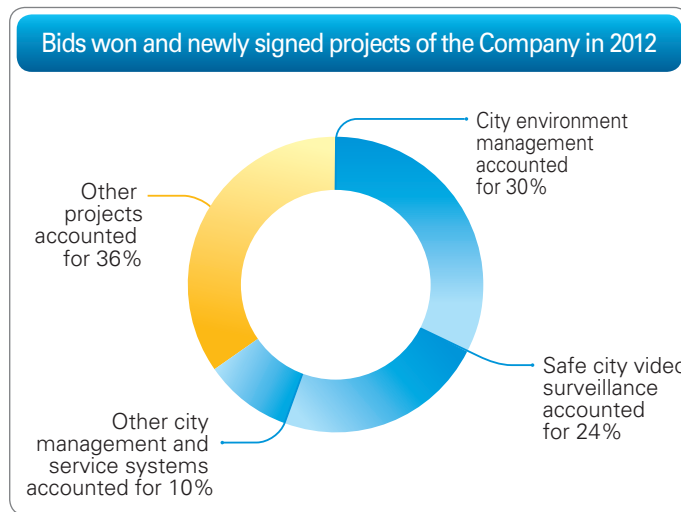
During the year, the E-Government network provided marvelous network technological security for multiple major events including the Eighteenth National People's Congress of the Communist Party of China. As at 31 December 2012, the E-Government network hosted 125 networks of virtual businesses, and connected 7,657 customers with a total length of optical fiber exceeding 2,000 kilometers. Its status as core IT resources of the Company in the smart

city construction continued to solidify. The "Beijing-China" website clusters were awarded the first in the "Evaluation of the portal website for government departments of the PRC" for six consecutive years with continuous growth of applications of its websites. Beijing website (www.beijing.cn) and eBeijing website (www.ebeijing.gov.cn) were incorporated into the service scope of the "Beijing-China" website clusters due to its stable and reliable service quality and continuously innovated service model.



The Beijing Wireless Government Internet of Things Project (“Internet of Things”) which was invested, established, operated and managed by the Company was under smooth progress, and it has become one of the fundamental information technology resources of the Company in providing smart city services. As at 31 December 2012, 209 base stations have been established under the Internet of Things, achieving 85% of coverage of all districts encompassed by the Fifth Ring Road in Beijing, and being able to accommodate the application of large-scale Internet of Things in Beijing. Leveraging on the Internet of Things, the Company has also invested, established and operated the management system for parking on roadsides in Beijing. In July 2012, the Company invested RMB20.0 million in establishing Beijing Parking Management Centre Co., Ltd. (北京市停車管理中心有限公司) to be in charge of the establishment and operation of the system. During the year, Phase I construction of the management system for parking on roadsides in Beijing has completed,

and the service systems including electronic fee collection, clearing and settlement and parking cards management systems have been set up. Its successful trial operation at more than 1,000 parking spaces at Chaoyang District, Dongcheng District and Xicheng District in Beijing preliminarily achieved the target of providing management and services for parking on roadsides. Benefiting from the Internet of Things, the Company won the bids for the projects of Beijing Urban Lifeline Real-time Monitoring, LPG Users Monitoring and Control and Electronic Monitoring System of Bus Lanes. The city environment management based on the technology of Internet of Things has become a new growth point for the Company’s businesses.



Currently, the Company provides comprehensive solutions in the key areas of smart city such as non-emergency aid services, contingency control, social order control, crime investigation by public security, city administration and environment management, traffic management, resources and ecological environment control and control on safe production. An increasing number of these systems have become the important infrastructure for comprehensive city management and public services. During the year, the Company provided technical support for Yanqing County in Beijing in respect of the establishment and operation of the management platform of the county’s smart city project. This project is the Company’s typical example of comprehensive solutions for smart city which is based on the technology of the Internet of Things.

In 2012, 64% of the contractual amount of bids won and newly signed projects came from the sub-segment – the city service and management, among which city environment management based on the Internet of Things technology, safe city video surveillance and other city management and service systems accounted for 30%, 24% and 10% respectively. The Company’s market share in smart city business grew further.



MANAGEMENT DISCUSSION AND ANALYSIS

SMART PEOPLE'S LIVELIHOOD

The Beijing Medical Insurance Information System and the Beijing Social Security Card System invested, established and operated by the Company ran smoothly covering 12.0 million users with the software development capabilities and social security card service system getting more and more improving.

The Company continued to provide operation and maintenance services for Housing Fund Management System in Beijing during the year. Leveraging on the outstanding software system of the Housing Fund as well as the well-found operation system, the Company won the bid for Guangzhou Housing Fund Management Centre and was named the main contractor in July 2012, which further reinforced the Company's market position in the area of housing information services. In September 2012, with the aim of continuing to improve the localization of service capability, the Company set up a Nanning Project Office in the South China region where a solid marketing foundation has been established, and gradually expanded its business to surrounding regions. Currently, the Company has successfully obtained new projects concerning the development of core Housing Fund business system and the related operation and maintenance business in various cities located in Guangdong Province, Guangxi Autonomous Region and Hebei Province, laying a solid foundation for the Company to establish smart city service network across China.

During the year, the Company continued to provide operation and maintenance services to the information network of Beijing community services and actively expanded smart community markets across the whole country. Through providing smart community services to community clients in various regions including the Beijing Municipality, Guangdong Province and Jiangxi Province, the Company gained recognition of high technology and service standard.



SMART MEDICAL SERVICE

In April 2012, the Company introduced "Beijing hospital medical cards" (「京醫通」) service system after forging a cooperation relationship with Bank of Beijing, providing payment settlement services to non-insured patients in Beijing. Through the social security cards and Beijing hospital medical cards, the Company further expanded its service scope from the insured patients in Beijing to cover all the patients who come to Beijing for treatment, to benefit people with quick and convenient smart medical services.



During the year, the Company put great emphasis on the research and development of smart medical services. In March 2012, by leveraging on the resource advantage of the Cooperation Base for Introduction of Senior Foreign Experts of Beijing Municipality, the Company collaborated with San José State University of the United States in setting up the “Medical and Health Care Information Engineering Center” (醫療衛生信息化工程中心) and was responsible for the top-design of electronic medical record and health record systems. While the smart medical system researched and developed by the Company demonstrated significant importance in HIS upgrading works of pilot hospitals of Beijing, the Company entered into service agreements with 42 hospitals on the provision of IT value-added service. Through developing smart medical services, the Company successfully established service network for municipal hospitals of Beijing.

CLOUD SERVICE

Due to the deepening of service content of the government, there has been a closer connection between smart city construction and cloud computing. During the year, by placing great emphasis on cloud computing as an important direction of future technical innovations, the Company put more effort into the layout, investment and development of cloud computing.

Through investing on the construction of the E-Government Internet Cloud Platform namely “Cloud Platform” (「雲平台」), the Company set up around 800 virtual machines, 150T of storage scale to provide cloud computing services including cloud hosts and back-up services, Internet and security services, government application services, system deployment, operation and maintenance services. In April 2012, due to the smooth implementation of “Vanguard of Party Members Voting System” (「我身邊的黨員先鋒投票系統」) of the Organizational Department of the CPC Beijing Municipal Committee and the website system of the Beijing Municipal Family Planning Commission on the “Cloud Platform”, the efficient deployment and stable operation of the system was fully verified. During the year, the Company started to provide cloud computing solutions to clients in systems including “Beijing-China” (首都之窗) website clusters, state-owned enterprises supervision system of the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing and agricultural products sourcing management system, laying the foundation for the Company in adopting an innovative commercial model of service-oriented software in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

CONSULTANCY, PLANNING AND PRODUCT R&D

During the year, the Company enhanced its IT consultancy service ability through tapping into current clients by providing IT consultancy service and seeking for high-end clients. For the year, the Company has completed nearly 50 projects of consultancy services including informational top-design, strategy planning and feasibility study as preliminary work in order to increase sales order.



In the mean time, the Company placed great importance on organizational restructuring. Through fully utilizing the well-established payment settlement system and service capability of traditional core business, the Company has successfully built a horizontal technical support platform for market expansion in the industry and focused on enhancing its ability of R&D, consolidation, reuse and commercialization of smart city solutions.

7 of software products independently researched and developed by the Company, including the “Capinfo Microblogging Information Management and Release System Software” (「首信微博信息管理發佈系統軟件」) and “Capinfo Housing Fund Finance Account Software” (「首信住房公

積金財務核算軟件」) have obtained the Computer Software Copyright Registration Certificate issued by the National Copyright Administration of China. The Company actively involved in research work including “the R&D, Demonstration and Application of the Applied Support Platform of the Internet of Things of the Beijing Municipal” (「北京市物聯網應用支撐平台研發和示範應用」) of The Ministry of Science and Technology of China, the Collaboration Innovation Project of Haidian District Beijing City named “The R&D, Demonstration and Application and Industrialization of the Equipment and Business Support System based on TD-LTE” (「基於TD-LTE的設備和業務支撐系統研發、應用示範及其產業化」) and the “Cloud Computing Standards of the Beijing Municipal” (「北京市雲計算標準規範」). As a result, the Company has seized future commercial opportunities through technology and standards development.

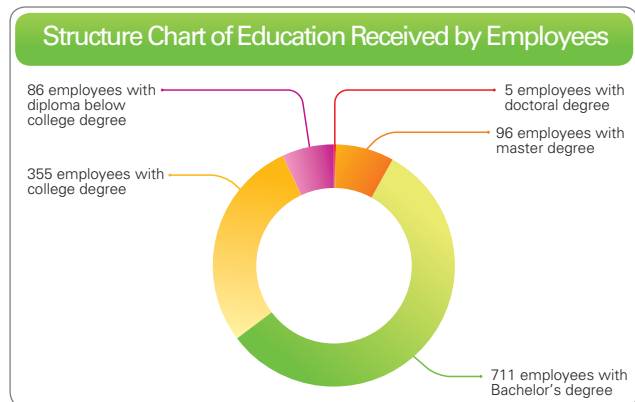
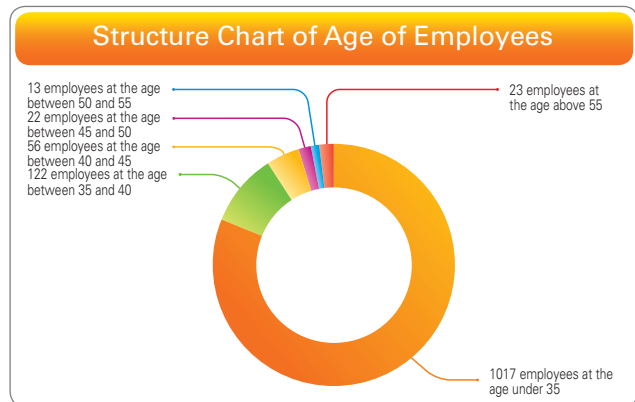
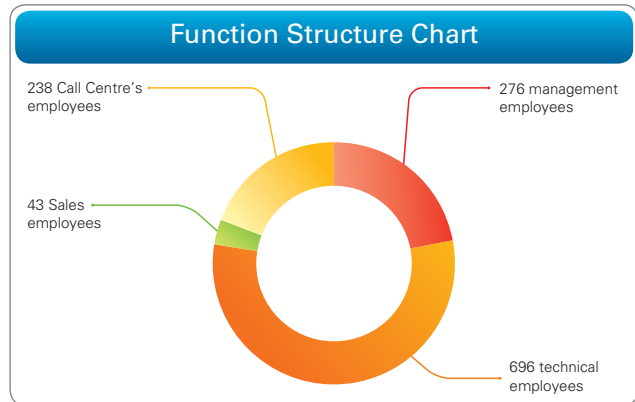


HUMAN RESOURCES

As at 31 December 2012, the Group had a total of 1,253 employees (2011: 1,081 employees). The staff cost was approximately RMB152.0 million (2011: RMB121.8 million) in the continuing operations. The Company has a team of talents with high quality, extensive experience and strong technical force, which provides great support to the Company to reinforce and enhance its core competitiveness in the area of smart city.

The Company attached importance to talents training, career development and construction of a learning enterprise. Through Capinfo Institute, the Company provides the employees with continuous professional training. During the year, Capinfo Institute tailored over 90 training courses in light of the employees' job requirements and industry development for a total of 2,948 participants, covering corporate culture, corporate management, professional skills and professional ethics. The training and education courses effectively improved the employees' comprehensive skills and professional ethics, created more opportunities for their career development, as well as further enhanced their sense of identity to the corporate culture. Meanwhile, the Company continued to promote the improvement of the performance-related remuneration system with an aim to offer market competitive and reasonable standard of remuneration to employees and increase their happiness index.

In order to enrich the employees' leisure and cultural life, the Company organized the healthy long walk activity of "Walk More and Become Healthier" (「越走越好」), actively participated in various cultural and recreational activities such as sports meet within the system of BSAM, as well as the donation activity of "Party Members Showing Love" during the year, which greatly improved the employees' sense of solidarity and cohesion and built the corporate culture of being "Innovative, Dedicative, Friendly, Practical".



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Being the third year of the implementation of the “Twelfth Five-year Strategic Planning” strategy of the Company, the year of 2013 will be a critical year for the Company to achieve continuous strategic development. Urbanization will drive the next round of rapid growth of China’s economy. The demands for traffic management, environment management, energy monitoring and public services support arising from urbanization will offer business opportunities for IT service providers to provide information technology solutions. Accordingly, there will be golden opportunities for the development of smart city industry.



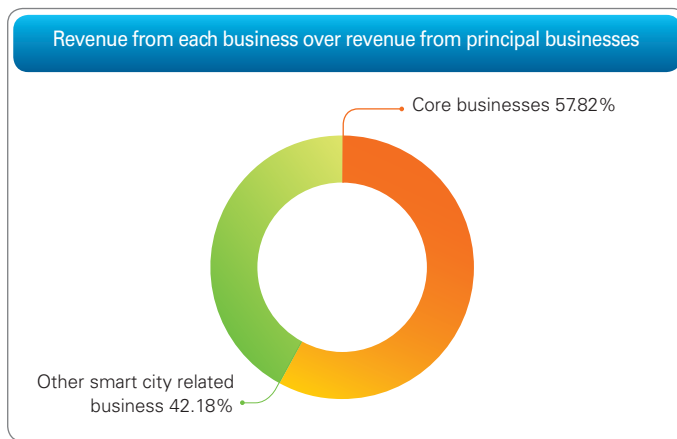
As Chinese Government has already proposed that new urbanization construction should be speeded up, important application projects and information-based infrastructures included in smart city development will be one of core components of urbanization. While clients are having higher requirements on suppliers providing comprehensive solutions covering smart city communications and information-based infrastructures, smart city information resources and services exchange system and application solutions of smart city industry, the Company has now been equipped with better experience, being in line with the Company’s development strategy of “high-end IT services, service-oriented software products, value-added project operations, professional industry expansion, and mergers and acquisitions for scale benefit”.

In 2013, based on its accumulated knowledge of the industry and successful projects for years, the Company will deepen its solution-based commercialization and deployment of marketing channels of smart city across China, strive to develop its own service brand and continue to strengthen its advantages in the smart city businesses such as city service and management, people’s livelihood and medical services, so as to grasp the development opportunities in Internet of Things, cloud computing and Big Data etc to keep expanding the Company’s market share in smart city businesses. Meanwhile, the Company will promote the rapid development of industry-specific businesses through investments, mergers and acquisitions in reliance on the capital market, so as to occupy leading market position in different sub-segments of the smart city, enhance the overall profitability of the Company, and realize the rapid growth in our business scale and economic benefits, striving for higher values for the shareholders.

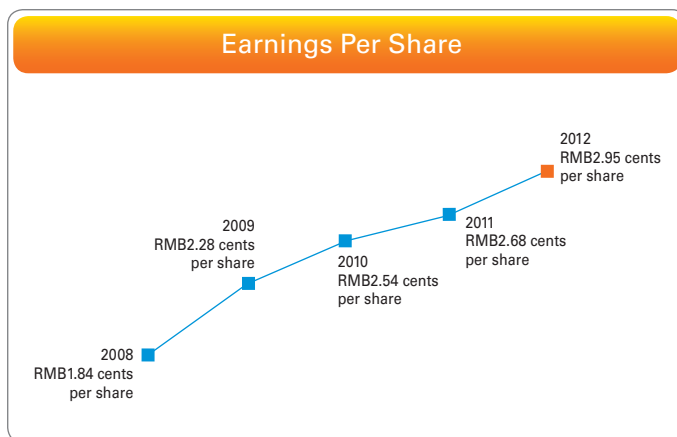


FINANCIAL REVIEW

In 2012, the Group proactively participated in the smart city development by demonstrating its distinguished advantages and promoting management innovation, so as to maintain a positive development momentum. The Group's various main operational indicators also showed significant growth compared to the corresponding period of last year. During the year 2012, the Group recorded a turnover of approximately RMB526.1 million, representing an increase of approximately 35.40% over last year.



In accordance with the industry characteristics, revenue was recognized using the percentage of completion method. In 2012, the revenue of the majority of the projects of the Group was fully recognized, while certain projects have not yet completed and thus the revenue was not fully recognized. During the year, accumulated net revenue from traditional core businesses including the Medical Insurance Information System Project, the Social Security Card System Project, the E-Government Network Project, the Internet of Things Project, the Community Service Information Network System Project and the Beijing-China Website Clusters Project was approximately RMB304.2 million, representing an increase of approximately 16.48% over that of last year and accounted for approximately 57.82% of revenue from principal businesses.



For the year under review, the Group recorded a gross profit of approximately RMB191.0 million, representing an increase of approximately 33.68% over that of last year, and a gross profit margin of 36.31%, representing a decrease of approximately 0.46 percentage point as compared with 36.77% for last year. The decrease in gross profit margin was mainly because that the revenue and costs of the projects which commenced in 2012 and were not yet completed were brought forward with zero gross profit.



MANAGEMENT DISCUSSION AND ANALYSIS

Net revenue from smart city related business (other than core businesses) was approximately RMB221.9 million, representing an increase of approximately 73.43% over that of last year and accounted for approximately 42.18% of revenue from principal businesses. Revenue was mainly derived from Housing Fund management system business and smart city related businesses. The rapid growth in these businesses was the major contributing factor to the improvement of the overall performance.

Other income was approximately RMB17.6 million, representing an increase of approximately 3.31% over that of last year, which mainly derived from research subject, property rental and interest income. The increase was mainly attributable to the increase in the income from research projects which received subsidies from the government.

Other gains or losses was approximately RMB8.8 million, representing a decrease of approximately 57.91% over that of last year, mainly derived from gain from entrusted investment, impairment loss on assets and net gain on disposal of fixed assets. The decrease was mainly due to the decrease in gain from entrusted investment, increase in impairment loss on assets and the decrease in the effect of premium from the capital increase by Beijing Certificate Authority Co., Ltd ("BJCA") over the corresponding period of last year.

SHAREHOLDER'S EQUITY

The profit attributable to owners of the Company for the year under review was approximately RMB85.6 million, representing an increase of approximately 10.38% over that of last year.

CURRENT RATIO AND NET GEARING RATIO

The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 2 times while the net gearing ratio, defined as total borrowing over net assets, stayed at a relatively low level of less than 1%. Both ratios reflected the sufficiency in financial resources of the Group.

LOAN BORROWING AND CASH AND BANK DEPOSITS

The Group had unsecured loan borrowing of approximately RMB4.5 million as at 31 December 2012, which was applied for construction of e-commercial platform from Beijing Finance Bureau in 2002 bearing interests at an average annualized interest rate of approximately 3.59%. Bank deposits, bank balance and cash of approximately RMB608.5 million of the Group were mainly derived from operating activities, representing a decrease of about 1.82% over that of last year.



CAPITAL COMMITMENT AND PLEDGE OF ASSETS

The Group had capital commitment of approximately RMB116.8 million as at 31 December 2012, representing an increase of approximately 397.83% over that of last year, which was attributable to the large amount of future capital investment for the construction project of Internet of Things. The Group had no assets pledged and had no significant contingent liabilities. The Group's financial position was not exposed to fluctuations in exchange rates or any related hedges.

EQUITY INVESTMENTS

In 2012, the Company's income from equity investments in associates was approximately RMB9.7 million, representing a decrease of approximately 14.58% over that of last year, which was mainly due to the decrease in the proportion of shareholding in BJCA (an associate of the Company) and the recognition of the share of loss of BST after it became an associate during the year.

INCOME TAX

As at the date of this report, the Company was jointly recognized as High-Technology Enterprises by the Committee of Beijing Science and Technology, Beijing Finance Bureau, Beijing Municipal Office of State Administration of Taxation and Beijing Local Taxation Bureau subject to a tax rate of 15%. During the year, the income tax expense of the Group was approximately RMB11.4 million, representing an increase of approximately 12.74% over last year. The increase was mainly due to the improvement in the overall profitability of the Group.



PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Dr. WANG Xu (Chief Executive), aged 44, a senior engineer, was appointed as Executive Director and Chief Executive since July 2001. He is responsible for the overall operation and management of the Group and implementation of policies and business objectives developed by the Board. Dr. Wang is also a member of the strategy committee, and an independent director of Beijing TRS Information Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Dr. Wang received his doctorate degree in management from the department of technical economics at School of Economics and Management of Tsinghua University in 1998 and joined the Company in the same year. He once served as vice president of the Company and has over ten years experience in management position.

NON-EXECUTIVE DIRECTORS

Mr. XU Zhe (Chairman), aged 43, an economist, was appointed as Non-executive Director since May 2011 and was elected as the Chairman by the Directors. He is also the chairman of the strategy committee and the nomination committee, responsible for the leadership of the Board to ensure the effective operation of the Board for the interest of the Company as a whole. Mr. Xu is currently the vice-president of Beijing State-owned Assets Management Co., Ltd.. He once served at Beijing International Trust Corporation Limited. He was also a Non-executive Director of the Company from July 2003 to June 2009, and has substantial experience in corporate management and capital operation. Mr. Xu graduated from Guanghua School of Management of Peking University with a master's degree in business administration in 2005.

Ms. ZHANG Kaihua, aged 39, was appointed as Non-executive Director since December 2011. She is also a member of the remuneration and appraisal committee and the strategy committee. Ms. Zhang is currently the deputy general manager of the financial assets management division of Beijing State-owned Assets Management Co., Ltd.. She once served as a project manager of Datang Telecom Technology Co., Ltd and a senior investment manager of Digital China Holdings Limited, and has extensive experience in equity investment and project management. Ms. Zhang graduated from Tsinghua University in 2000 majoring in management science and engineering and obtained a master's degree in management.

Mr. LU Lei, aged 33, was appointed as Non-executive Director since June 2012. Mr. Lu is currently a project manager of the financial assets management division of Beijing State-owned Assets Management Co., Ltd.. Mr. Lu worked for Beida Jade Bird Huayu International Information Technology Training Centre and Beijing Dayue Consulting Co., Ltd., and has extensive experience in equity investment and project management. Mr. Lu received a bachelor's degree in mathematics and applied mathematics from Fudan University in 2003.

Mr. PAN Jiaren, aged 73, was appointed as Non-executive Director since July 2001. Mr. Pan is currently a director of Beijing Sino-Sky Radio TV & Communication Technology Co., Ltd. Mr. Pan has served successively as the vice-dean of the Institute of Design of the Ministry of Broadcasting and Television (MBT), the factory director of Shuang Qiao Equipment Manufacturing Plant of MBT and the head of Aerial Specialist Committee under the Science and Technology Committee of MBT. He has over 40 years experience in corporate management. Mr. Pan graduated from the Faculty of Physics of Wuhan University in 1963 with a bachelor degree.



Mr. SHI Hongyin, aged 46, a senior engineer, was appointed as Non-executive Director since December 2011. Mr. Shi is currently the head of investment and financing division of Beijing Media Network and a director of Beijing Gehua Cable TV Network Co., Ltd. (the promoter of the Company and a company listed on the Shanghai Stock Exchange). He was the head of research division of 北京北廣傳媒集團 (Beijing All Media and Culture Group Co., Ltd.), senior manager of professional development market research division of China Central Television and the vice director of corporate reform division of China National Nuclear Corporation. He has extensive experience in corporate management. Mr. Shi graduated from Dongbei University of Finance and Economics in 1997 and obtained a master's degree in economics.

Ms. HU Sha, aged 56, was appointed as Non-executive Director since June 2012. Ms. Hu is currently the general manager of Beijing Telecom Investment Co., Ltd. Ms. Hu was general manager of the Planning and Financial Department of China Netcom (now known as China Unicom), Beijing branch, head of the Beijing subdivision of the Audit Department of China Netcom Group, and general manager of the Planning Department of China Unicom, Beijing branch. She has over 30 years experience in finance management. Ms. Hu graduated from Xiamen University and obtained a degree of executive master of business administration (EMBA) in 2005.

Ms. LU Xiaobing, aged 59, was appointed as Non-executive Director since June 2007. Ms. Lu is currently a director of China Financial Computerisation Corporation. Ms. Lu had worked in the Chaoyang District Agency of Beijing of Industrial and Commercial Bank of China and the Science Division of the People's Bank of China. She has over 30 years experience in banking informatization. Ms. Lu obtained a master degree in business and administration at Tianjin University in 1999.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Jing, aged 69, was appointed as Independent Non-executive Director since October 2006 and is also the chairman of the remuneration and appraisal committee and a member of the audit committee, strategy committee and nomination committee. He is currently an independent director of Eastcompeace Technology Co., Ltd. (東信和平科技股份有限公司) and Liaoning Julong Financial Equipment Corp. (遼寧聚龍金融設備股份有限公司) (both companies listed on the Shenzhen Stock Exchange). Mr. Chen also serves as part-time professor of South Western University of Finance and Economics, University of International Business and Economics and Xi'an Jiaotong University. For public services, Mr. Chen is currently a member of the Advisory Committee for State Informatization and a member of the Informatization Advisory Committee for Beijing Municipal Government. He grasps the advanced knowledge on informatization and has extensive experience in the management of informatization field. Mr. Chen graduated from Tsinghua University in 1967, with a bachelor degree in automatic control. He successively served as director of science division of the People's Bank of China, office director of National Banking Informatization Leading Group, and chief of Chengdu Computer Application Institute of Chinese Academy of Sciences prior to joining the Company.



PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. ZHOU Liye, aged 50, registered accountant in China, was appointed as Independent Non-executive Director since June 2012 and is also the chairman of the audit committee. Ms. Zhou is currently a partner of RSM China Certified Public Accountants, and holds concurrent positions as independent directors of Edifier Technology Co., Ltd. and Guizhou Qianyuan Power Co., Ltd., both companies are listed on the Shenzhen Stock Exchange. Ms. Zhou was the director of the Materials Bureau of the Ministry of Energy, deputy chief accountant of China National Water Resources & Electric Power Materials & Equipment Co., Ltd., and the standing vice president of Zhonghengxin Certified Public Accountants. She has extensive experience in auditing and finance management. Ms. Zhou received a master's degree in financial management from Hunan College of Finance and Economics in 2000.

Mr. ZENG Xianggao, aged 54, a fellow member of The Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants (practicing), was appointed as Independent Non-executive Director since January 2011 and is also a member of the audit committee and the nomination committee. He is currently the proprietor of Kangyuan Zeng & Co. (Certified Public Accountants) and is also an independent non-executive director of China Financial International Investments Limited (a company listed on the Stock Exchange). Mr. Zeng was previously an accounting lecturer of Sun Yat-sen University at Guangzhou, and an audit and tax consultant of two international accounting firms in Hong Kong. He is familiar with the accounting, taxation and auditing practices in Hong Kong as well as in the PRC and has extensive management experience in these fields. Mr. Zeng graduated from the Renmin University in 1988 with a master's degree in economics, and also obtained training certificate of independent directorship from the Shanghai National Accounting Institute in 2004.

Mr. GONG Zhiqiang, aged 41, was appointed as Independent Non-executive Director since June 2009 and is also a member of the audit committee and the remuneration and appraisal committee. Mr. Gong is currently a managing partner of Beijing S&P Law Firm. Mr. Gong previously worked in the Intermediate People's Court of Handan Municipality, Hebei Province and Beijing Hylands Law Firm. He has extensive knowledge of laws and rich experience in control of corporate legal risks. Mr. Gong graduated from Hebei University with a master degree in laws in 1995.

CHAIRMAN TO THE BOARD OF SUPERVISORS

Mr. DI Guojun, aged 51, was appointed as supervisor representing shareholders since June 2012 and was elected as Chairman to the Board of Supervisors by the supervisors. He is currently the financial controller and general manager of the Operation Planning and Finance Department of Beijing State-owned Assets Management Co., Ltd.. Mr. Di was the manager of the Financial Department of China Merchants International Travel Corporation, manager of the Financial Department and assistant to general manager of China Merchants International Tourism Administration Corporation, and general manager of the Finance and Audit Department of Beijing State-owned Assets Management Co., Ltd.. He has over 20 years experience in finance management. Mr. Di graduated from Northwest University in 1968 where he received a bachelor's degree in tourism economics.



SUPERVISORS

Mr. XIAO Jun, aged 36, was appointed as supervisor representing shareholders since December 2011. Mr. Xiao is currently an audit manager of the audit division of Beijing State-owned Assets Management Co., Ltd.. Mr. Xiao previously served at Beijing Ruimingwei Certified Tax Agent Company, Shinewing Certified Public Accountants and Beijing Automotive Industry Holding Co., Ltd. He has extensive experience in corporate audit management. Mr. Xiao graduated from Hubei University with a bachelor's degree in computer accounting in 2001.

Ms. XU Xiangyan, aged 40, an economist, was elected by staff as staff representative since May 2008. Ms. Xu is currently the director of the Board's office of the Company, and has served as vice-general manager of Capital Operation Center and Strategic Management Department, and General Manager of Investment Management Centre. She has extensive experience in equity investment and management. Ms. Xu graduated from the School of Management of Tianjin University in 1998 with a master degree in Technology Economics and joined the Company in the same year.

SENIOR MANAGEMENT

Dr. GAO Jiaqing, aged 41, joined the Company in October 2003, and was appointed as Joint Company Secretary since January 2012. Dr. Gao is currently the Vice-President and secretary of the Board of Directors of the Company, and is a member of Investment and Risk Management Committee of Beijing State-owned Assets Management Co., Ltd.. Dr. Gao is mainly responsible for investment, mergers and acquisitions, capital management, equity management, information disclosure, investor relationships and legal work of the Company. For public services, Dr. Gao is currently a member of the Electronic Commerce Expert Advisory Committee of the Ministry of Commerce, the executive officer of China Electronic Commerce Association, vice president of Beijing Computer Business Association as well as the executive councilor of Beijing International Chamber of Commerce. Dr. Gao graduated from the Faculty of Management of the Harbin Institute of Technology and received a doctorate degree in investment management in 2001. Prior to joining the Company, Dr. Gao has worked in Zhong Guan Cun Technology Development Holding Company. Dr. Gao has extensive experience in capital operation and corporate management.

Mr. YU Donghui, aged 40, joined the Company in June 1999, is currently the Vice-President of the Company, mainly responsible for planning, budget management, project quality management and the overall management of the E-Government network of the Company. The project managed by Mr. Yu has been awarded "International Project Management (China) Winner". He has extensive first-hand experience in the management, operation and maintenance of large-scale projects. Mr. Yu graduated from Tsinghua University in 1999 with a master degree in Materials Processing Engineering and joined the Company in the same year. He previously served as general manager of the network technology service center and business director of the Company.



PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. ZHENG Zhiguang, aged 58, joined the Company in February 2000, is currently the Vice-President of the Company and is mainly responsible for the overall management of the medical insurance information system project and the social security card application project. The projects managed by Mr. Zheng were awarded “Top 10 Best for Information Application in Beijing 2006” and “2007 Silver Award of International Project Management”. He was also awarded the “International Senior Project Manager” (IPMP) and “Outstanding Project Manager in China”. He has extensive experience in the operation, maintenance and management of large-scale projects. Mr. Zheng graduated in 1982 from Beijing University of Aeronautics & Astronautics and received a bachelor degree in computer application. Prior to joining the Company, Mr. Zheng had served as head of the automatic software project of Shoudu Iron and Steel Company, general manager of system integration department of Beijing Software Company, the assistant to chief executive of Beijing Kasi Technology Industrial Group and general manager of Beijing Kasi New Technology Co., Ltd..

Dr. WU Bo, aged 56, joined the Company in August 2000, is currently the Vice-President of the Company, mainly responsible for the management of Capinfo Institute and the government affair related projects. Dr. Wu participated in the Doctor Student Training Program co-organized by the Bonn University in Germany and the Dalian University of Science and Technology in 1991 and received a doctorate degree. Prior to joining the Company, he worked as a scholar in the Physics Postdoctoral Scholar Circulation Station of Tsinghua University, and subsequently served as head of international department of Jitong Communication Co. Ltd., sales manager of the CLI Company of the United States of America, the General Manager of Beijing Corghi Auto Services Equipment Co., Ltd., the Chairman of Beijing Taigu'er Mechanical and Electrical Technology Co., Ltd and the General Manager of Beijing Credit Management Company Limited. He has extensive experience in corporate management.

Mr. GONG Chengliang, aged 41, joined the Company in April 1999, was appointed as Vice-President since February 2013 and is also the deputy chief engineer of the Company, mainly responsible for the co-ordination and management of product research and development, cloud service, consultancy and IT planning, and has extensive experience in technology and project management. Mr. Gong graduated from the Department of Precision Instruments and Mechanology of Tsinghua University with a master degree in 1999 and joined the Company in the same year. He previously served as general manager of the technical support center and technical director of the Company.



DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Group is an information technologies and services supplier. Its businesses mainly include system integration, software development, IT planning and consultancy, IT operation and maintenance, etc. Leveraging on its comprehensive experience and abundant information resources, the Company participated in the construction, operation and maintenance of large-scale information application projects in Beijing and other regions across the country, and has established a widespread and exclusive IT service network over the last ten years.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on pages 91 to 92 of this annual report.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 28 to the financial statements on page 143 of this annual report.

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2012 and the past four financial years is set out in Financial Highlights on page 7 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements on pages 133 to 134 of this annual report.

INVESTMENT PROPERTY

The investment property owned by the Company is the office property on the fifth and sixth floor of Block A of 數字北京大廈 (Digital Beijing Building), which is situated at No. 12 Beichen West Road, Chaoyang District, Beijing (100101), with a gross floor area of 5,303.88sqm. The property is currently let out for office purpose for a term expiring on 19 June 2014. Details of movements of the investment property of the Company during the year are set out in note 17 to the financial statements on page 134 of this annual report.



DIRECTORS' REPORT

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 29 to the financial statements on pages 143 to 144 of this annual report.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as of 31 December 2012, none of the Directors, supervisors and chief executive of the Company had any interest and short position in shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Appendix 10 of the Listing Rules.

Long positions in the underlying shares – options granted under the share option scheme:

Name	Capacity	Number of H Shares subject to options outstanding as of 31 December 2012	
		Granted under the share option scheme	Approximate percentage to the issued H share capital
Dr. Wang Xu	Executive Director (Chief Executive Officer)	1,466,000	0.19%
Mr. Pan Jiaren	Non-executive Director	1,466,000	0.19%
Ms. Xu Xiangyan	Supervisor	459,000	0.06%
		3,391,000	0.44%

Note: Qi Qigong (a Director) and Liu Jian (Chairman of the Board of Supervisors) retired upon conclusion of the annual general meeting held on 19 June 2012, thus the 1,466,000 options held by each of them automatically lapsed after three months of their retirement.



All of the above-mentioned share options granted under the share option scheme of the Company were granted on 17 August 2004 at RMB1 per grant with an exercise price of HK\$0.41 per H Share. These share options are exercisable within a period of ten years from the date of grant and apportioned in accordance with the below schedule subject to restrictions imposed by the relevant PRC laws and regulations.

Proportion of share options granted and held by each of the Directors and the supervisors which become exercisable	Exercise period
25%	18 August 2005 to 17 August 2014
25%	18 August 2006 to 17 August 2014
25%	18 August 2007 to 17 August 2014
25%	18 August 2008 to 17 August 2014

INTEREST OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any other interests and short positions in shares and underlying shares of the Company of any person (other than Directors, supervisors or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2012:

Name of shareholder	Number of shares	Nature of interests	Approximate percentage to the issued share capital
Beijing State-owned Assets Management Co., Ltd.	1,834,541,756 domestic shares	Beneficial owner	63.31%

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association.

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

During the reporting period, the Group did not purchase, sell or redeem any of the Company's listed securities.



DIRECTORS' REPORT

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the Listing Rules) of the Company and their respective associates had any interest in a business which competes with the Company or may compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, the purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases, and the turnover attributable to the Group's five largest customers represented approximately 59.28% of the Group's total turnover. The five largest customers are set out below in descending order:

No.	Name of customer	Approximate percentage to total turnover
1	Beijing Government Networks Administration Center	25.69%
2	Beijing Human Resources and Social Security Information Centre (北京市人力資源和社會保障信息中心)	21.48%
3	Beijing-China Operation Management Centre (首都之窗運行管理中心)	6.76%
4	Beijing Community Service Centre	3.44%
5	Beijing Housing Fund Management Centre	1.91%
	Total	59.28%

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



CONNECTED TRANSACTIONS

The Company formulated relevant management system to regulate and enhance management over connected transactions. Led by the Joint Company Secretary, the Board's office of the Company is responsible for daily reporting and reviewing of connected transactions.

I. Continuing connected transactions entered into by the Company during the reporting period which are exempt from the independent shareholders' approval

No.	Description of transactions	Counterparty	Type	Annual Cap (RMB million)	Transaction amount for the year (RMB million)
1	Network system and related operation and maintenance services	Capnet Company Limited	Income	6.3	6.2
2	Development of network security system	Beijing Certificate Authority Co., Ltd.	Expenses	2.0	1.8
3	Lease of office premises	Beijing IC Design Park Co., Ltd.	Expenses	9.0	6.7
4	Ticketing agency	National Stadium Co., Ltd. Beijing National Aquatics Center Company Ltd. Beijing Artists Management Co., Ltd. International Sports Co., Ltd.	Income	18.0	2.4

(I) Continuing connected transaction for the network system construction and related operation and maintenance services

On 29 December 2009, with the approval at the 7th meeting of the 4th Board of Directors of the Company, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") and Capnet Company Limited ("Capnet") renewed the Network System and Related Operation and Maintenance Services Agreement they entered into on 20 December 2006 to extend the term of the agreement to 31 December 2012. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the GEM Listing Rules of the Stock Exchange at the date of the relevant announcement, which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: Capinfo Technology is a wholly-owned subsidiary of the Company and Capnet is a holding subsidiary of Beijing State-owned Assets Management Co., Ltd. ("BSAM"), the controlling shareholder of the Company, with its 95% of equity interests owned by BSAM.



DIRECTORS' REPORT

Transaction background: Capnet is principally engaged in the operation of value-added telecommunication business by providing Internet and related value-added services to its clients, including domain name registration, virtual space, web design and emails etc. In order to ensure to provide stable, safe and efficient services to its clients, Capnet engaged Capinfo Technology to build relevant network system and provide maintenance services for it.

Principal terms of the Network System and Related Operation and Maintenance Services Agreement:

1. The relevant price was determined by reference to the operating costs of the network system of Capinfo Technology and the market price, which was payable monthly in cash by Capnet to Capinfo Technology.
2. The term of the agreement commenced on 1 January 2010 and expired on 31 December 2012.
3. The annual caps for each of three years from 2010 to 2012 were RMB6.3 million. The actual transaction amount for 2012 was RMB6.2 million.

Voting on resolution:

None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the then Chairman Li Minji and the then Directors Sun Jing and Li Zhi (all being employees of BSAM, a related party of the Company) had abstained from voting on the resolution.

Event after the reporting period: On 18 January 2013, Capinfo Technology and Capnet further renewed the term of the Network System and Related Operation and Maintenance Services Agreement to 31 December 2015, and the annual caps for each of the three years from 2013 to 2015 remained RMB6.3 million. Meanwhile, Capinfo Technology and Capnet entered into the Purchase Framework Agreement, pursuant to which, Capinfo Technology will purchase hardware products and relevant services from Capnet. The annual caps for each of the three years from 2013 to 2015 were RMB4.7 million, RMB6.1 million and RMB7.8 million respectively. The above transaction was exempt from the independent shareholders' approval and had been approved at the 8th meeting of the 5th Board of Directors of the Company, and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.

(II) Continuing connected transaction for the network security system development services

With the approval at the 20th meeting of the 4th Board of Directors, the Company and Beijing Certificate Authority Co., Ltd. ("BJCA") entered into the Network Security System Development Services Agreement on 21 March 2011. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the Listing Rules and the relevant announcement of which was posted on the websites of the Stock Exchange and the Company.



Connected relationship: At the time when the announcement was published, the Company and BSAM (the Company's controlling shareholder) held approximately 45.98% and 48.19% of the equity interests of BJCA respectively, while currently their shareholdings in BJCA are approximately 34.98% and 36.66% respectively.

Transaction background: BJCA is principally engaged in the electronic certification business and technology development and related services in respect of information security, having obtained an outstanding business scale in the industry. Currently, along with the upgrading of information security and the higher demand of the clients for system security, the Company engaged BJCA to assist in developing network security system and products and to provide related technical services to ensure our network systems run safely and stably.

Principal terms of the Network Security System Development Services Agreement:

1. The relevant price was determined by reference to the operating costs of the network security system and the market price, which was payable monthly in cash by the Company to BJCA.
2. The term of the agreement commenced on 21 March 2011 and will expire on 31 December 2013.
3. The annual caps for each of three years from 2011 to 2013 were RMB3.0 million, RMB2.0 million and RMB2.0 million respectively. The actual transaction amount for 2012 was approximately RMB1.8 million.

Voting on resolution:

None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution date, the then Chairman Li Minji and the then Directors Sun Jing and Li Zhi (all being employees of BSAM, a related party of the Company) had abstained from voting on the resolution.

(III) Continuing connected transaction for the office lease

- With the approval at the 28th meeting of the 3rd Board of Directors, the Company and Beijing IC Design Park Co., Ltd. ("BIDP") renewed the Office Lease Agreement on 31 March 2009, pursuant to which, the term of the original lease agreement previously entered into on 23 January 2003 was extended to 31 March 2012, with an aggregate floor area of 2940.2 square meters leased at an annual rent of approximately RMB4.0 million.
- On 28 February 2010, with the approval at the 11th meeting of the 4th Board of Directors, Beijing Culture & Sports Technology Co., Ltd. (the then wholly-owned subsidiary of the Company which currently is an associate of the Company) entered into the Office Lease Agreement with BIDP to rent the hall area of BIDP for daily office purpose and ticketing agency business with a floor area of 215 square meters at an annual rent of approximately RMB627,800.



DIRECTORS' REPORT

- With the approval at the 32nd meeting of the 4th Board of Directors, the Company and BIDP renewed the Office Lease Agreement on 30 March 2012, pursuant to which, the term of the agreement was further extended to 31 March 2015, with the aggregate floor area of 2,940.2 square meters at an annual rent of approximately RMB4.8 million.
- With the approval at the 34th meeting of the 4th Board of Directors, the Company and BIDP entered into the New Office Lease Agreement on 8 May 2012, pursuant to which, the Company leased another 1,292.53 square meters of office premises in addition to the agreement renewed on 30 March 2012 at an annual rent of approximately RMB2.6 million.

The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the GEM Listing Rules or the Main Board Listing Rules of the Stock Exchange at the date of the relevant announcement, which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: BIDP is a wholly-owned subsidiary of the Company's controlling shareholder BSAM.

Transaction background: BIDP is the National IC Design Beijing Industrial Base recognized by the Ministry of Science and Technology of China, providing comprehensive services to IC enterprises including professional technical service, training, financial support and office lease. As at the date of this report, the Company leases an aggregate floor area of 4,232.73 square meters for daily office use in BIDP, which is a centre of technology companies in Beijing for its convenient transportation, high quality of the building and reasonable rent level.

Principal terms of the Office Lease Agreement:

1. The relevant price was determined by reference to the geographic location of the property, the quality of the building and the market price of properties in the neighborhood, which was payable quarterly in cash by the Company to BIDP.
2. The term of the latest renewed agreement commenced on 8 May 2012 and will expire on 31 March 2015.
3. The revised annual caps for each of three years from 2012 to 2014 and the first quarter of 2015 were RMB9.0 million, RMB10.0 million, RMB10.0 million and RMB2.3 million respectively. The actual transaction amount for 2012 was RMB6.7 million.



Voting on resolution:

None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transaction. Moreover, the Directors were of the view that the transaction was carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the respective board resolution dates, the Directors who are employees of BSAM (a related party of the Company) had abstained from voting on the resolution.

(IV) Continuing connected transaction for ticketing agency

On 10 June 2010, with the approval at the 13th meeting of the 4th Board of Directors, a then subsidiary of the Company Beijing Culture & Sports Technology Co., Ltd. ("BST", currently an associate of the Company) and four other shareholders of the Company, namely National Stadium Co., Ltd. ("National Stadium"), Beijing National Aquatics Center Company Ltd. ("National Aquatics Center"), International Sports Co., Ltd. ("International Sports") and Beijing Artists Management Co., Ltd. ("BAMC") entered into the Ticketing Agency Service Agreement. The transaction was exempt from the independent shareholders' approval. The Company had complied with the reporting and announcement requirements under the GEM Listing Rules of the Stock Exchange at the date of the relevant announcement, which was posted on the websites of the Stock Exchange and the Company.

Connected relationship: National Aquatics Center is a wholly-owned subsidiary of the Company's controlling shareholder BSAM, while National Stadium is a 58% owned subsidiary of BSAM. International Sports and BAMC are indirectly-owned subsidiaries of BSAM.

Transaction background: BST was transformed from a culture & sports related information system service provider to a culture & sports related ticketing agency dealer in January 2010. BST needs various tickets sources for dealing as a ticketing agent to attract a wide audience. National Stadium and National Aquatics Center are famous tourist attractions in Beijing, BAMC is a well-known professional performance broker in the industry and International Sports acts as a sports events investment and management platform. The offerings from these four shareholders constitute part of tickets sources of BST.

Principal terms of the Ticketing Agency Agreement:

1. The relevant price was determined by reference to the market price of the industry, with the ticketing agency commission from National Stadium settled on a quarterly basis, the ticketing agency commission from National Aquatics Center settled on a monthly basis, and the ticketing agency commissions from both BAMC and International Sports settled within three months after the performance or the event is expected to be finished.

Meanwhile, BST shall pay a ten-year ticketing royalty fee of RMB11.0 million in cash to National Stadium within three months after the Ticketing Agency Agreement became effective, and National Stadium shall, after it confirms the ticketing and ticket verification system upgrading plan, engage BST to implement such plan. The costs for system upgrading shall be advanced by BST, which will be fully repaid by National Stadium in equal installments over five years.



DIRECTORS' REPORT

2. The International Sports Ticketing Agency Agreement shall be valid from 10 June 2010 until termination or revocation upon occurrence of the followings: BST ceases business operation upon expiry of its business license; International Sports is no longer a shareholder of BST due to changes in shareholding; either party fails to fulfill any obligation stipulated in the agreement or the occurrence of any force majeure results in failure to perform the agreement, or other circumstances under which both parties agree to terminate or revoke the agreement.

The BAMC Ticketing Agency Agreement shall be valid from 10 June 2010 until termination or revocation upon occurrence of the followings: BST ceases business operation upon expiry of its business license; BAMC is no longer a shareholder of BST due to changes in shareholding; either party fails to fulfill any obligation stipulated in the agreement or the occurrence of any force majeure results in failure to perform the agreement.

The National Aquatics Center Ticketing Agency Agreement shall be valid from 10 June 2010 until termination or revocation upon occurrence of the followings: BST ceases business operation upon expiry of its business license; National Aquatics Center has sufficient evidence showing BST is exposed to significant changes such as liquidation; National Aquatics Center is no longer a shareholder of BST due to change in shareholding of BST; either party fails to fulfill any obligation stipulated in the agreement and a written notice is issued by both parties to terminate the agreement; the occurrence of any force majeure results in failure to perform the agreement, or both parties have reached a written consensus through consultation.

The National Stadium Ticketing Agency Agreement shall be valid from 10 June 2010 to 30 April 2020.

3. The accumulated annual caps for each of three years from 2010 to 2012 were RMB12.0 million, RMB18.0 million and RMB18.0 million respectively. The actual accumulated transaction amount for 2012 was RMB2.4 million.

Voting on resolution:

None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transactions. Moreover, the Directors were of the view that the transactions were carried out in the ordinary course of business of the Company on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution dates, the then Chairman Li Minji and the then Directors Sun Jing and Li Zhi (all being employees of BSAM, a related party of the Company) had abstained from voting on the resolution.

Note: Upon completion of the equity transfer procedures in August 2012, the Company no longer had control over BST. Therefore, the above-mentioned transactions will no longer be deemed as continuing connected transactions of the Company that are subject to disclosure from 2013.



INDEPENDENT NON-EXECUTIVE DIRECTORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

The Independent Non-executive Directors have reviewed the above continuing connected transactions of the Group. In their opinion, these transactions entered into by the Group were:

1. in the ordinary and usual course of business of the Company;
2. on normal commercial terms and at reasonable price; or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable than terms available to or from independent third parties;
3. in accordance with the terms of the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
4. within the relevant cap amounts as approved and announced by the Board of the Company.

AUDITORS' VIEW ON THE CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

The Board of Directors engaged the auditors of the Company to perform certain agreed procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings to the Board of Directors based on these procedures. The Independent Non-executive Directors have reviewed and confirmed the continuing connected transactions and the report of the auditors. The auditors are of the opinion that these transactions:

1. have received the approval of the Board of Directors;
2. are in accordance with the pricing policies of the Company;
3. have been entered into in accordance with the terms of the relevant agreements governing such transactions; and
4. have not exceeded the caps disclosed in previous announcement(s).



DIRECTORS' REPORT

II. Connected transactions entered into by the Company during the reporting period which are not exempt from the independent shareholders' approval

Connected transactions for equity transfer

With the approval at the 27th meeting of the 4th Board of Directors, the Company entered into the Equity Transfer Agreement with Beijing BeiAo Group Co., Ltd. ("BeiAo Group") on 19 December 2011, pursuant to which, the Company transferred 25% of the equity interest of BST it owned to BeiAo Group. Following completion of the transfer, the Company's shareholding in BST decreased from 45% to 20% and thus its de facto control in BST was lost. At the same time, the Company transferred all of the 100% equity interests it held in Beijing Shuiniao Ticket Co., Ltd. ("SN Ticket") to BeiAo Group as well. For the above transactions, the Company had complied with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules and had published the relevant information on the websites of the Stock Exchange and the Company.

Connected relationship: BeiAo Group is a wholly-owned subsidiary of the Company's controlling shareholder BSAM.

Transaction background: After transforming into a ticketing agency company in January 2010, the business of BST stayed in the cultivation stage and started to report operating loss in 2011. For growing development, BST needs to have advanced technology, top-ranking ticketing business platform, professional marketing team and immense client network resources, therefore the Company decided to bring into strategic shareholders to help BST break through the development bottleneck quickly. BeiAo Group has long been dedicated to the cultural creativity and sports industries, principally engaged in large-scale domestic and international culture and sports activities related creative planning, execution, resources integration and industry business promotion. By leveraging on its sound financial background and extensive resources, BeiAo Group can provide an excellent industry chain platform for the future development of BST so as to boost its rapid improvement in business.

SN Ticket is a wholly-owned subsidiary of the Company established in June 2006 with only limited business operation since its incorporation. Given the insignificant contribution of its financial performance towards the Group, the Company decided to transfer all of the 100% equity interests it held in SN Ticket to BeiAo Group as well.

Principal terms of the BST Equity Transfer Agreement:

1. The relevant price was determined by reference to the valuation report and the future development forecast of BST. BeiAo Group shall pay RMB6.0 million in cash to the Company within 10 working days after the BST Equity Transfer Agreement having become effective, and shall pay in cash the remaining balance adjusted based on the net profit or loss in relevant period within 10 working days after the publication of 2011 audited financial reports of BST.
2. The BST Equity Transfer Agreement was entered into on 19 December 2011 and became effective with the approval by the Company at the extraordinary general meeting of the Company held on 4 May 2012 and the approval by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.
3. The actual transaction amount for transferring the BST equity interest was RMB9.6 million.



Principal terms of the SNTicket Equity Transfer Agreement:

1. The relevant price was determined by reference to the valuation report and the future development forecast of SNTicket. BeiAo Group shall pay the relevant equity transfer price in cash by a lump sum within 10 working days after the SNTicket Equity Transfer Agreement having become effective.
2. The SNTicket Equity Transfer Agreement was entered into on 19 December 2011 and became effective with the approval by the Company at the extraordinary general meeting of the Company held on 4 May 2012 and the approval by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.
3. The actual transaction amount for transferring the SNTicket equity interest was RMB238,000.

Voting on resolution:

At the Board meeting, the Directors, none of whom (including the Independent Non-executive Directors) had any material interest in the above transactions, were of the view that the price and the terms of the equity transfer transaction were fair and reasonable and in the interests of the shareholders of the Company as a whole. On the board resolution dates, the Chairman Xu Zhe and the Directors Zhang Kaihua and Li Zhi (all being employees of BSAM, a related party of the Company) had abstained from voting on the resolution. At the extraordinary general meeting, BSAM, a related party of the Company, had abstained from voting on the resolution.

Note: Upon completion of the equity transfer procedures by BST and SNTicket in August 2012, the Company no longer held any equity interest in SNTicket and lost its control over BST, which is currently an associate of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' VIEW ON THE CONNECTED TRANSACTIONS NOT EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

1. The relevant transactions were carried out in accordance with the terms of the agreements governing these transactions, and the terms of the agreements were fair and reasonable to the shareholders as a whole;
2. The equity transfer was in the interest of the Company and the shareholders as a whole; and
3. The prices of the transactions were reasonable which were determined with reference to the valuation report.

Details of the discloseable continuing connected transactions and connected transactions for the year are set out in note 36 to the financial statements on pages 150 to 154 of this annual report. Save as disclosed therein, there were no other transactions which were required to be disclosed as continuing connected transactions or connected transactions in accordance with the requirements of the Listing Rules of the Stock Exchange.



DIRECTORS' REPORT

III. Transactions ceased to be deemed as continuing connected transactions

Former continuing connected transaction for telephone and dedicated circuit services

Both the Dedicated Circuits Lease Agreement and the Telephone Services Agreement entered into between the Company and China United Network Communications Corporation Limited ("China Unicom"; formerly known as China Netcom (Group) Company Limited) have expired on 31 December 2012.

According to a new amendment to Rule 14A.11 of the Listing Rules, promoter is removed from the definition of connected party, therefore, the telephone and dedicated circuit services between the Company and China Unicom are no longer deemed as continuing connected transactions which shall comply with the reporting and announcement requirements.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in Corporate Governance Report on pages 52 to 78 of this annual report.



Mr. Xu Zhe

Chairman

Beijing, the PRC

22 March 2013



INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

For the year 2012, the Independent Non-executive Directors ("Independent Directors") of the Company have been committed to safeguarding the interests of the Company and the shareholders as a whole. We performed our duties diligently, participated in the operating and management policy decision and reviewed the periodic financial report and information disclosure documents in strict compliance with the laws and regulations such as the Companies Law, the Listing Rules and the Articles of Association. The Independent Directors also examined and supervised the pricing and execution of connected transactions and promoted continuous improvement of the internal control system of the Company.

There are four Independent Directors in the Board of the Company, which conforms to the requirements of Rule 3.10(1) of the Listing Rules which provides that "the board of directors must include at least three independent non-executive directors". The Independent Directors have professional background and relevant experience in financial, legal or information sectors. Ms. Zhou Liye and Mr. Zeng Xianggao are qualified as certified public accountants of the PRC and Hong Kong respectively, which conforms to the requirements of Rule 3.10(2) of the Listing Rules which provides that "at least one of the independent directors of the Board must have appropriate professional qualifications or accounting or related financial management expertise".

INDEPENDENCE OF INDEPENDENT DIRECTORS

All Independent Directors have submitted to the Company an annual confirmation of our independence pursuant to Rule 3.13 of the Listing Rules. All Independent Directors meet the independence requirements set out in the Listing Rules.

PERFORMANCE OF DUTIES BY INDEPENDENT DIRECTORS

In the course of daily work, the Independent Directors maintained close communications with the Company's management, took initiatives to understand the development movements of the Company and relevant industry information and review the meetings materials, as well as expressed our independent opinions and statements according to law in order to help the management to make operation decisions fairly and scientifically. The Independent Directors are of the opinion that the Company's general meetings, board meetings and committee meetings held during the reporting period were in compliance with the laws and regulations, relevant procedures were strictly complied in the decision-making of material matters, and the resolutions of the meetings were lawfully effective with no prejudice of the interests of the Company and the shareholders.



INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

I. Performance of Duties in respect of General Meetings, the Board of Directors and its Subordinate Committees

1. The Independent Directors proactively attended the general meetings, expressed independent opinions on the subject matters of the meetings and answered the shareholders' queries at the meetings.
2. The Independent Directors actively attended the Board meetings, communicated with the management on the subject matters of the meetings and expressed independent and objective opinions or suggestions on the subject matters of the meetings in respect of operations, investments, disposal of equity interests and connected transactions of the Company with an aim to maximize the interests of minority shareholders.
3. The Independent Directors held positions in the four specialized committees under the Board and discharged our duties diligently as Directors.
 - The audit committee comprises four members, all being Independent Directors, and Ms. Zhou Liye is the chairman. During the year, the audit committee duly reviewed the Company's financial report and internal audit report to ensure effective implementation of the financial and internal control systems. To regulate the operation of the audit committee, amendments were made to the Articles of Audit Committee with reference to the provisions as set out in the Listing Rules regarding some of the new functions of the audit committee. Meanwhile, the audit committee maintained direct contact with the independent auditor in order to discuss with the auditor by stages, prior to or in the course of the audit or review performed by the independent auditor, the nature, scope, working plan and reporting responsibilities regarding their work, as well as communicated with the auditor in a timely manner on issues arising from the audit and review so as to ensure the successful completion of audit or review.
 - The remuneration and appraisal committee comprises three members, among which two are Independent Directors, and Mr. Chen Jing (an Independent Director) is the chairman. During the year, the Independent Directors recognized the Company's provision and implementation of total remuneration in 2011 and, with reference to the remuneration standards of executives of the same industry as well as the individual performance and results of the senior management of the Company, approved the distribution of bonus to senior management in 2011. To regulate the operation of the remuneration and appraisal committee, amendments were made to the Articles of Remuneration and Appraisal Committee with reference to the provisions as set out in the Listing Rules regarding some of the new functions of the remuneration and appraisal committee.
 - The nomination committee comprises three members, among which two are Independent Directors. During the year, the newly established nomination committee approved the Articles of Nomination Committee, submitted a recommendation report to the Board to propose persons for election as members of the 5th Board, as well as carefully verified the reasons for resignation of the retired Directors and the nominees' qualifications, experience and the independence of the nominated Independent Directors.
 - The strategy committee comprises four members, among which one is Independent Director. During the year, the Independent Director actively attended the meetings held by the committee, duly analyzed the macro-economic environment and development trends of the industry and made professional recommendations on the Company's report on explanation and implementation of strategic planning for the year 2012 combined with the actual situation of the Company.



II. Confirmation of Connected Transactions

After rigorous examination of the Company's continuing connected transactions and their implementation in 2012 in accordance with the requirements of Rule 14A.37 of the Listing Rules, the Independent Directors confirmed that those transactions were entered into on normal commercial terms with fair and reasonable prices and terms which were in the interests of the shareholders as a whole, and that the agreed terms and conditions were implemented in a strict manner with the transaction amounts not exceeding the cap previously announced and approved by the Board or general meetings.

The Independent Directors were in strict compliance with the relevant laws and regulations, the Articles of Association, the articles of specialized committees under the Board and the Articles of Independent Directors while maintaining our independence as Independent Directors, and made significant contributions to the regulated operation of the Company. During the term of office, the Independent Directors did not propose any convention of general meetings, board meetings, or any dismissal of auditors, or report to competent regulatory organizations. No objection was raised to the resolutions proposed by the Board or its subordinate specialized committees under the Board. The Company has provided various conditions as sufficient as possible for us to discharge our duties.

Looking forward to the year ahead, we will be more committed to executing our duties as Independent Directors in a proactive, fair, diligent and faithful way and play a greater role in safeguarding the lawful interests of minority shareholders.



Mr. Chen Jing
Independent Directors



Ms. Zhou Liye



Mr. Zeng Xianggao



Mr. Gong Zhiqiang

Beijing, the PRC
22 March 2013



SUPERVISORS' REPORT





Di Guojun Chairman of the Board of Supervisors

With the attitude of being responsible to all shareholders, the Board of Supervisors will strictly abide by the provisions of the laws and regulations and the Articles of Association, duly discharge the supervisory duties, and strive to maintain and safeguard the legitimate rights and interests of the Company and its shareholders.



SUPERVISORS' REPORT

OPERATION OF THE BOARD OF SUPERVISORS

In accordance with the requirements of the Articles of Association and the Rules of Procedures of the Board of Supervisors, the Board of Supervisors attended the general meetings and the Board meetings, duly implemented the resolutions of the general meetings, carried out on-the-spot examination on the operation and financial position of the Company and effectively oversaw the performance of duties of the Directors, president and other senior management officers of the Company. During the reporting period, the Board of Supervisors held six meetings. The Board of Supervisors held one on-the-spot meeting and signed meeting documents five times in the form of circulation. The Board of Supervisors had duly reviewed the compliant operation, financial position, connected transactions and information disclosure of the Company.

1. Lawful Operation of the Company

The Board of Supervisors performed diligent supervision and examination on the procedures for convening the general meetings and Board meetings, resolutions, execution of the resolutions of the general meetings by the Board of Directors and senior management, performance of duties of the Directors and senior management and implementation of internal control of the Company in accordance with the relevant provisions of the Companies Law and the Articles of Association, and expressed opinions and made suggestions in a timely manner. The Board of Supervisors is of the opinion that the Board of Directors and senior management are capable of establishing a model and conducting regulated operation in strict compliance with the relevant provisions of the laws of the PRC and the jurisdiction where the Company is listed, as well as the Articles of Association, and have performed dutifully, diligently and in good faith. During the reporting period, the Company continued to improve its management system and established an internal control system with rational design and effective implementation. The business activities of the Company complied with the requirements of laws. In the course of examining the financial position of the Company and supervising the performance of duties of the Directors and senior management of the Company, the Board of Supervisors has not found any violation of laws or the Articles of Association or prejudice of the interests of the Company.

2. Financial Information of the Company

The Board of Supervisors has duly reviewed the relevant financial information, including the Independent Auditor's Report of the Group for the year 2011 and the interim period of 2012, the Financial and Operation Analysis Report of the Company and the Financial and Operation Analysis Report of the Company for the third quarter of 2012. The Board of Supervisors is of the opinion that the above reports truly reflect the financial position and operating results of the Company during the reporting period and are true and reliable. Under the leadership of the Board, the management of the Company took proactive and aggressive initiatives and made gratifying achievements in all respects in 2012, such as fruitful market expansion, remarkable development of smart city and encouraging development of the Company.



3. *Connected Transactions of the Company*

The Board of Supervisors conducted continuous supervision on the Company's arrangements of connected transactions to ensure these transactions complied with the statutory decision-making process and were in strict compliance with the principle of fairness, equality and openness. The Board of Supervisors is of the view that each of the arrangement of connected transactions was in strict compliance with the requirements of the relevant laws and regulations and the Listing Rules with regulated and transparent information disclosure and fair and reasonable pricing, and there is no insider trading nor prejudice of the interests of shareholders, or any issue that has caused losses of the assets or damage to the interests of the Company.

4. *Disclosure of Information of the Company*

The Board of Supervisors paid sustained attention to the implementation of the Company's information disclosure system. The Board of Supervisors is of the view that the information disclosure process of the Company has strictly conformed to the laws and regulations of the jurisdiction where the Company is listed and the requirements of the Listing Rules, and that the Company has provided the investors with timely, accurate, truthful, complete and fair information which enables the investors to have more objective and comprehensive understanding of the Company. The information disclosure is conducive to enhance the Company's reputation and image in the capital market.

In 2013, the Board of Supervisors of the Company will continue to strictly abide by the provisions of the laws and regulations and the Articles of Association, duly discharge the supervisory duties in good faith and with the attitude of being responsible to all shareholders, and strive to maintain and safeguard the legitimate rights and interests of the Company and its shareholders.



Mr. Di Guojun

Chairman of the Board of Supervisors

Beijing, the PRC

22 March 2013



CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE

Good corporate governance not only enhances credibility of an enterprise but also safeguards the interests of shareholders and other stakeholders. The Company is committed to achieving and maintaining statutory and regulatory standards. During the reporting period, the Company has established a set of regulated and transparent management system and has been in strict compliance with all the code provisions of the corporate governance (the Code on Corporate Governance Practices abolished on 31 March 2012 and the Corporate Governance Code took effect as of 1 April 2012) as set out in Appendix 14 to the Listing Rules.



CORPORATE GOVERNANCE FRAMEWORK

Through the corporate governance framework, we implemented good corporate governance practices in strict compliance with the Corporate Governance Code. By continuously updating the content of "Corporate Governance" under the "Investor Section" at our website, we keep shareholders and investors abreast of our latest policies and practices so as to improve their knowledge and understanding of the Company and its industry and enable them to effectively evaluate the investment value of the Company.



CORPORATE GOVERNANCE REPORT

REGULATORY DOCUMENTS OF CORPORATE GOVERNANCE

The general meetings, Board of Directors and Board of Supervisors of the Company operate independently and effectively pursuant to the Articles of Association and their respective rules of procedures. At present, the Company's regulatory documents of corporate governance mainly include:

No.	Name of Document
1	Articles of Association
2	Rules of Procedures for General Meetings
3	Rules of Procedures of the Board of Supervisors
4	Rules of Procedures of the Board of Directors
5	Articles of the Audit Committee
6	Articles of the Remuneration and Appraisal Committee
7	Articles of the Strategy Committee
8	Articles of the Nomination Committee
9	Articles of Independent Non-executive Directors
10	Articles of Secretary of the Board
11	Remuneration System of Directors and Supervisors
12	Code for Securities Transactions
13	Operation Rules for Capital Management
14	Rules of Working Meetings of Chief Executive Officer
15	Information Disclosure Management System*
16	Management System of Inside Information and Insiders*
17	Management System of the Internal Audit
18	Procedures for Shareholders to Propose a Person for Election as Director
19	Administrative Measures on Information-related Works
20	Administrative Measures on Press Release and Promotion

Note*: The Information Disclosure Management System and Management System of Inside Information and Insiders were approved at the 8th meeting of the 5th Board of Directors on 18 January 2013.



EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

Exceeding the requirements of code provisions of Corporate Governance Code of the Listing Rules	Facts
✓ ✓	Eleven out of the twelve members of the Board are external Directors, so there is a strong independent element on the Board, which can effectively exercise independent judgement.
✓ ✓	Two Independent Non-executive Directors of the Board are Certified Public Accountants.
✓ ✓	All members of the audit committee are Independent Non-executive Directors with legal or accounting professional qualifications or relevant experience in the industry.
✓ ✓	The management monitors the operating risks and the effectiveness of the internal control system of the Company on an ongoing basis.
✓ ✓	The management submits internal control report to audit committee every quarter to confirm that the Company complies with a series of internal control systems, regulations and procedures.
✓ ✓	The management submits report of internal control results to the Board every quarter so that the Board can assess the effectiveness of internal control and risk management of the Company.
✓ ✓	The Company has formulated the code for securities transactions on terms no less exacting than that of the Model Code as set out in Appendix 10 of the Listing Rules.
✓ ✓	The Company adopted fair information disclosure policy which explicitly explains the principles regarding provision of information to the public.
✓ ✓	In addition to the liability insurance coverage for the Directors, the Company also purchased liability insurance for the supervisors and senior management.
✓ ✓	The Company sent notice of convention of general meetings to the shareholders at least 45 days before the meeting.
✓	The Company has complied with all the code provisions of the Stock Exchange, except that four Directors were unable to attend the 2011 annual general meeting and the 2012 extraordinary general meeting due to other business engagements.



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS AND GENERAL MEETINGS

Shareholders of the Company enjoy various rights entitled by laws, administrative regulations and the Articles of Association. General meeting is the organ of highest authority of the Company. The shareholders exercise their rights through general meetings. The Company formulated the Rules of Procedures for General Meetings to specify its written terms of reference so as to regulate the compliant operation of the general meetings. During the reporting period, the Company has fine-tuned some provisions of the Rules of Procedures for General Meetings to make the relevant provisions more stringent and regulated, full text of which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

The main responsibilities of the general meetings shall include the following:

- to decide on the Company's business policy and investment plans;
- to elect and replace Directors, to replace supervisors who are not employee representatives and to decide on matters relating to the remuneration of Directors and supervisors;
- to examine and approve the reports of the Board, reports of the Board of Supervisors, the Company's proposed annual budgets and final accounts, the Company's profit distribution proposals and loss recovery proposals;
- to resolve on proposals of the increase or reduction of the Company's registered capital;
- to resolve on matters such as merger, division, dissolution and liquidation of the Company;
- to resolve on the issuance of the Company's bonds;
- to resolve on the appointment, removal or non-reappointment of the Company's accounting firm;
- to amend the Articles of Association;
- to resolve on the Company's external guarantees which shall be approved by a general meeting as required under laws, administrative regulations and the Articles of Association;
- to consider transactions which needs to be approved by a general meeting as provided for in the Listing Rules;
- to consider and approve matters of changing the use of raised fund;



- to consider motions raised by shareholder(s) who represent(s) 3% or more of the voting shares of the Company; and
- to resolve such other matters which, in accordance with laws, administrative regulations and the Articles of Association, shall be resolved by a general meeting.

PROCEDURES FOR CONVENING GENERAL MEETINGS AND SUBMITTING PROPOSALS

The contents of a proposal of the general meeting shall be within the duties and power of the general meeting with definite topics and specific matters for resolution and comply with the relevant provisions of laws, administrative regulations and the Articles of Association. In accordance with the Rules of Procedures for General Meetings of the Company, the following institutions or persons are eligible to submit proposals at general meetings:

1. The Board, the Board of Supervisors, and shareholder(s) individually or collectively holding 3% or more of the Company's shares shall have the right to submit proposals to the Company.
2. Shareholder(s) individually or collectively holding 3% or more of the Company's shares may submit an extempore proposal to the convener in writing 10 days prior to the date of convening the general meeting. Within 5 days after the receipt of the proposal, the convener shall issue supplementary notice of the general meeting in this regard. If this notice is received less than 25 days prior to the date of the general meeting of the Company, the Company shall consider adjourning the general meeting to comply with the period of 14 days notice of resolution as required by the Listing Rules.
3. The convener shall not amend the proposals set out in the notice of general meeting or add any new proposals subsequent to the announcement of the notice of the general meeting.
4. Where shareholder(s) individually or collectively holding 10% or more of the Company's shares propose to convene an extraordinary general meeting or a class shareholders' meeting, the shareholder(s) shall sign one or more written request(s) in identical form and content requiring the Board to convene an extraordinary general meeting or a class shareholders' meeting and state the subject of the meeting, and at the same time submit proposals to the Board.

General meetings convened during the reporting period are set out in the section headed Investors Relations on pages 83 to 85 of this report.



CORPORATE GOVERNANCE REPORT

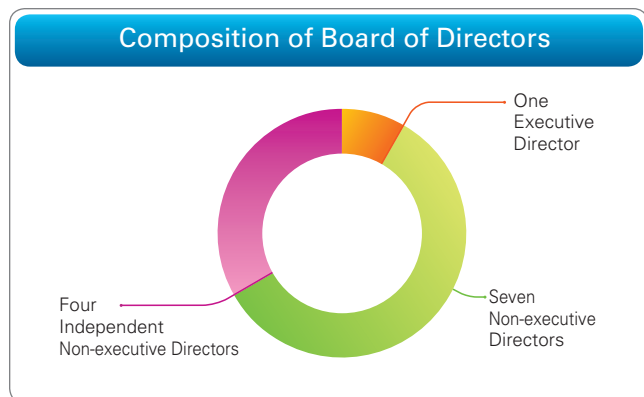
BOARD OF DIRECTORS

The Board takes a conscientious and effective approach in leading and supervising the Company. All Directors are responsible for promoting the continuous business development of the Company in good faith and in the best interest of the Company. Members of the Board understand that they are individually and collectively responsible to all shareholders in relation to the management, supervision and operation of the Company.

COMPOSITION OF BOARD OF DIRECTORS

The Company's Board of Directors comprises twelve members, including one Executive Director, seven Non-executive Directors and four Independent Non-executive Directors.

The Company's Directors are professionals in finance, law, commerce and information services and management with extensive experience and expertise in various areas. In terms of the composition of the Board, the comprehensive professional backgrounds and the strong independent element of the Directors demonstrate significant importance in corporate governance. The name list of the members of the Board has been published on the websites of the Stock Exchange and the Company for the information of the shareholders and the investors.



Biographies of the members of the Board are set out in the section headed Profiles of Directors, Supervisors and Senior Management on pages 26 to 28 of this annual report.

RESPONSIBILITIES OF BOARD OF DIRECTORS

The Company formulated the Rules of Procedures of the Board of Directors to specify its written terms of reference so as to regulate the compliant operation of the Board. During the reporting period, the Company made certain amendments to the Rules of Procedures of the Board of Directors by adding contents in relation to the nomination committee under the Board, and fine-tuned the expression of certain provisions. Full text of the relevant Rules of Procedures is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.



The main responsibilities of the Board of Directors shall include the following:

- to determine the Company's business plans and investment plans and to decide on the establishment of the Company's internal management bodies;
- to decide on the matters such as external investments, acquisition or disposal of assets, mortgages on assets, external guarantees, entrusted wealth management and connected transactions of the Company within the authority granted by the general meetings;
- to formulate the Company's annual budgets and final accounts, the Company's profit distribution plans and loss recovery plans and the plans for increase or reduction of the Company's registered capital, and proposals for issue of corporate bonds;
- to formulate the proposals for merger, division or dissolution of the Company;
- to formulate the Company's basic management system and proposals for any amendment to the Articles of Association;
- to be responsible for convening general meetings and report on its work to the general meetings and to implement the resolutions passed at the general meetings;
- to appoint or dismiss the president of the Company; to appoint or dismiss other senior management personnel of the Company (including the financial controller) (in the case of appointment, based on the nominations made by the president), and to determine their remunerations and system of rewards and punishment; and
- to exercise other functions and powers as stipulated by laws, regulations or the Articles of Association and as authorised by the general meetings.

The main responsibilities of the Board of Directors in respect of corporate governance shall include the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the Directors' performance of their responsibilities and the employees' compliance with the Code of Conduct; and
- to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report.



CORPORATE GOVERNANCE REPORT

In accordance with the requirements of the Companies Law, the Listing Rules, the Articles of Association of the Company and other laws and regulations, regulatory documents and domestic and overseas regulatory requirements, the Company has established regulated and sound corporate governance structure. During the reporting period, the Board has reviewed the following corporate governance issues:

- approved amendments to the Articles of Association, Rules of Procedures for General Meetings, Rules of Procedures of the Board of Directors, Articles of Audit Committee, Articles of Remuneration and Appraisal Committee and Operation Rules for Capital Management; and
- passed the Articles of Independent Non-executive Directors, the Articles of Secretary of the Board, the Articles of Nomination Committee and the Procedures for Shareholders to Propose a Person for Election as Directors.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive of the Company are segregated and held by Mr. Xu Zhe and Dr. Wang Xu respectively. The duties of the Chairman and the Chief Executive are separated clearly with written terms of reference. The Chairman is responsible for managing the Board, steering the Board to formulate overall strategies and business development plans of the Company ensuring the receipt of sufficient, complete and reliable information by each Director in a timely manner and the receipt of reasonable explanations for the issues raised by any Director to the Board. The Chief Executive is responsible for managing the business of the Company and implementing policies and business objectives formulated by the Board, and is accountable to the Board for the Company's overall operation.

NOMINATION AND APPOINTMENT OF DIRECTORS

Pursuant to the Procedures for Shareholders to Propose a Person for Election as Director, when and only when there is vacancy in the Board, shareholders individually or collectively holding 3% or more of shares of the Company are entitled to nominate individuals for directorship to the nomination committee and be the candidates for directorship in accordance with relevant procedures of the Company. Details of the nomination procedures are available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

Appointment of Directors shall be approved by ordinary resolutions at general meetings. The general meetings are also entitled to remove any of the Directors before expiry of their tenure, provided that the removal is in compliance with relevant laws and administrative rules and regulations. Each newly appointed Director is provided with reading materials essential for the Directors to discharge their duties effectively, including profile of the Company and the industry and information regarding the relevant laws and regulations and duties of directorship. The management of the Company will also present details to the newly appointed Directors on the latest developments of the Company's business and operation. Meanwhile, the Company will provide Directors with reference materials regularly to ensure their timely understanding of the latest developments of the laws and regulations and the Company's business and operation.



TERM OF APPOINTMENT OF DIRECTORS

The term of each session of the Board of the Company is three years. The term of the 5th Board of Directors commenced on 19 June 2012. All of the appointments will expire on 19 June 2015 and will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association and the Rules of Procedures of the Board of Directors, provided that the appointments may be terminated when both the Director and the Company agree.

Upon conclusion of the annual general meeting held on 19 June 2012, Ms. Li Zhi and Dr. Qi Qigong retired as Non-executive Directors and Dr. Wang Huacheng retired as Independent Non-executive Director. All the other retiring Directors, including Mr. Xu Zhe, Dr. Wang Xu, Ms. Zhang Kaihua, Mr. Pan Jiaren, Mr. Shi Hongyin, Ms. Lu Xiaobing, Mr. Chen Jing, Mr. Zeng Xianggao and Mr. Gong Zhiqiang, were eligible and willing to offer themselves for re-election.

Subject to approval by the shareholders at the annual general meeting held on 19 June 2012, Mr. Lu Lei and Ms. Hu Sha were appointed to replace Ms. Li Zhi and Dr. Qi Qigong respectively as Non-executive Directors, while Ms. Zhou Liye was appointed to replace Dr. Wang Huacheng as Independent Non-executive Director.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into service contracts with each of the members of the 5th Board of Directors. Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' TRAINING

In accordance with the requirements of Rule A.6.5 of Appendix 14 to the Listing Rules, all Directors have participated in various forms of training programmes during their tenure to develop and refresh their knowledge and skills so as to ensure that their contribution into the Board remains informed and relevant. The forms of learning taken by the Directors include on-the-spot trainings organized by various professional organizations in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance as well as reading updated information on regulatory requirements and E-learning. Meanwhile, pursuant to the requirements of Code Provision C.1.2 set out in Appendix 14 to the Listing Rules, the Company provides Directors with "Monthly Report to Directors" every month, which contains the latest developments in the business and finance of the Group. The Company also provides books and materials related to compliance and duty performance for Directors to learn so as to ensure that the Directors are provided with continuous professional development to be competent for their jobs. During the reporting period, the Directors provided their training records to the Company semi-annually.



CORPORATE GOVERNANCE REPORT

Continuous professional development participated by Directors

Name	Reading regulatory updates	Attending seminars/ conferences relevant to the Directors' duties	Receiving shareholders' visit
Executive Director			
Dr. Wang Xu (<i>Chief Executive</i>)	✓	✓	✓
Non-executive Director			
Mr. Xu Zhe (<i>Chairman</i>)	✓	✓	✓
Ms. Zhang Kaihua	✓	✓	
Mr. Lu Lei	✓	✓	
Mr. Pan Jiaren	✓	✓	
Mr. Shi Hongyin	✓	✓	
Ms. Hu Sha	✓	✓	
Ms. Lu Xiaobing	✓	✓	
Independent Non-executive Director			
Mr. Chen Jing	✓	✓	
Ms. Zhou Liye	✓	✓	
Mr. Zeng Xianggao	✓	✓	
Mr. Gong Zhiqiang	✓	✓	



DIRECTORS' LIABILITY INSURANCE

In accordance with the requirement of Code Provision A.1.8 set out in Appendix 14 to the Listing Rules, liability insurance for Directors and senior management officers is maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties, so as to mitigate the liabilities of Directors and enhance the effectiveness of decision-making.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for supervising the preparation of accounts for the year which shall present a true and fair view of the state of affairs, results of operations and cash flow of the Company during the reporting period. In preparing the financial statements for the year ended 31 December 2012, the Directors had selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Company's auditor's reporting responsibilities on the Group's accounts are set out in the Independent Auditor's Report on pages 89 to 90 of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Securities Transactions regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard of dealings and the Company's Code of Securities Transactions regarding securities transactions by the Directors throughout the year ended 31 December 2012.

BOARD MEETING

The Chairman of the Board is responsible for convening the Board meetings which shall be convened at least four times each year. In accordance with the requirements of Code Provision A.1.3 and A.7.1 of Appendix 14 to the Listing Rules, the Company had notified all Directors at least fourteen days before the convening of a Board meeting and ensure that relevant meeting materials has been sent to the Directors at least three days before the meeting. Notices and agendas of the Board meetings of the Company were prepared under the instruction of the Chairman of the Board and distributed to the Board members within reasonable time before the meetings pursuant to the Articles of Association and the Rules of Procedures of the Board of Directors.

During the reporting period, the Board of Directors held six on-the-spot meetings, including one meeting without the presence of Executive Directors, and signed meeting documents seven times in the form of circulation. Details on the attendance of the members of the Board of Directors set out in the Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees on page 71 of this report.

Board meetings are voted by a show of hands. To ensure the Directors making decisions objectively in the best interests of the Company, pursuant to the exceptions mentioned in Rule 13.44 and Paragraph 1, 2, 4 and 5 as set out in Note 1 to Appendix 3 of the Listing Rules and the relevant requirements of Article 123 of the Articles of Association, any Director shall abstain from voting on any resolutions in which he or his associate(s) is/are materially interested and shall not be counted in the quorum of the meeting.

In accordance with the requirements of Rule (c) and (d) as set out in Paragraph I of Appendix 14 to the Listing Rules, any Director attending the Board meetings by electronic means shall be deemed as present in person, while attendance of the Board meetings or meetings of its subordinate specialized committees by authorized representatives shall not be counted in the attendance rate of the respective Director.



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SUPPLY OF AND ACCESS TO INFORMATION OF THE BOARD

- All Directors have access to the advice and services of the Joint Company Secretary. If any Directors need to seek independent professional advice in the exercise of their functions and powers, the relevant fees shall be at the Company's expense;
- Directors are entitled to have access to the communication information of the management of the Company so as to keep them informed of the operations of the Company in a timely manner through constant communications with the management;
- Directors are entitled to have immediate access to the agendas and relevant meeting documents of the Board meetings and may require the management to supplement more detailed information on the meeting and other relevant information; and
- The minutes of meetings of the Board and its subordinate specialized committees are kept, which record in details the opinions expressed and any doubts or objection raised by the Directors. Directors may comment on the draft minutes. The final versions of the minutes will be filed within a reasonable time after the meetings and are available for inspection by all Directors.

SPECIALIZED COMMITTEES UNDER THE BOARD

The Company established four specialized committees under the Board, i.e. the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee, which are delegated to perform certain function of the Board so as to improve efficiency of the Board.



AUDIT COMMITTEE

The Company established the audit committee in accordance with Rule 3.21 of the Listing Rules, and formulated the Articles of Audit Committee to specify its written terms of reference, so as to regulate the compliant operation of the audit committee. The audit committee of the Company comprises four members, all being Independent Non-executive Directors. The term of the audit committee of the Company is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Audit Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the audit committee are set out as below:

Members of the Audit Committee

Name	Director Type	Position
Ms. Zhou Liye	Independent Non-executive Director	Chairman
Mr. Chen Jing	Independent Non-executive Director	Member
Mr. Zeng Xianggao	Independent Non-executive Director	Member
Mr. Gong Zhiqiang	Independent Non-executive Director	Member

The main authorities and duties of the audit committee include:

- to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and the terms of engagement of external auditor;
- to develop and implement policies on the engagement of an external auditor to provide non-audit services;
- to monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- to meet at least twice a year with the external auditors, review the external auditor's explanatory statement to the management on its audit or review, discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts;
- to monitor the financial, accounting policies and practices of the Company;
- to supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;
- to conduct regular assessment on the performance of the financial and audit departments of the Company and the performance of the responsible staff in charge of these departments;
- to discuss with the management the system of internal control and ensure that the management has discharged its duties to establish an effective internal control system;



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- to raise concern and take appropriate action towards and request the Company to undertake a fair and independent investigation over the matters with regard to the financial report, internal control of the Company or other matters with respect to any misconduct exists which are reported or raised by the staff; and
- to perform other duties as delegated by the Board of the Company.

During the reporting period, the audit committee held three on-the-spot meetings and signed meeting documents twice in the form of circulation. The meeting mainly reviewed the following issues:

- the Independent Auditor's Report of the Group for the year 2011 and the interim period of 2012, the Financial and Operation Analysis Report of the Company and the Financial and Operation Analysis Report of the Company for the third quarter of 2012;
- twelve copies of Internal Audit Report and eleven copies of Audit Follow-up Report of the Group;
- the composition and resource deployment of the audit department of the Company, the report on internal audit for the year 2011 and the plan on internal audit for the year 2012; and
- amendments were made to some provisions of the Articles of Audit Committee in compliance with the regulations set out in Code Provision C.3 (as amended) of Appendix 14 to the Listing Rules effective on 1 January 2012 and 1 April 2012 respectively, to supplement the terms of reference of the audit committee. Full text of the relevant articles is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

The audit committee is of the opinion that, during the reporting period, the accounting policy of the Company was carried out properly, the preparation of the financial reports of the Company strictly complied with applicable accounting standards, the Listing Rules and other laws and regulations, adequate disclosures have been made; and the procedures of internal audit of the Company were standard and reasonable, which had effectively controlled and prevented the operation and management risk.

Details of the attendance of the members of the audit committee set out in Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees on page 71 of this report.

REMUNERATION AND APPRAISAL COMMITTEE

The Company established the remuneration and appraisal committee in accordance with Rule 3.25 of the Listing Rules, and formulated the Articles of Remuneration and Appraisal Committee to specify its written terms of reference, so as to regulate the compliant operation of the remuneration and appraisal committee. The remuneration and appraisal committee of the Company comprises three members. The term of the remuneration and appraisal committee is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Remuneration and Appraisal Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the remuneration and appraisal committee are set out as below:



Members of the Remuneration and Appraisal Committee

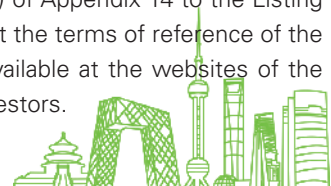
Name	Director Type	Position
Mr. Chen Jing	Independent Non-executive Director	Chairman
Ms. Zhang Kaihua	Non-executive Director	Member
Mr. Gong Zhiqiang	Independent Non-executive Director	Member

The main authorities and duties of the remuneration and appraisal committee include:

- according to the operation objectives and goals of the Company, propose to the Board the entire remuneration policies, structures and appraisal criteria for the Directors, supervisors and senior management of the Company;
- to make recommendations to the Board of the remuneration packages for individual Executive Directors and senior management, including benefits in kind, pension right and compensation payment;
- to ensure that no Directors, supervisors or any of their associates is involved in deciding their own remuneration;
- to vote on the service contracts of the Directors and supervisors before submitting to the shareholders for approval;
- to make recommendations to the Board on the remuneration of the Non-executive Directors and supervisors;
- to monitor the implementation of the remuneration system of the Company and propose any amendment thereto if needed; and
- to perform other duties as delegated by the Board.

During the reporting period, the remuneration and appraisal committee signed meeting documents twice in the form of circulation. The remuneration and appraisal committee reviewed the following issues with reference to the remuneration level of senior management of peer companies as well as the specific performance and results of the senior management of the Company:

- the overall implementation of remuneration of the employees of the Company in 2011;
- the proposal on distribution of bonus to the senior management in 2011; and
- amendments were made to some provisions of the Articles of Remuneration and Appraisal Committee in compliance with the regulations set out in Code Provision B.1.2 (as amended) of Appendix 14 to the Listing Rules effective on 1 January 2012 and 1 April 2012 respectively, to supplement the terms of reference of the remuneration and appraisal committee. Full text of the relevant articles is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.



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Details of the attendance of the members of the remuneration and appraisal committee set out in Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees on page 71 of this report.

Directors' remuneration

Name	Fees RMB'000	Basic salary and allowance RMB'000	Retirement benefit scheme		Remuneration and appraisal			Strategy committee RMB'000	Total RMB'000
			Annual bonus RMB'000	contributions RMB'000	Audit committee RMB'000	committee RMB'000	Nomination committee RMB'000		
Executive Director									
Dr. Wang Xu (<i>Chief Executive</i>) ¹	-	508	334	46	-	-	-	-	888
Non-executive Director									
Mr. Xu Zhe (<i>Chairman</i>)	-	-	-	-	-	-	-	-	-
Ms. Zhang Kaihua	-	-	-	-	-	-	-	-	-
Mr. Lu Lei	-	-	-	-	-	-	-	-	-
Mr. Pan Jiaren	-	-	-	-	-	-	-	-	-
Mr. Shi Hongyin	-	-	-	-	-	-	-	-	-
Ms. Hu Sha	-	-	-	-	-	-	-	-	-
Ms. Lu Xiaobing	-	-	-	-	-	-	-	-	-
Independent Non-executive Director									
Mr. Chen Jing	50	-	-	-	5	10	5	5	75
Ms. Zhou Liye ²	27	-	-	-	5	-	-	-	32
Mr. Zeng Xianggao ³	50	-	-	-	2.7	-	4.3	-	57
Mr. Gong Zhiqiang	50	-	-	-	5	5	-	-	60
Retired Director									
Ms. Li Zhi (Non-executive Director)	-	-	-	-	-	-	-	-	-
Dr. Qi Qigong (Non-executive Director)	-	-	-	-	-	-	-	-	-
Dr. Wang Huacheng (Independent Non-executive Director) ⁴	25	-	-	-	5	-	-	3	33

Notes:

1. Dr. Wang Xu was one of the five highest paid employees of the Company, the details of whose emoluments were set out in notes 10 and 11 to the financial statements on pages 122 to 125 of this annual report.
2. Ms. Zhou Liye was approved to act as an independent Director at the general meeting on 19 June 2012, and was approved to act as Chairman of the audit committee at the 1st meeting of the 5th Board of Directors on the same day. Her remuneration was calculated based on the days of her actual service.



3. Mr. Zeng Xianggao was approved to act as a member of the nomination committee at the 30th meeting of the 4th Board of Directors on 29 February 2012, and was approved to act as a member of the audit committee at the 1st meeting of the 5th Board of Directors on 19 June 2012. His remuneration was calculated based on the days of his actual service.
4. Dr. Wang Huacheng's remuneration was ceased to pay as at the end of June 2012.

Senior Management's Emoluments

The annual emoluments of the senior management of the Company fall within RMB1.0 million, and the five highest paid employees are all senior management of the Company. Details on the five highest paid individuals are set out in note 11 to the financial statements on page 125 of this annual report.

NOMINATION COMMITTEE

The Company established the nomination committee in accordance with Rule A.5.1 of Appendix 14 to the Listing Rules, and formulated the Articles of Nomination Committee in accordance with the requirements of Rule A.5.2 of Appendix 14 to the Listing Rules to specify its written terms of reference, so as to regulate the compliant operation of the nomination committee. The nomination committee of the Company comprises three members. The term of the nomination committee is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Nomination Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the nomination committee are set out as below:

Members of the Nomination Committee

Name	Director Type	Position
Mr. Xu Zhe	Non-executive Director (Chairman)	Chairman
Mr. Chen Jing	Independent Non-executive Director	Member
Mr. Zeng Xianggao	Independent Non-executive Director	Member

The main authorities and duties of the nomination committee include:

- to make recommendations to the Board in relation to the scale and composition of the Board;
- to review and assess the independence of the Independent Non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment or succession of Directors;
- to study the selection criteria and procedures of Directors, and make recommendations to the Board;
- to identify qualified candidates for directorship in an extensive scale;



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- to conduct appraisals on the candidates for directorship and make recommendations; and
- to perform other duties as delegated by the Board.

During the reporting period, the nomination committee signed meeting documents twice in the form of circulation. The committee considered and approved the Articles of Nomination Committee, full text of which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors. Meanwhile, the nomination committee reviewed the qualifications of the candidates for the 5th Board of Directors, including their qualifications, experiences, performance in the past and attitude as well as the independence of the independent Directors, and submitted the report on nomination of Directors to the Board. Details of the attendance of the members of the nomination committee set out in Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees on page 71 of this report.

STRATEGY COMMITTEE

The Company established the strategy committee and formulated the Articles of Strategy Committee to specify its written terms of reference, so as to regulate the compliant operation of the strategy committee. The strategy committee of the Company comprises four members. The term of the strategy committee of the Company is three years (the same as that of the Board) and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Articles of Strategy Committee, provided that the appointments may be terminated when both the member and the Company agree. Details of the members of the strategy committee are set out as below:

Members of Strategy Committee

Name	Director Type	Position
Mr. Xu Zhe	Non-executive Director (Chairman)	Chairman
Dr. Wang Xu	Executive Director (Chief Executive)	Member
Ms. Zhang Kaihua	Non-executive Director	Member
Mr. Chen Jing	Independent Non-executive Director	Member

The main authorities and duties of the strategy committee include:

- to conduct studies and make recommendations on the Company's long-term development strategies;
- to conduct studies and make recommendations on the Company's major investment and financing plans;
- to conduct studies and make recommendations on the Company's major capital operations and asset operation projects;



- to conduct studies and make recommendations on other significant events that may affect the development of the Company;
- to conduct inspection and supervision on implementation of the above matters; and
- to perform other duties as delegated by the Board of the Company.

During the reporting period, the strategy committee held one on-the-spot meeting. The committee considered and approved the strategic planning proposal of the Company and implementation report, and instructed the management to implement the plan properly in order to achieve the development targets of the strategic planning of the Company. Details of the attendance of the members of the strategy committee set out in the Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees below:

Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees

Name	The Board ¹	Audit Committee ²	Remuneration and Appraisal Committee ³	Nomination Committee ⁴	Strategy Committee
Executive Director					
Dr. Wang Xu (<i>Chief Executive</i>) ⁵	5/5				1/1
Non-executive Director					
Mr. Xu Zhe (<i>Chairman</i>) ⁶	3/6			0/2	1/1
Ms. Zhang Kaihua ⁶	4/6		0/2		1/1
Mr. Lu Lei ⁷	4/4				
Mr. Pan Jiaren	6/6				
Mr. Shi Hongyin	5/6				
Ms. Hu Sha ⁷	3/4				
Ms. Lu Xiaobing	3/6				
Independent Non-executive Director					
Mr. Chen Jing	3/6	2/3	0/2	0/2	1/1
Ms. Zhou Liye ⁷	3/4	1/2			
Mr. Zeng Xianggao	4/6	2/2		0/2	
Mr. Gong Zhiqiang	6/6	3/3	0/2		
Retired Director ⁸					
Ms. Li Zhi (Non-executive Director) ⁶	2/2				
Dr. Qi Qigong (Non-executive Director)	1/2				
Dr. Wang Huacheng (Independent Non-executive Director)	0/2				



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Notes:

1. The Board held six on-the-spot meetings and signed meeting documents seven times in the form of circulation.
2. The audit committee held three on-the-spot meeting and signed meeting documents twice in the form of circulation.
3. The remuneration and appraisal committee did not hold any on-the-spot meeting, but signed meeting documents twice in the form of circulation.
4. The nomination committee did not hold any on-the-spot meeting, but signed meeting documents twice in the form of circulation.
5. Dr. Wang Xu, as an Executive Director, did not attend the “Board meetings without presence of the Executive Directors;” and attended all the five on-the-spot meetings held in 2012.
6. Mr. Xu Zhe, Ms. Zhang Kaihua and Ms. Li Zhi (the then Non-executive Director of the Company) have abstained from voting on the resolutions to approve the continuing connected transactions at the Board meetings held on 23 March 2012 and 4 May 2012 respectively.
7. The appointments of Mr. Lu Lei, Ms. Hu Sha and Ms. Zhou Liye were approved at the annual general meeting held on 19 June 2012.
8. Ms. Li Zhi and Dr. Qi Qigong resigned as Non-executive Directors on 19 June 2012, and Dr. Wang Huacheng resigned as Independent Non-executive Director on the same day.

JOINT COMPANY SECRETARIES

The Company adopted the system of Joint Company Secretaries. Dr. Gao Jiaqing and Ms. KOO Ching Fan were appointed as Joint Secretaries of the Company to discharge the duties as Company Secretary, assist the Board of Directors to perform its responsibilities to the shareholders in accordance with the Listing Rules and provide professional advice to the Directors regarding corporate governance, so as to maintain smooth information communication among the members of the Board, arrange induction training and professional development for the Directors, ensure the compliance of the procedures of the Board and improve the efficiency of the Board.

Dr. Gao is a full-time employee of the Company. He is the Vice-President, Joint Secretary of the Company and secretary of the Board. Biography of Dr. Gao is set out in the section under heading Profiles of Directors, Supervisors and Senior Management on page 29 of this annual report. Ms. KOO Ching Fan was appointed as Joint Secretary of the Company since January 2012. She is serving at Fair Wind Secretarial Services Limited in Hong Kong instead of a full-time employee of the Company. Ms. Koo graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in 2002 and successively obtained the qualification as an associate member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, U.K. and a fellow member of the Association of Chartered Certified Accountants. She has more than 15 years of working experience in company secretarial work.



Pursuant to the provisions of Rule 3.29 of the Listing Rules, both of the joint secretaries have participated in over 15 hours of professional trainings organized by the Hong Kong Institute of Chartered Secretaries during the reporting period, covering the laws and regulations, finance, internal control and corporate governance. The professional capabilities of the joint secretaries have been effectively enhanced through continuous trainings and developments, which made positive contribution to promoting the effective functioning of the Board of Directors.

BOARD OF SUPERVISORS

The Company established the Board of Supervisors in accordance with Article 118 of the Companies Law, and formulated the Rules of Procedures of the Board of Supervisors to specify its written terms of reference, so as to regulate the operation of the Board of Supervisors. The Board of Supervisors of the Company comprises three members. Details of the members are set out as below:

Members of the Board of Supervisors

Name	Supervisor Type	Position
Mr. Di Guojun	Shareholder Representative	Chairman
Mr. Xiao Jun	Shareholder Representative	Supervisor
Ms. Xu Xiangyan	Staff Representative	Supervisor

The term of the 5th Board of Supervisors of the Company is three years and will expire on 19 June 2015. The appointment will be re-appointed thereafter subject to re-election and re-appointment and other related provisions as stipulated in the Articles of Association of the Company and the Rules of Procedures of the Board of Supervisors, provided that the appointments may be terminated when both the member and the Company agree. After conclusion of the annual general meeting held on 19 June 2012, Ms. Liu Jian retired as chairman of the board of supervisors as she has reached the retirement age. Mr. Xiao Jun, the supervisor representing shareholders, was eligible and willing to offer himself for re-election. Ms. Xu Xiangyan is the supervisor representing staff and was re-elected through democratic election by staff of the Company. With approval at the annual general meeting held on 19 June 2012, Mr. Di Guojun was appointed as supervisor to replace Ms. Liu Jian, and was elected as chairman by the members of the 5th Board of Supervisors.

The Company has entered into supervisor service contracts with each of the members of the 5th Board of Supervisors. Save as disclosed above, none of the supervisors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Biographies of the above-mentioned existing supervisors are set out in the section under heading Profiles of Directors, Supervisors and Senior Management on pages 28 to 29 of this annual report.



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During the reporting period, the Company has fine-tuned some provisions of the Rules of Procedures of the Board of Supervisors to make the relevant provisions more stringent and regulated, full text of which is available at the websites of the Stock Exchange and the Company for the information of shareholders and investors.

The main authorities and duties of the Board of Supervisors include:

- to raise proposals to the general meeting and to convene extraordinary general meetings;
- to attend the general meetings of the Company upon being invited, and to supervise and investigate into the implementation of the resolutions of the general meetings;
- to attend the meetings of the Board of the Company upon being invited, to supervise the matters, including the legality of the procedures of the convening of the meetings of the Board of the Company, the abstention of Directors as connected persons from voting and whether or not the contents of the resolutions of the meeting of the Board conform to the requirements of the laws, regulations, the Listing Rules and the Articles of Association and meet the actual needs of the Company;
- to attend the meetings, including the work meetings of the President that involve material operating activities of the Company;
- to supervise the acts of the Directors, President and other senior management of the Company in their performance of the company duties, that are in violation of the laws, administrative rules and regulations or the Articles of Association;
- to represent the Company in negotiation with, or bring legal actions against, the Directors;
- to examine the finance of the Company; and
- such other powers and duties as stipulated in the relevant laws and regulations, regulatory documents or the Articles of Association and as delegated by the general meetings.

During the reporting period, the Board of Supervisors held one on-the-spot meeting, and signed meeting documents five times in the form of circulation. The Board of Supervisors also effectively supervised the compliance of the Board and the operation and management by the management. The meeting mainly reviewed the following issue:

- the Independent Auditor's Report of the Group for the year 2011 and the interim period of 2012, the Financial and Operation Analysis Report of the Company and the Financial and Operation Analysis Report of the Company for the third quarter of 2012;



- amendments were made to the Rules of Procedures of Board of Supervisors to fine-tune the expression of certain provisions, so as to make the relevant provisions more stringent and regulated, full text of which is available at the websites of the Stock Exchange and the Company for the information of the shareholders and investors;
- nominate candidates to be elected as shareholder representatives for the 5th Board of Supervisors; and
- elect the chairman of the 5th Board of Supervisors.

The above resolutions have been approved and passed by all the supervisors.

During the reporting period, all supervisors have participated in various forms of learning and education activities during their tenure to develop and refresh their knowledge and skills. The forms of learning taken by the supervisors include part-time MBA education, on-the-spot trainings organized by Hong Kong Institute of Chartered Secretaries in relation to corporate governance as well as reading materials and E-learning in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance. Meanwhile, the Company also send a duplicate of "Monthly Report to Directors" (provided to Directors) to supervisors so as to update them the latest developments in the business and finance of the Group in a timely manner. During the reporting period, the supervisors provided their training records to the Company semi-annually.

INTERNAL CONTROL SYSTEM

The Board of the Company conducted review on the effectiveness of the internal control system of the Company regularly to ensure the relevant system is effectively and adequately followed. The Board and its subordinate specialized committees convened meetings regularly to monitor financial, operational and risk management in a timely manner and make recommendations on improvement. The Board is of the opinion that the existing internal control system of the Company worked effectively in finance, operation, compliance and risk management during the reporting period, so as to ensure smooth operation of all the business activities of the Company.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL SYSTEM

	Objective	Implementation
Internal Environment	Establish regulated corporate governance structure, maintain appropriate delegation of power and foster the integrity, moral values and competence of employees, and create good business atmosphere for the Company.	<ul style="list-style-type: none"> Establish regulated corporate governance structure with the general meetings, Board of Directors, Board of Supervisors and the management of the Company performing their respective duties and acting in harmony; Establish internal management standards and define organizational structure, job responsibilities and operation process; Formulate a series of human resources management systems, define rules for employment, training, assessment, reward & punishment and promotion, create more opportunities for career development of employees and build harmonious corporate culture.
Risk Assessment	Confirm and identify risks relating to the Company as the basis to develop control measures.	Establish risk assessment system, set up risk control department to identify and address potential operational risks, environmental risks and financial risks.
Control Activities	Formulate policies and procedures for each business function, including approval, authorization, check, review, assets safety and division of responsibilities.	Formulate control measures in respect of authorization and approval, accounting system, asset protection, budget, operation analysis and performance assessment, taking the results of risk assessment into account, to ensure to control the risks effectively.
Information Communication	Ensure smooth information communication with outside and provide responsibilities reminder for the management to take measures to implement the supervision effectively.	<ul style="list-style-type: none"> Formulate relevant information-related management system and determine the processes of collection, handling and transmission of internal control related information; Establish reporting and complaints systems in relation to customer complaints handling process, set up complaint mailbox and report in a timely manner.
Supervision	Adopt control and risk assessment system and continuously assess and control risks through internal audit and by informing employees of important control process.	<ul style="list-style-type: none"> Establish internal control and supervision system and set up audit department; Establish regular internal control review system, engage intermediaries to perform annual assessment and give reports on their assessment of our internal control.



INSIDE INFORMATION MANAGEMENT

In order to reinforce its management of insiders and external information users and keep inside information confidential so as to prevent insider trading, the Company constantly enhance internal control over inside information management. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- managed the inside information in strict compliance with the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission in June 2012 and the Listing Rules of the Stock Exchange, kept the inside information confidential before disclosure, and disclosed it immediately after the Board approved to do so;
- developed Management System of Inside Information and Insiders; and
- regulated all relevant securities transactions by giving notice to insiders in a timely manner, including registration of specific insiders before the price-sensitive period (including 60 days prior to final results announcement and 30 days prior to interim results announcement), and sending notice of restrictions on trading in shares and insider trading by email at the same time.

During the reporting period, there was no disclosure of inside information, and none of the Directors, supervisors or senior management of the Company made use of any inside information to deal with the shares of the Company. No investigation or rectification was conducted or required by the regulatory authorities in this regard.

INTERNAL AUDITOR

The Company established the audit department, which is under the guidance of the Audit Committee and assumes the important responsibilities of supervising the internal governance of the Company. The audit department is responsible for carrying out independent internal audit on operations, management and major economic events of the Company in accordance with the principle of independence, objectivity and authority of internal audit, and for giving advice and suggestions on operations and internal control and management so as to promote the development of the Company’s business. The main responsibilities of audit department include establishing and perfecting the working systems and procedures for internal audit of the Company, and implementation of internal audit in accordance with the annual internal audit plans approved by the Audit Committee.

During the reporting period, the audit department completed 12 copies of Internal Audit Reports, 11 copies of Audit Follow-up Reports and 5 copies of Leaving Post Audit Reports. The proactively conducting of internal audit of the Company provided efficient supervision to effectively prevent operational risks, as well as contributed to the enhancement of overall levels of corporate governance of the Company.



CORPORATE GOVERNANCE REPORT

The audit department mainly completed the following work during the reporting period:

Audited Period	Audit Reports	Audit Follow-up Reports	Leaving Post Audit Reports
Year 2011	4	3	
First quarter of 2012	2	4	
Second quarter of 2012	3	1	
Third quarter of 2012	3	3	
Leaving post audit for 2012			5
Total	12	11	5

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu has been providing audit-related services to the Company since the listing of the Company in 2001. Deloitte Touche Tohmatsu has written to the Audit Committee confirming that they are independent of the Company and that there is no relationship between Deloitte Touche Tohmatsu and the Company which may affect their independence. During the reporting period, Deloitte Touche Tohmatsu provided the Company with following audit and non-audit services:

Service	2012 RMB'000	2011 RMB'000
Audit service	1,175	1,056
Interim review non-audit service	200	316
Total	1,375	1,372

During the reporting period, Deloitte Touche Tohmatsu attended the 2011 annual general meeting of the Company and the meetings of the Audit Committee to review the 2011 annual results and 2012 interim results. An ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

CONTINUOUS IMPROVEMENT

Capinfo has made continuous efforts to improve its corporate governance standards with an aim to continue to enhance and, where appropriate, improve our corporate governance practices in light of the evolving regulatory requirements and international development trends based on our extensive experience accumulated for years, so as to realize the best interests of shareholders.



INVESTORS RELATIONS



Excellent and efficient management of relationship with investors facilitates communication between the Company and the shareholders and investors, which may effectively enhance transparency and improve corporate governance of the Company so as to increase its value in the capital market. Through effective communications with the shareholders and investors, the Company is able to update the shareholders, investors and analysts with information on the latest development of the Company in a timely and efficient manner, including business progress, development strategies and industry prospect, providing them with a better understanding of the Company and the industry in which the Company operates, which in turn enables them to accurately evaluate the Company's investment value. Meanwhile, close communications with the shareholders and investors may also provide the Company with first-hand feedback from the shareholders and investors, such as their views and advices on the development of the Company, providing reference for the management's strategic decision.

To further improve communication with the shareholders and investors, the Company established long-term communication mechanism for management of relationship with investors. In 2012, the Company positively received visits of the shareholders and investors, promptly handled enquiry mails from the shareholders and investors, and enhanced maintenance and updating of the Company's website information, so as to provide accurate and timely information and constantly enrich the content of the website, providing the investors with an easy access to the latest development of the Company and its businesses. In 2013, the Company will continue to take initiatives to maintain the two-way communication with the shareholders, investors, analysts and the media in an equal, fair and open manner through timely and highly transparent information disclosure, with an aim to enhance the shareholders and investors' understanding of and confidence in the Company and to further optimize the shareholder structure so as to maximize the value of the shareholders. The measures to be taken include:



Investors Relations

1. To further strengthen communication with the investment community, so as to obtain more information on the latest trend of the industry and views and advice from the investors towards the Company, providing useful reference for management's strategic decision.
2. Continue to proactively promote communication with the shareholders, investors and potential investors in an honest and equal manner, enabling them to have a full understanding of the Company's development strategies and attracting more institutional investors to hold shares of the Company as long-term investments, so as to achieve the target of optimizing the shareholder structure of the Company.
3. While adhering to the Company's development strategies, maintain close contact with securities brokers and participate in the activities arranged by them to attract more attention from buyers' analysts, so as to further increase our market visibility.
4. In strict compliance with the disclosure requirements under the Listing Rules, expand the scope of voluntary disclosure to provide timely and accurate information to the public with sufficient information disclosure, enabling the investors to have a better understanding of the Company.
5. As an information platform of the Company, to further leverage on the Company's website to publish more timely and accurate information for the investors' inspection.

INVESTORS CALENDAR

<p>22 March 2013 Announcement of annual results for the year ended 31 December 2012</p>	<p>29 April 2013 Dispatch of 2012 annual report, notice of, proxy form and reply slip for 2012 annual general meeting</p>	<p>20 May to 19 June 2013 Closure of register of members (both days inclusive) to ascertain the entitlement to attend the general meeting</p>
<p>19 June 2013 Convention of 2012 annual general meeting*</p>	<p>21 June 2013 Ex-dividend date</p>	<p>25 June to 3 July 2013 Closure of register of members (both days inclusive) to ascertain the entitlement to the dividend</p>
<p>4:30 pm 24 June 2013 Last day to register for 2012 final dividend</p>	<p>August 2013 Announcement of interim results for the six months ended 30 June 2013</p>	<p>Before 30 September 2013 Payment of 2012 final dividend</p>



Notes*:

1. The reply slip for the meeting must be lodged in person or by mail with the Company's H share registrar and transfer office, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office of the Company at 12th Floor, Quantum Silver Plaza, 23 Zhichun Road, Haidian District, Beijing, the People's Republic of China (for holders of domestic shares) on or before Thursday, 30 May 2013.
2. To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the above addresses not later than 24 hours before the time scheduled for the annual general meeting or any adjournment thereof.

PROFIT DISTRIBUTION PLAN IN THE REPORTING PERIOD

The Company is committed to providing reasonable investment returns to the investors, and formulated profit distribution plans based on the financial performance of the Company to ensure consistency and stability of the dividend distribution policy. In accordance with the requirements of the Articles of Association, unless otherwise approved by special resolution of the general meeting of shareholders, the Company shall only distribute dividends once a financial year.

1. During the year 2012, profit attributable to owners of the Company amounted to approximately RMB85.6 million and basic earnings per share amounted to RMB2.95 cents. The Board of the Company proposed a payment of final dividend of RMB1.30 cents (approximately HK1.61 cents) per share (tax inclusive) for the year 2012, totaling approximately RMB37.7 million (tax inclusive). The 2012 annual general meeting will be held on Wednesday, 19 June 2013 to consider and approve the proposed payment of final dividend for the year 2012 by the Board.
2. In accordance with the provisions of Article 146 and 147 of the Articles of Association, dividends shall be declared and denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB while dividends payable to holders of H shares shall be paid in Hong Kong Dollars. In paying dividends in Hong Kong Dollars, the applicable exchange rate shall be the average of the medium exchange rate for conversion of RMB to Hong Kong Dollar as announced by the People's Bank of China for the calendar week preceding the date on which such dividends are declared.
3. Pursuant to the Law on Corporate Income Tax of the People's Republic of China and its implementation rules which came into effect on 1 January 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividends to non-resident corporate shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be deemed as shares held by non-resident corporate shareholders, therefore the dividends payable on such shares will be subject to the withholding of the corporate income tax. After receipt of the dividends, a non-resident corporate shareholder may, in person or through an agent, apply to the competent tax authorities for preferential treatment under the taxation treaties (arrangements) to enjoy tax refund at the presence of evidence in support of its status as a beneficial owner as defined in the taxation treaties (arrangements).



Investors Relations

4. Pursuant to the regulation promulgated by the State Administration of Taxation of the PRC (Guo Shui Han [2011] No.348), the Company is required to withhold and pay the individual income tax for its individual holders of H shares ("Individual H Shareholders") and the Individual H Shareholders are entitled to certain tax preferential treatments according to the tax treaties between those countries where the Individual H Shareholders are residents and China and the provisions in respect of tax arrangements between mainland China and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the Individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries having agreements with China for an individual income tax rate in respect of dividend of 10%. For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of lower than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)). For Individual H Shareholders who are residents of those countries having agreements with China for an individual income tax rate in respect of dividend of higher than 10% but lower than 20%, the Company will withhold and pay the individual income tax at the agreed effective tax rate. For Individual H Shareholders who are residents of those countries without any taxation agreements with China or having agreements with China for an individual income tax in respect of dividend of 20% or under other situations, the Company will withhold and pay the individual income tax at the tax rate of 20%.

The Company will determine the country of domicile of the Individual H Shareholders based on the registered address as recorded in the H share register of members of the Company (the "Registered Address") at 4:30 p.m. on Wednesday, 3 July 2013 and will accordingly withhold and pay the individual income tax. If the country of domicile of the Individual H Shareholder is not the same as the Registered Address, the Individual H Shareholder shall notify the share registrar of the Company's H shares and provide relevant supporting documents before 4:30 p.m. on Wednesday, 3 July 2013 (address: Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong).

5. The Company will not assume any liability whatsoever for any claims arising from any delay in or inaccurate determination of the status of the shareholders of the Company or any disputes over the withholding and payment of tax. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H shares of the Company.



DIVIDEND DISTRIBUTION INFORMATION FOR PREVIOUS YEARS

FY	Ex-dividend date	Declaration date	Payment date*	Dividend per share before tax (RMB cent)	Dividend per share before tax (HKD cent)
Final dividend for 2007	16 May 2008	20 March 2008	15 July 2008	1.40	1.54
Final dividend for 2008	14 May 2009	23 March 2009	16 July 2009	0.52	0.59
Interim dividend for 2010	27 August 2010	12 August 2010	5 November 2010	2.05	2.35
Final dividend for 2010	16 May 2011	21 March 2011	9 August 2011	1.15	1.36
Final dividend for 2011	21 June 2012	23 March 2012	13 August 2012	1.20	1.48
Final dividend for 2012	21 June 2013	22 March 2013	Before 30 September 2013	1.30	1.61

Note: The payment date refers to the payment date of dividends paid on H shares. The payment date of dividends paid on the domestic shares is near to that of the H shares.

CLASS OF SHAREHOLDERS AND PUBLIC FLOAT

The Company has issued an aggregate of 2,898,086,091 ordinary shares, of which, 2,123,588,091 are domestic shares and 774,498,000 are overseas listed foreign invested shares (H shares), representing approximately 73.28% and 26.72% of the total issued ordinary shares of the Company respectively. As at the date of this report, based on the information that is publicly available, the public float meets the requirement of minimum public float stated in the Listing Rules.

CONVENING OF SHAREHOLDER'S GENERAL MEETINGS DURING THE REPORTING PERIOD

Pursuant to the Articles of Association and Rules of Procedures for General Meetings, the Company specified the convening procedures and voting process of shareholder's general meetings. During the reporting period, the Company held two general meetings in strict compliance with the procedures of notification, convening and holding as stipulated in the relevant laws and regulations, the Listing Rules and the Articles of Association.



Investors Relations

CONVENTION OF GENERAL MEETINGS

	2012 extraordinary general meeting	2011 annual general meeting
Date of meeting	4 May 2012	19 June 2012
Place of meeting	Beijing	Beijing
Issues	<ol style="list-style-type: none"> the disposal of 25% equity interest of BST, a non-wholly-owned subsidiary of the Company*; the disposal of the entire equity interest of SN Ticket, a wholly-owned subsidiary of the Company*; the amendments of the "Rules of Procedures for General Meetings"; the amendments of the "Rules of Procedures for Meetings of the Board of Directors"; the amendments of the "Rules of Procedures for Meetings of the Board of Supervisors"; and the amendments of Article 10 of the Articles of Association. 	<ol style="list-style-type: none"> the audited consolidated financial statements of the Group and the Directors' and independent auditor's reports for the year ended 31 December 2011; the supervisors' report for the year 2011; the independent directors' report for the year 2011; the re-appointment of Deloitte Touche Tohmatsu as auditor and to authorize the Board of Directors of the Company to fix their remuneration; declaration of the final dividend of HK1.48 cents (i.e. RMB1.20 cents) per share for the year ended 31 December 2011; the election of the 5th Board of Directors of the Company: (1) Executive Director Wang Xu; (2) Non-executive Director Xu Zhe; (3) Non-executive Director Zhang Kaihua; (4) Non-executive Director Pan Jiaren; (5) Non-executive Director Shi Hongyin; (6) Non-executive Director Lu Xiaobing; (7) Non-executive Director Lu Lei; (8) Non-executive Director Hu Sha; (9) Independent Non-executive Director Chen Jing; (10) Independent Non-executive Director Zeng Xianggao; (11) Independent Non-executive Director Gong Zhiqiang; (12) Independent Non-executive Director Zhou Liye; authorize the Board of Directors to fix the remuneration of the Directors; authorize the Board of Directors to enter into service contract with each of the newly elected Directors respectively on such terms and conditions as the Board may think fit; the election of supervisors representing the shareholders of the Company: (1) Xiao Jun; (2) Di Guojun; authorize the Board of Directors to fix the remuneration of the supervisors; and authorize the Board of Directors to enter into service contract with each of the newly elected supervisors respectively on such terms and conditions as the Board may think fit.
Number of shareholders or authorized representatives present at the meeting	6	6
Total number of representing shares	2,134,100,091	2,123,617,691
Percentage of total share capital	73.64%	73.28%
For	100%	Except that Resolution 6(1) and Resolution 11 obtained 99.9986% of shares voted in favor, 100% of votes were cast in favor for all the other resolutions.
Against	Nil	Except that 0.0014% votes were cast against Resolution 6(1) and Resolution 11, no votes were cast against any of other resolutions.

Note: BSAM, a related party of the Company by virtue of holding 1,834,541,756 shares of the Company, had abstained from voting on the resolutions in respect of the disposal of 25% equity interest of BST (a non-wholly-owned subsidiary of the Company) and the disposal of the entire equity interest of SN Ticket (a wholly-owned subsidiary of the Company).



ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2012 extraordinary general meeting	2011 annual general meeting
Executive Director		
Dr. Wang Xu (<i>Chief Executive</i>)	✓	✓
Non-executive Directors		
Mr. Xu Zhe (<i>Chairman</i>)	✓	✓
Ms. Zhang Kaihua	✓	✓
Mr. Lu Lei ¹	N/A	N/A
Mr. Pan Jiaren	✓	✓
Mr. Shi Hongyin	✓	✓
Ms. Hu Sha ¹	N/A	N/A
Ms. Lu Xiaobing	✓	✓
Independent Non-executive Directors		
Mr. Chen Jing		
Ms. Zhou Liye ¹	N/A	N/A
Mr. Zeng Xianggao		✓
Mr. Gong Zhiqiang	✓	✓
Retired Directors²		
Ms. Li Zhi (Non-executive Director)	✓	
Dr. Qi Qigong (Non-executive Director)		
Dr. Wang Huacheng (Independent Non-executive Director)		

Notes:

1. The appointments of Mr. Lu Lei and Ms. Hu Sha (both being Non-executive Directors) and Ms. Zhou Liye (Independent Non-executive Director) were approved at the annual general meeting held on 19 June 2012.
2. Ms. Li Zhi and Dr. Qi Qigong (both being Non-executive Directors) and Dr. Wang Huacheng (Independent Non-executive Director) retired after conclusion of the annual general meeting held on 19 June 2012.

VOTE BY WAY OF POLL

Pursuant to the provisions in Article 67 of the Articles of Association, the votes for all resolutions at the general meetings will be taken by way of poll. Each share represents one voting right. The announcement of poll results of the general meeting will be published at the websites of the Stock Exchange and the Company respectively for the information of the shareholders and investors.



Investors Relations

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments were made to the scope of business of the Company as set out in Article 10 of the Articles of Associations of the Company at the extraordinary general meeting held on 4 May 2012 in light of the actual businesses of the Company. The provision of the relevant article (as revised) stipulates as follows: The scope of business of the Company shall be in accordance with the approval issued by the registration authority of the Company. The scope of business of the Company includes the following: to provide information resources services; e-commerce services; technical development, consultancy, services and training with respect to network interconnection, computer equipment, software and hardware products as well as communication software and hardware products; information and network system integration and proxy services; sales of computers and peripheral equipment; directly trading in or acting as consignee in importation and exportation of goods and technologies (except those restricted by the State or prohibited for import and export); professional contracting.

The above amendments have been approved by the general meeting by way of a special resolution in accordance with the requirements of Article 72 of the Articles of Association and have become effective. The Company has effected the relevant registration and filing procedures in accordance with the requirements of the laws and regulations of the jurisdictions where the Company is listed and the PRC.

SHAREHOLDER SERVICES

- Any matters relating to the H shares in your name, such as transfer of shares, change of name or address and loss of share certificates, should be addressed in writing to the Company's Hong Kong share registrar and transfer office.
- Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available) from the Board and the management by writing to the Board office of the Company. Any such letter from the shareholders should be marked with "Shareholders' Communications" on envelope.



SHARE REGISTRAR AND TRANSFER OFFICE

H Shares

Hong Kong Registrars Limited
Address: Rooms 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai
Tel.: (852) 2862 8523
Fax: (852) 2865 0990

Domestic Shares

China Securities Depository and Clearing
Corporation Limited
Address: No. 17 Taipingqiao Street, Xicheng District, Beijing
Post Code: 100033
Tel.: (8610) 5937 8888
Fax: (8610) 5859 8977

CONTACTS

Principal Place of Business in the PRC

Address: 12th Floor, Quantum Silver Plaza, No. 23
Zhi Chun Road, Haidian District, Beijing 100191 PRC
Tel.: (8610) 8851 1155
Fax: (8610) 8235 8550
E-mail address for Investors Relations:
investor@capinfo.com.cn

Contact Place in Hong Kong

Address: Unit B, 1st Floor, Neich Tower, 128 Gloucester
Road, Wanchai, Hong Kong, PRC
Tel.: (852) 2526 2186
Fax: (852) 2827 4836



INDEX OF INFORMATION DISCLOSURE

No.	Events	Release Date
1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 December 2011	4 January 2012
2	Announcement on Change of Company Secretary and Authorized Representative	11 January 2012
3	Delay in Dispatch of Circular in Relation to Disposal of Equity Interests in Subsidiaries	30 January 2012
4	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 January 2012	1 February 2012
5	Announcement on List of Board of Directors and Their Roles and Functions	1 March 2012
6	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 29 February 2012	2 March 2012
7	Notice of Board Meeting	13 March 2012
8	Announcement on Proposed Amendments of the Articles of Association	14 March 2012
9	Circular on Discloseable and Connected Transactions, Proposed Amendments of Articles of Association and Proposed Amendments of Internal Corporate Governance Provisions	14 March 2012
10	Notice of Extraordinary General Meeting	14 March 2012
11	Form of Proxy for Notice of EGM	14 March 2012
12	Reply Slip for Notice of EGM	14 March 2012
13	Consolidated Results for the Year Ended 31 December 2011	26 March 2012
14	Announcement on Continuing Connected Transactions – the Lease Agreements in Respect of Office Premises	30 March 2012
15	Terms of Reference of the Nomination Committee	30 March 2012
16	Terms of Reference of the Remuneration and Appraisal Committee	30 March 2012
17	Terms of Reference of the Audit Committee	30 March 2012
18	Articles of Association	30 March 2012
19	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 March 2012	2 April 2012
20	Clarification Announcement Closure of Register of Members	2 April 2012
21	Announcement on Trust	13 April 2012
22	2011 Annual Report	26 April 2012
23	Announcement on Proposed Re-election and Election of the Fifth Session of the Board of Directors and Board of Supervisors	27 April 2012
24	Circular on Proposed Re-election and Election of the Fifth Session of the Board of Directors and Board of Supervisors	2 May 2012
25	Notice of Annual General Meeting	2 May 2012
26	Form of Proxy for Annual General Meeting	2 May 2012
27	Reply Slip for Annual General Meeting	2 May 2012
28	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 April 2012	2 May 2012
29	Announcement on Results of Extraordinary General Meeting	4 May 2012
30	Announcement on Continuing Connected Transaction – the Lease Agreement in Respect of Office Premises and Revision of Annual Caps	8 May 2012
31	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 May 2012	1 June 2012
32	Announcement on Results of Annual General Meeting	19 June 2012
33	Announcement on List of Board of Directors and Their Roles and Functions	25 June 2012
34	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 June 2012	3 July 2012
35	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 July 2012	1 August 2012
36	Notice of Board Meeting	10 August 2012
37	Interim Results Announcement for the Six Months Ended 30 June 2012	22 August 2012
38	2012 Interim Report	28 August 2012
39	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 August 2012	4 September 2012
40	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 September 2012	8 October 2012
41	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 31 October 2012	5 November 2012
42	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended 30 November 2012	3 December 2012



INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF CAPINFO COMPANY LIMITED

(established as a joint stock limited company in the People's Republic of China)

We have audited the accompanying consolidated financial statements of Capinfo Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 91 to 156, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY (CONTINUED)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

22 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Continuing Operations			
Revenue	5	526,097	388,536
Cost of sales		(335,095)	(245,660)
Gross profit		191,002	142,876
Other income	5	17,618	17,053
Research and development costs		(27,568)	(19,643)
Marketing and promotional expenses		(46,682)	(34,658)
Administrative expenses		(55,249)	(43,424)
Share of results of associates	19	9,747	11,411
Other gains and losses	8	8,775	20,850
Finance cost for loan from government, wholly repayable within 5 years		(196)	(322)
Profit before tax	9	97,447	94,143
Income tax expense	12	(11,416)	(10,126)
Profit for the year from continuing operations		86,031	84,017
Discontinued Operations			
Loss for the year from discontinued operations	13	(3,251)	(14,558)
Profit and total comprehensive income for the year		82,780	69,459
Profit and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		85,973	84,092
– from discontinued operations		(386)	(6,552)
		85,587	77,540
Profit and total comprehensive income (expense) for the year attributable to non-controlling interests			
– from continuing operations		58	(75)
– from discontinued operations		(2,865)	(8,006)
		(2,807)	(8,081)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
Profit and total comprehensive income (expense) attributable to:			
Owners of the Company		85,587	77,540
Non-controlling interests		(2,807)	(8,081)
		82,780	69,459
EARNINGS (LOSSES) PER SHARE			
From continuing and discontinued operations	15		
– Basic		RMB2.95 cents	RMB2.68 cents
– Diluted		RMB2.95 cents	RMB2.68 cents
From continuing operations	15		
– Basic		RMB2.97 cents	RMB2.90 cents
– Diluted		RMB2.97 cents	RMB2.90 cents
From discontinued operations	15		
– Basic		RMB(0.01) cent	RMB(0.22) cent
– Diluted		RMB(0.01) cent	RMB(0.22) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	16	139,045	62,719
Investment property	17	59,922	63,706
Prepaid lease payments	18	30,016	–
Deposits paid on acquisition of property, plant and equipment		726	557
Interests in associates	19	60,528	39,309
Available-for-sale investments	20	1,971	1,971
Trade receivables	23	–	1,700
Deferred tax assets	21	9,678	4,671
		301,886	174,633
Current assets			
Inventories	22	759	296
Prepaid lease payments	18	4,687	–
Trade and other receivables	23	112,022	93,289
Amounts due from customers for contract works	24	81,496	41,939
Amounts due from related parties	36	6,890	2,929
Bank deposits	25	154,776	181,267
Bank balances and cash	25	453,764	438,563
		814,394	758,283
Assets classified as held for sale	13	–	42,107
		814,394	800,390
Current liabilities			
Trade and other payables	26	175,058	105,442
Amounts due to related parties	36	1,416	779
Customer deposits for contract works	24	143,426	103,813
Income tax payable		5,180	3,498
Loan from government	27	4,540	5,450
		329,620	218,982
Liabilities associated with assets classified as held for sale	13	–	5,384
		329,620	224,366
Net current assets		484,774	576,024
Total assets less current liabilities		786,660	750,657



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	28	289,809	289,809
Share premium and reserves		496,751	440,740
Equity attributable to owners of the Company		786,560	730,549
Non-controlling interests		100	20,108
Total equity		786,660	750,657

The consolidated financial statements on pages 91 to 156 were approved and authorised for issue by the board of directors on 22 March 2013 and are signed on its behalf by:



Mr. Xu Zhe
CHAIRMAN



Dr. Wang Xu
EXECUTIVE DIRECTOR AND
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company							Total
	Share capital	Share premium	Capital reserve	Statutory		Retained profits	Non-controlling interests	
				surplus reserve	Reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2011	289,809	254,079	6,961	27,329	113,344	691,522	30,183	721,705
Profit and total comprehensive income for the year	-	-	-	-	77,540	77,540	(8,081)	69,459
Dividend recognised as distribution (note 14)	-	-	-	-	(33,297)	(33,297)	-	(33,297)
Profit appropriations	-	-	-	7,127	(7,127)	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	(1,994)	(1,994)
Transfer due to liquidation of an associate	-	-	(5,216)	-	-	(5,216)	-	(5,216)
At 31 December 2011	289,809	254,079	1,745	34,456	150,460	730,549	20,108	750,657
Profit and total comprehensive income for the year	-	-	-	-	85,587	85,587	(2,807)	82,780
Dividend recognised as distribution (note 14)	-	-	-	-	(34,792)	(34,792)	-	(34,792)
Profit appropriations	-	-	-	6,743	(6,743)	-	-	-
Disposal of subsidiaries (note7)	-	-	(1,745)	(890)	2,635	-	(17,201)	(17,201)
Others	-	-	-	-	5,216	5,216	-	5,216
At 31 December 2012	289,809	254,079	-	40,309	202,363	786,560	100	786,660



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit for the year	82,780	69,459
Adjustments for:		
Income tax expenses from continuing operations	11,416	10,126
Income tax expenses from discontinued operations	–	84
Finance cost	196	322
Interest income from bank deposits	(6,683)	(6,397)
Gain on change in fair value of a financial asset at fair value through profit or loss (“FVTPL”)	(13,023)	(16,737)
Share of results of associates	(9,747)	(11,411)
Gain on disposal of subsidiaries included in the profit from discontinued operations	(2,234)	–
Gain on disposal of subsidiaries	–	(32)
Gain on disposal of interest in an associate	–	(5,676)
Depreciation of property, plant and equipment	35,216	52,548
Amortisation of intangible asset	733	1,100
Depreciation of investment property	3,784	3,784
Gain on disposal of property, plant and equipment	(35)	(25)
Reversal of allowance of inventories	–	(304)
Allowance for doubtful debts	4,283	1,620
Dividend income from available-for-sale investment	–	(216)
Operating cash flows before movements in working capital	106,686	98,245
(Increase) decrease in inventories	(529)	216
Increase in amounts due from customers for contract works	(39,879)	(9,999)
Increase in amounts due from related parties	(5,918)	–
Increase in trade and other receivables	(59,083)	(3,146)
Increase (decrease) in trade and other payables	50,147	(22,239)
Increase in amounts due to related parties	6,224	–
Increase in customer deposits for contract works	39,699	16,124
Cash generated from operations	97,347	79,201
Income tax paid	(14,739)	(12,659)
NET CASH GENERATED FROM OPERATING ACTIVITIES	82,608	66,542

	Notes	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES			
Interest received		6,683	6,397
Proceeds from disposal of property, plant and equipment		1,555	330
Cash paid for purchase of property, plant and equipment		(91,204)	(6,100)
Deposits paid on acquisition of property, plant and equipment		(732)	(414)
Withdrawal from bank deposits		260,085	31,243
Placement of bank deposits		(233,594)	(112,754)
Purchase of a financial asset at FVTPL		(175,000)	(230,800)
Settlement of a financial asset at FVTPL		188,023	247,537
Net cash outflow from disposal of a subsidiary		–	(551)
Net cash outflow from disposal of discontinued operations	7	(5,468)	–
NET CASH USED IN INVESTING ACTIVITIES		(49,652)	(65,112)
FINANCING ACTIVITIES			
Interest paid		(196)	(161)
Repayment of loan from government		(910)	(910)
Dividend paid		(34,792)	(33,297)
NET CASH USED IN FINANCING ACTIVITIES		(35,898)	(34,368)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,942)	(32,938)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		456,706	489,644
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		453,764	456,706
COMPRISED OF:			
Cash and cash equivalents		453,764	438,563
Cash and cash equivalents classified as held for sale	13	–	18,143
TOTAL CASH AND CASH EQUIVALENTS		453,764	456,706



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Company is a joint stock limited company established in Beijing, the People's Republic of China (the "PRC") and its H shares are listed on The Stock Exchange of Hong Kong limited (the "Stock Exchange"). Its ultimate holding company is 北京市國有資產經營有限責任公司, Beijing State-owned Assets Management Corporation Limited ("BSAM"), a state-owned enterprise, also established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Investors Relations" to the annual report.

The Group are principally engaged in the installation of network systems, network design, consultancy and related technical services, and sales of computers, related accessories and equipment.

The Company transferred its listing from the Growth Enterprise Market to the Main Board of the Stock Exchange effective on 21 January 2011.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

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

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets;
HKAS 1 (Amendments)	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012.

Except as described below, the adoption of the above amendments to HKFRSs in the current year has had no material effect 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.

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

Amendments to HKAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is *Annual Improvements to HKFRSs (2009 – 2011 Cycle)*. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In current year, the Group has reclassified certain items from other income and administrative expenses to other gains and losses, details of which are set out in Note 39, which does not result in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group does not present a third statement of financial position as at 1 January 2011. The comparative figures of year 2011 have been reclassified to conform to the current year’s presentation accordingly.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretation (new and revised HKFRSs) and HKAS that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS 1 ¹
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

HKFRS 12 Disclosure of Interests in Other Entities is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

Except for the disclosure requirements under HKFRS 12 as described above, the directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity attributable to owners of the Company therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Company's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly dispose of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations) or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 Financial Instruments: Recognition and Measurement). The financial statement of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

When the Group disposed partial interest in an associate that do not result in the Group losing significant influence over that associate, any difference between the disposal proceeds and the attributable carrying amount of the partial interest being disposal of is recognised in profit or loss.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Ticket agency service commission income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Technology service contracts

When the outcome of a contract for the technology service of network systems can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for the work performed to date bear to estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

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

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contribution.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and those designated as at FVTPL on initial recognition. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available - for - sale financial assets

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

The Group's available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties and loan from government are subsequently measured at amortised cost, using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Share-based payment transactions

Share options granted and vested prior to 1 January, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the share is recorded in the share premium. Options which lapsed or cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions (continued)

Impairment losses on tangible and intangible assets other than goodwill (continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

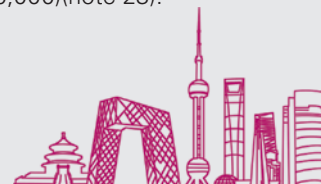
In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of trade receivables is RMB 31,228,000 (net of allowance for doubtful debts of RMB 14,049,000) (31 December 2011: carrying amount of RMB 62,098,000, net of allowance for doubtful debts of RMB9,780,000)(note 23).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values of network equipment involve management's estimation regarding change in technology and customers' expectation regarding network infrastructure services to be provided by the Group. The Group assesses annually the residual value and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year the estimate is changed and the future period. Details of the depreciation of network equipment are disclosed in note 16.

Revenue recognition on technology service contracts

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period set out in note 5. The stage of completion requires the management to estimate total contract costs expected to be incurred in completing the contracts undertaken by the Group. The time taken and the cost ultimately incurred may be adversely affected by many factors, including additional variations to the plans requested by the customers or because of technical needs, disputes with sub-contractors, changes in the government's priorities and other unforeseen problems and circumstances. Any of these factors may give rise to delays in completion of work or cost overruns or termination of contracts by the customers, which in turn may affect the stage of completion and therefore recognition of contract revenue and costs in the future period.

Deferred taxation on certain tax losses and other deductible temporary differences

No deferred tax asset has been recognised on the tax losses and other deductible temporary differences due to the unpredictability of future profit streams, availability of taxable temporary differences and the timing of reversal of such tax losses and other deductible temporary differences as set out in note 21. The probability in respect of the utilisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future and the timing of the utilisation.

5. REVENUE AND OTHER INCOME

- (a) Revenue represents revenue generated from sales of goods, income from technology service contracts during the year. An analysis of the Group's revenue and other income for the year is as follows:

	2012 RMB'000	2011 RMB'000
Revenue from continuing operations		
Sales of goods	1,314	5,266
Income from technology service contracts	524,783	383,270
	526,097	388,536

- (b) An analysis of the Group's other income for the year is as follows:

	2012 RMB'000	2011 RMB'000 (restated)
Other income from continuing operations		
Government grants (note 26)	7,145	4,888
Interest income from bank deposits	6,640	6,312
Gross rental income from investment property	8,408	9,251
Less: Direct operating expenses from investment property that generated rental income during the year	(4,644)	(4,769)
Net rental income from investment property	3,764	4,482
Dividend income from available-for-sale investments	–	216
Others	69	1,155
	17,618	17,053

Note: Government grants are obtained specifically for certain of the Group's research and development projects, for the purposes of compensating depreciation, staff costs, cable network and research and development costs incurred by the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. SEGMENTS INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and to assess its performance. The Group's Chief Executive Officer ("CEO") is identified as the chief operating decision maker.

CEO for the purpose of resource allocation and assessment of performance, reviewed consolidated profit after taxation and the consolidated revenue (including profit and revenue from discontinued operations) of the Group as a whole prepared in accordance with the Accounting Standards for Business Enterprise of PRC, which has no significant differences as compared with the consolidated profit after taxation and the consolidated revenue reported under HKFRS. Therefore, the operation of the Group constitutes one single operating segment. Accordingly, no operating segment is presented, other than the entity-wide disclosure.

The Group's operations are located in the PRC and all the revenue of the Group comes from PRC customers. The Group's non-current assets are substantially located in the PRC. Aggregated revenues from government-related entities and the PRC government are approximately RMB511,668,000 (2011: RMB373,113,000) (note 36(v)). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

7. DISPOSAL OF SUBSIDIARIES

As referred to note 13, on 15 August 2012, the Group disposed of its subsidiaries, Beijing Culture & Sports Technology Co., Ltd. ("BST") and Beijing Shuiniào Ticket Co., Ltd. ("SNTicket"), to a fellow subsidiary, Beijing BeiAo Group Co., Ltd., which had been classified as the disposal group under HKFRS 5 as at 31 December 2011.

The disposal of BST completed on 15 August 2012, on which date the Company's equity interest in BST decreased from 45% to 20% and control over which was lost, for a cash consideration of RMB9,562,000.

The disposal for SNTicket also completed on 15 August 2012, for a cash consideration of RMB238,000.

7. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of net assets of the subsidiaries at the respective date of disposal was as follows:

	Sports Technology RMB'000	SN Ticket RMB'000	Total RMB'000
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	5,134	–	5,134
Intangible assets	8,617	–	8,617
Amounts due from customers for contract work	777	–	777
Inventories	549	–	549
Trade and other receivables	8,860	–	8,860
Amounts due from fellow subsidiaries	118	–	118
Amounts due from non-controlling shareholders	3,421	–	3,421
Bank balances and cash	15,031	237	15,268
Trade and other payables	(5,821)	–	(5,821)
Amounts due to non-controlling shareholders	(5,587)	–	(5,587)
Customers' deposits for contract works	(313)	–	(313)
Net assets disposed of	30,786	237	31,023
Cash consideration	9,562	238	9,800
Non-controlling interests	17,201	–	17,201
Fair value of residual interest as an associate	6,256	–	6,256
Gain on disposal (note 13)	2,233	1	2,234
Net cash outflow arising on disposal:			
Cash consideration received	9,562	238	9,800
Cash outflow arising on disposal	(15,031)	(237)	(15,268)
	(5,469)	1	(5,468)

The impact of BST and SN Ticket on the Group's results and cash flows in the current and prior years is disclosed in note 13.

The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

8. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000 (restated)
Continuing Operations:		
Gain on change in fair value of a financial asset at FVTPL (note)	13,023	16,737
Gain on disposal of property, plant and equipment	35	25
Gain on disposal of a subsidiary	–	32
Gain on partial disposal of interests in an associate	–	5,676
Allowance for doubtful debts (note 23)	(4,283)	(1,620)
	8,775	20,850

Note: On 13 April 2012, the Company entered into a trust investment agreement with 華能貴誠信託有限公司 (Huaneng Trustee Limited) in which the Company invested RMB175,000,000 in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27 December 2012. The Trust Investment invested in fixed income financial instrument. The return of the Trust Investment is expected to be 11% per annum at a maximum. As at 27 December 2012, the principal of the Trust Investment has been settled together with investment income of approximately RMB13,023,000 (2011: RMB16,737,000).

In respect of the Trust Investment, the Company entered into a guarantee agreement with 深圳市金瑞格融資擔保有限公司 (ShenZhen Golden Regal Guarantee Co., Ltd.) which ShenZhen Golden Regal Guarantee Co., Ltd. guaranteed the principal amount and the return of the Trust Investment to be not less than the prevailing time deposit interest rate in the PRC banks. The Company recognised the guarantee fee of RMB1,750,000 as an expense in profit or loss. As at 27 December 2012, the guarantee has been released.

9. PROFIT BEFORE TAX

	2012 RMB'000	2011 RMB'000
CONTINUING OPERATIONS		
Profit before tax has been arrived at after charging:		
Directors' and supervisors' remuneration (note 10)	1,433	1,304
Other staff costs	130,986	108,183
Other staff's retirement benefit scheme contributions	19,569	12,303
	151,988	121,790
Less: Staff costs included in research and development costs	(21,468)	(13,573)
Staff costs included in cost of sales	(65,508)	(43,592)
	65,012	64,625
Depreciation of property, plant and equipment (note 16)	34,005	52,548
Depreciation of investment property (note 17)	3,784	3,784
Total depreciation	37,789	56,332
Less: Depreciation included in research and development costs	(1,473)	(255)
Depreciation included in cost of sales	(25,508)	(43,436)
	10,808	12,641
Operating lease rentals in respect of		
– cable network (note 33)	45,511	21,552
– office premises (note 33)	22,525	14,732
	68,036	36,284
Less: Operating lease rentals included in		
research and development costs	(486)	(686)
Operating lease rentals included in cost of sales	(49,167)	(26,154)
	18,383	9,444
Auditors' remuneration	2,044	2,330
Cost of inventories recognised as expenses	75,647	29,327
Share of tax of associates (included in share of results of associates)	2,414	2,313



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2012	2011
	RMB'000	RMB'000
Fees		
– independent non-executive directors	257	241
Other emoluments for executive and non-executive directors		
– basic salaries and allowances	842	766
– retirement benefit scheme contributions	46	42
	888	808
Other emoluments for supervisors		
– basic salaries and allowances	246	227
– retirement benefit scheme contributions	42	28
	288	255
	1,433	1,304

10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The emoluments paid or payable to each of the 19 (2011:19) directors and supervisors were as follows:

2012	Other emoluments			Total RMB'000
	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Directors				
Executive Director				
Dr. Wang Xu	–	842	46	888
Non-executive Directors				
Mr. Xu Zhe*	–	–	–	–
Mr. Pan Jiaren*	–	–	–	–
Mr. Shi Hong Yin*	–	–	–	–
Ms. Zhang Kai Hua*	–	–	–	–
Ms. Lu Xiaobing*	–	–	–	–
Mr. Lu Lei*	–	–	–	–
(appointed on 19 June 2012)	–	–	–	–
Ms. Hu Sha*	–	–	–	–
(appointed on 19 June 2012)	–	–	–	–
Ms. Li Zhi*	–	–	–	–
(Resigned on 19 June 2012)	–	–	–	–
Dr. Qi Qi Gong*	–	–	–	–
(Resigned on 19 June 2012)	–	–	–	–
Independent non-executive Directors				
Mr. Chen Jing	75	–	–	75
Mr. Zeng Xianggao	57	–	–	57
Mr. Gong Zhiqiang	60	–	–	60
Ms. Zhou Liye	32	–	–	32
(appointed on 19 June 2012)	–	–	–	–
Dr. Wang Huacheng	33	–	–	33
(Resigned on 19 June 2012)	–	–	–	–
Supervisors				
Ms. Xu Xiangyan	–	246	42	288
Mr. Xiao Jun*	–	–	–	–
Mr. Di Guojun*	–	–	–	–
(appointed on 19 June 2012)	–	–	–	–
Ms. Liu Jian*	–	–	–	–
(Resigned on 19 June 2012)	–	–	–	–
	257	1,088	88	1,433

* These directors and supervisors are also the employees of the Group's domestic shareholders. The emoluments of these directors and supervisors were borne by the domestic shareholders without recharging to the Group.



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10. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

2011	Fees RMB'000	Other emoluments		Total RMB'000
		Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Directors				
Executive Director				
Dr. Wang Xu	–	766	42	808
Non-executive Directors				
Mr. Xu Zhe*	–	–	–	–
Mr. Pan Jiaren*	–	–	–	–
Mr. Shi Hong Yin*	–	–	–	–
Ms. Zhang Kai Hua*	–	–	–	–
Ms. Lu Xiaobing*	–	–	–	–
Ms. Li Zhi*	–	–	–	–
Dr. Qi Qigong*	–	–	–	–
Dr. Li Minji*	–	–	–	–
(Resigned on 12 May 2011)				
Ms. Sun Jing*	–	–	–	–
(Resigned on 7 December 2011)				
Mr. Cao Jun*	–	–	–	–
(Resigned on 7 December 2011)				
Independent non-executive Directors				
Mr. Chen Jing	70	–	–	70
Dr. Wang Huacheng	65	–	–	65
Mr. Zeng Xianggao	46	–	–	46
Mr. Gong Zhiqiang	60	–	–	60
Supervisors				
Ms. Xu Xiangyan	–	227	28	255
Mr. Xiao Jun*	–	–	–	–
Ms. Liu Jian*	–	–	–	–
Ms. Gao Yuanjun*	–	–	–	–
(Resigned on 7 December 2011)				
	241	993	70	1,304

* These directors and supervisors are also the employees of the Group's domestic shareholders. The emoluments of these directors and supervisors were borne by the domestic shareholders without recharging to the Group.

No directors have waived any emoluments during both years of 2012 and 2011.

11. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included one (2011: one) director of the Company, whose emoluments are included in note 10 above. The emoluments of the remaining four (2011: four) highest paid individuals are as follows:

	2012	2011
	RMB'000	RMB'000
Basic salaries and allowances	3,107	2,688
Retirement benefit scheme contributions	184	168
	3,291	2,856

During the year ended 31 December 2012, no emoluments were paid by the Group to the five highest paid individuals, directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for one individual, whose emoluments are approximately HK\$1,019,000 (RMB868,000), the remaining three highest paid individuals' emoluments are all within HK\$1,000,000 (RMB851,000).

12. INCOME TAX EXPENSE

The Company was recognised as a High Technology Enterprise ("HTE") in 2011 and subject to PRC income tax at 15% for three years from 2011 to 2013 in accordance with the Law of the People's Republic of China on Enterprise Income Tax.

The Company's subsidiary, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") was recognised as HTE and approved by The Committee of Beijing Science and Technology. Pursuant to the relevant laws and regulations in the PRC, it is entitled to exemption from income tax for three years, from 2007 to 2009, commencing from the year of operation, and entitled to a 50% relief from income tax for three years, from 2010 to 2012, depending on if the entity could be continued to be entitled as HTE every three years. Capinfo Technology had successfully obtained the title of HTE in 2011, and therefore, it is entitled to a concession tax rate of 12.5% from 2011 to 2013.



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12. INCOME TAX EXPENSE (CONTINUED)

The Company's subsidiary incorporated in Hong Kong had no assessable profits since its incorporation.

	2012 RMB'000	2011 RMB'000
Continuing Operations		
The charge comprises:		
PRC income tax		
Current year	16,423	10,677
Deferred tax credit (note 21)	(5,007)	(551)
	11,416	10,126

The charge for the year can be reconciled to the profit from continuing operations per the consolidated statement of comprehensive income as follows:

	2012 RMB'000	2011 RMB'000
Profit before tax from continuing operations	97,447	94,143
Tax at applicable income tax rate of 15% (2011: 15%)	14,617	14,121
Tax effect of income not taxable for tax purpose	(480)	(844)
Tax effect of share of result of associates	(1,462)	(1,712)
Tax effect of expenses that are not deductible for tax purpose	761	382
Utilisation of temporary differences previously not recognised	(1,641)	(2,111)
Tax effect of deductible temporary differences not recognised	1,925	–
Utilisation of tax losses previously not recognised	(41)	–
Tax effect of tax losses not recognised	170	47
Tax effect of changes in tax rate of deferred tax assets recognised	(2,335)	275
Tax effect of different tax rates of subsidiaries	(98)	(32)
Tax expense for the year	11,416	10,126

13. DISCONTINUED OPERATIONS

On 19 December 2011, the Company entered into a share transfer agreement with a fellow subsidiary, Beijing BeiAo Group Co., Ltd., to dispose of two subsidiaries, BST and SN Ticket, which carried out operations of all ticket agency service and parts of the Group's technology service of network systems. The disposal was consistent with the Group's long-term policy to focus its activities on the technology service market.

The disposal was completed on 15 August 2012, on which date control of the two subsidiaries was passed to the acquirer.

The profit/loss for the year from discontinued operations is analysed as follows:

	2012	2011
	RMB'000	RMB'000
Loss of BST for the year	(5,483)	(14,557)
Loss of SN Ticket for the year	(2)	(1)
	(5,485)	(14,558)
Gain on disposal of BST (note 7)	2,233	–
Gain on disposal of SN Ticket (note 7)	1	–
	2,234	–
Total loss for the year from discontinued operations	(3,251)	(14,558)



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For the year ended 31 December 2012

13. DISCONTINUED OPERATIONS (CONTINUED)

The combined results of discontinued operations for 2011 and during the period from 1 January 2012 up to 15 August 2012, which have been included in the consolidated statement of comprehensive income, were as follows:

	2012 RMB'000	2011 RMB'000
Profit for the year from discontinued operations		
Revenue	11,965	10,986
Cost of sales	(7,501)	(8,934)
Gross profit	4,464	2,052
Other income	962	3,645
Research and development costs	(950)	(1,260)
Marketing and promotional expenses	(5,574)	(13,414)
Administrative expenses	(4,387)	(5,497)
Loss before tax	(5,485)	(14,474)
Income tax expense	–	(84)
Loss and total comprehensive expense for the year from discontinued operations	(5,485)	(14,558)
Loss and total comprehensive expense for the year attributable to:		
Owners of the Company	(2,468)	(6,552)
Non-controlling interests	(3,017)	(8,006)
	(5,485)	(14,558)
Gain on disposal of discontinued operations (note 7)	2,234	–
Total loss for the year from discontinued operations	(3,251)	(14,558)

13. DISCONTINUED OPERATIONS (CONTINUED)

Profit for the year from discontinued operations include the following:

	2012 RMB'000	2011 RMB'000
Interest income	(43)	(86)
Government grants	(961)	(3,559)
Operating lease rentals in respect of		
– cable network	87	277
– office premises	929	1,894
	1,016	2,171
Staff costs	5,479	10,286
Staff's retirement benefit scheme contributions	500	746
	5,979	11,032
Less: Staff costs included in research and development costs	(328)	(1,181)
Staff costs included in cost of sales	(1,098)	(3,085)
	4,553	6,766

The major classes of assets and liabilities of discontinued operations at 31 December 2011, which have been presented separately in the consolidated statement of financial position, are as follows:

	2011 RMB'000
Assets and liabilities reclassified as held for sale	
Property, plant and equipment	6,298
Intangible asset	9,350
Inventories	482
Trade and other receivables	5,915
Amounts due from customers for contract works	455
Amounts due from fellow subsidiaries	1,464
Bank balances and cash	18,143
Total assets classified as held for sale	42,107
Trade and other payables	(5,157)
Customer deposits for contract works	(227)
Total liabilities associated with assets classified as held for sale	(5,384)



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For the year ended 31 December 2012

13. DISCONTINUED OPERATIONS (CONTINUED)

During the year, discontinued operations had cash outflows of RMB2,827,000 (2011: RMB17,418,000'), RMB47,000 (2011: RMB65,112,000) and RMB Nil (2011: RMB34,368,000) in respect of their operating activities, investing activities and financing activities.

The carrying amounts of the assets and liabilities of discontinued operations at the date of disposal are disclosed in note 7.

14. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2010 Final – RMB1.15 cents per share	–	33,297
2011 Final – RMB1.20 cents per share	34,792	–
	34,792	33,297

Subsequent to the end of the reporting period, a final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2012 (2011: final dividend of RMB1.20 cents per share in respect of the year ended 31 December 2011) in total of approximately RMB37,675,000 (2011: RMB34,792,000) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

15. EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share attributable to the owners of the Company is based on the following data:

For continuing and discontinued operations

	2012	2011
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	85,587	77,540
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	2,898,086,091	2,898,086,091
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,898,086,091	2,898,086,091

The calculation of diluted earnings per share did not take into account the exercise of the share options of the Company because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the year of 2011 and 2012.



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For the year ended 31 December 2012

15. EARNINGS (LOSSES) PER SHARE (CONTINUED)

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2012	2011
	RMB'000	RMB'000
Earning figures are calculated as follows:		
Profit for the year attributable to owners of the Company	85,587	77,540
Add: loss from discontinued operations	386	6,552
Earnings for the purpose of calculating basic earnings per share from continuing operations	85,973	84,092

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic and diluted losses per share for discontinued operations for 2012 is RMB0.01 cent per share (2011: basic and diluted losses per share of RMB0.22 cent per share), based on the loss for the year from discontinued operations of RMB386,000 (2011: loss of RMB6,552,000) attributable to owners of the Company, and the denominators detailed above for both basic and diluted earnings per share. For the purpose of diluted losses per share from discontinued operations, the effect of outstanding share options of the Company is not considered because the effect is anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Network equipment RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2011	137,514	525,295	7,210	174	22,247	6,626	699,066
Additions	7,962	10,681	565	303	513	3,432	23,456
Transfer	–	4,334	–	–	–	(4,334)	–
Eliminated on disposals	(3,448)	(9,391)	(238)	–	(28)	–	(13,105)
Reclassified as held for sale	(6,903)	(1,066)	(225)	–	(881)	(412)	(9,487)
Arising from disposal of subsidiaries	(499)	–	(107)	(477)	(6)	–	(1,089)
At 31 December 2011	134,626	529,853	7,205	–	21,845	5,312	698,841
Additions	18,771	65,604	2,671	–	5,977	18,828	111,851
Transfer	1,186	9,286	–	–	–	(10,472)	–
Transfer to contract costs incurred	–	–	–	–	–	(1,329)	(1,329)
Eliminated on disposals/write off	(7,274)	(2,532)	–	–	–	–	(9,806)
At 31 December 2012	147,309	602,211	9,876	–	27,822	12,339	799,557
Depreciation							
At 1 January 2011	131,224	450,053	5,519	43	13,143	–	599,982
Provided for the year	4,413	46,818	593	95	629	–	52,548
Eliminated on disposals	(3,183)	(9,391)	(226)	–	–	–	(12,800)
Reclassified as held for sale	(1,883)	(627)	(50)	–	(629)	–	(3,189)
Arising from disposal of subsidiaries	(241)	–	(40)	(138)	–	–	(419)
At 31 December 2011	130,330	486,853	5,796	–	13,143	–	636,122
Provided for the year	10,704	18,685	1,986	–	2,630	–	34,005
Eliminated on disposals/write off	(7,083)	(2,532)	–	–	–	–	(9,615)
At 31 December 2012	133,951	503,006	7,782	–	15,773	–	660,512
Carrying values							
At 31 December 2012	13,358	99,205	2,094	–	12,049	12,339	139,045
At 31 December 2011	4,296	43,000	1,409	–	8,702	5,312	62,719



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For the year ended 31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Computer equipment	33.33%
Network equipment	20% or over the remaining period of the relevant contract work, whichever is shorter
Office equipment, furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvements	Over the period of the respective leases

17. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2011, 31 December 2011 and 2012	73,788
DEPRECIATION	
At 1 January 2011	6,298
Provided for the year (note 9)	3,784
At 31 December 2011	10,082
Provided for the year (note 9)	3,784
At 31 December 2012	13,866
CARRYING AMOUNT	
At 31 December 2012	59,922
At 31 December 2011	63,706

The investment property is situated in the PRC under medium-term lease and leased out for rental.

The fair value of the Group's investment property at 31 December 2012 was RMB150,000,000 (2011: RMB141,000,000). The fair value has been arrived at based on a valuation carried out by Debanham Tie Leung Limited ("DTZ"), independent qualified professional valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions. The valuation was performed on the assumption that the Company had obtained the ownership title of the investment property.

The above investment property is depreciated on a straight-line basis at 5% per annum.

At 31 December 2012, the ownership title certificate of the property has not been issued to the Group.

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2012 RMB'000	2011 RMB'000
Current portion	4,687	–
Non-current portion	30,016	–
	34,703	–

Prepaid lease payment represents prepayment made by the Group for the rental of premises for 10 years for installation of wireless equipment for the government network projects.

19. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in associates	44,155	32,683
Share of post-acquisition profit, net of dividends received	16,373	6,626
	60,528	39,309



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For the year ended 31 December 2012

19. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates, which are private limited companies established and operated in the PRC, at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Proportion of voting power held by the Group		Principal activities
		2012	2011	
北京數字認證股份有限公司 (Beijing Certificate Authority Co., Ltd. ("BJCA") (note a)	PRC	34.98%	34.98%	Provision of services related to digital certificates
東莞市龍信數碼科技有限公司 (Dongguan Longxin Digital Technology Co., Ltd.)	PRC	41.96%	41.96%	E-Commerce application and network developments
紫光信業投資股份有限公司 (Ziguang Information Industry Investment Co., Ltd.) (note b)	PRC	23%	23%	Under liquidation
北京文化體育科技有限公司 (“BST”)	PRC	20%	(note c)	Provision of the ticket agency service and sports related information and information exchange platform service

Notes:

- (a) BJCA is in the process of preparing for an initial public offering of its shares.
- (b) Ziguang Information Industry Investment Co., Ltd. is under liquidation. The investment was fully impaired in previous years.
- (c) On 19 December 2011, the Group entered into a share transfer agreement with a fellow subsidiary, Beijing BeiAo Group Co., Ltd., to dispose 25% interests in this subsidiary, BST, which is mainly engaged in operations of the ticket agency service and technology service of network systems. The disposal is in line with the Group's long-term policy to focus its activities on the technology service market. The disposal for BST was completed on 15 August 2012, on which date the Company's equity interest in BST decreased from 45% to 20% and the control on this subsidiary was lost.

19. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the Group's associates is set out below:

	2012 RMB'000	2011 RMB'000
Total assets	291,365	192,068
Total liabilities	(115,710)	(73,455)
Net assets	175,655	118,613
Group's share of net assets of associates	60,528	39,309
Turnover	248,890	168,040
Profit for the year	20,457	28,437
Group's share of profits of associates for the year	9,747	11,411

The Group has not recognised its share of loss of an associate after the cost of investment in this associate decreased to zero. The amount of unrecognised share of loss of this associate, extracted from the relevant management accounts of this associate, both for the year and cumulatively, is as follows:

	2012 RMB'000	2011 RMB'000
Unrecognised share of loss for the year	(121)	(151)
Accumulated unrecognised share of loss	(1,910)	(1,789)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted equity investments, at cost	1,971	1,971

The unlisted investments represent investments in unlisted equity securities issued by private entities. The investments are measured at cost at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.



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For the year ended 31 December 2012

20. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Details of the investments at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Proportion of nominal value of registered/issued share capital held by the Group		Principal activities
		2012	2011	
遼寧眾信同行軟件開發有限公司 (Capinfo Soft Co., Ltd.)	PRC	19%	19%	Development, sales and management consultation of operation systems and related businesses
PayEase Corp.	United States	15.27%	15.27%	Provision of payment service platform covering mobile, online, call center (CRM), retail/POS and data mining of customers' profile
Loyalty Alliance Enterprise Corporation ("LAEC")	Cayman Islands	12%	12% (note)	Provision of data-driven multi-channel direct marketing and customer loyalty solutions
Astoria Innovations Ltd.	British Virgin Islands	5%	5%	Provision of labour force digitalisation market service and related businesses

Note: It represents the Group's interest in LAEC, which is in the process of an initial public offering.

21. DEFERRED TAXATION

The following are the major deferred tax assets recognised and movements thereon during the current year and prior year:

	Accrued expense RMB'000
At 1 January 2011	4,120
Credit to profit or loss for the year (note 12)	551
At 31 December 2011	4,671
Credit to profit or loss for the year (note 12)	5,007
At 31 December 2012	9,678

21. DEFERRED TAXATION (CONTINUED)

Details of tax losses and other deductible temporary differences not recognised are set out below:

	2012 RMB'000	2011 RMB'000
Tax losses	1,558	694
Deductible temporary differences on allowance for the inventories and receivables	44,178	42,283

The Group has not recognised deferred tax assets on above tax losses, because it is not probable that the future taxable profits will be available in relevant subsidiaries to utilise the tax losses.

The Group also has not recognised deferred tax assets on certain deductible temporary differences, because it is not probable that these deductible temporary differences can be utilised in the foreseeable future.

Tax losses unrecognised will expire in:

	2012 RMB'000	2011 RMB'000
2013	–	236
2014	157	192
2015	266	266
2017	1,135	–
Total	1,558	694

22. INVENTORIES

The inventories comprise of consumables and spare parts at the end of the year.



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23. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Total trade receivables	45,277	71,878
Less: Allowance for doubtful debts	(14,049)	(9,780)
	31,228	62,098
Less: Non-current portion which is shown in non-current assets (note)	–	(1,700)
	31,228	60,398
Other receivables and prepayments	42,719	14,874
Deposits for technology service projects	39,898	19,826
Less: Allowance for doubtful debts	(1,823)	(1,809)
	80,794	32,891
Trade and other receivables shown in current assets	112,022	93,289

The Group allows an average credit period of 180 days to its trade customers. The following is an aging analysis of trade receivables at the end of the year, presented based on the date of delivery of goods or the billing date of contract works and net of allowance for doubtful debts:

	2012 RMB'000	2011 RMB'000
0 to 60 days	25,035	51,696
61 to 90 days	37	–
91 to 180 days	1,937	3,464
Over 180 days	4,219	6,938
	31,228	62,098
Less: Non-current portion classified as non-current assets (note)	–	(1,700)
	31,228	60,398

Note: Included in the balance of trade receivables at 31 December 2012 was a trade receivable with the original balance of approximately RMB10,879,000 which will be settled by five equal annual installments from 1 July 2009 to 1 July 2013 in accordance with the terms of payment of the contract with a customer. As at 31 December 2012, the remaining balance of that trade receivable is approximately RMB1,938,000 (2011: RMB4,118,000), with current portion of RMB1,938,000 (2011: RMB2,418,000) and non-current portion of Nil (2011: RMB1,700,000). The effective interest rate applied on this receivable is 5.76% per annum.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB Nil (31 December 2011: RMB2,820,000) which are past due as at the reporting date for which the Group has not provided for impairment loss over these balances.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for the doubtful debts:

	2012 RMB'000	2011 RMB'000
Balance at beginning of the year	11,589	9,969
Impairment losses recognised during the year (note 8)	4,283	1,620
Balance at end of the year	15,872	11,589

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. The credit quality of the trade receivables that is neither past due nor impaired is good.

Included in the allowance for doubtful debts are individually impaired trade receivables which aged over one year with an aggregate balance of RMB13,464,000 (2011: RMB9,379,000).

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2012 RMB'000	2011 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	195,312	137,116
Recognised profits less recognised losses	38,335	66,819
	233,647	203,935
Less: Progress billings	(295,577)	(265,809)
	(61,930)	(61,874)
Analysed for reporting purposes as:		
Amounts due from customers for contract works	81,496	41,939
Customer deposits for contract works	(143,426)	(103,813)
	(61,930)	(61,874)



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25. BANK BALANCES AND CASH/BANK DEPOSITS

Bank balances and cash

Bank balances carry interest at a market rate of 0.35% (2011: 0.50%) per annum.

Bank deposits

Bank deposits carry fixed interest rates which range from 1.35% to 2.80% (2011: 1.71% to 3.10%) per annum with maturity periods between three and six months.

26. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	56,218	19,394
Deferred income arising from government grants (Note)	7,939	4,002
Other payables	46,866	34,230
Accrued expenses	38,022	33,144
Payroll and welfare payables	25,033	13,855
Advance from customers	980	817
	175,058	105,442

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB 11,082,000 and released RMB 7,145,000 (2011: 4,888,000) in other income in the current period (note 5).

The following is an aged analysis of trade payables at the end of the reporting period, which presented based on the invoice date:

Age

	2012 RMB'000	2011 RMB'000
0 to 60 days	33,470	6,045
61 to 90 days	471	305
91 to 180 days	2,397	1,090
Over 180 days	19,880	11,954
	56,218	19,394

The average credit period on purchases of goods is 15 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

27. LOAN FROM GOVERNMENT

	2012	2011
	RMB'000	RMB'000
Carrying amount repayable on demand and shown under current liabilities (note 36(v))	4,540	5,450

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.59% (2011: 3.09%) per annum and repayable on demand.

28. SHARE CAPITAL

	Number of shares		Issued and fully paid
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each per share at 1 January 2011, 31 December 2011 and 31 December 2012	2,123,588,091	774,498,000	289,809

29. SHARE OPTIONS

Share option scheme

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 6 December 2001 (the "Scheme"), the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for H Shares in the Company with a payment of RMB1 upon each grant of options offered and the options granted must be taken up within 14 trading days from the date of grant. The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors. The exercise price of the share options will be determined at the higher of the average of closing prices of H Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options; the closing price of H Shares on the Stock Exchange on the date of grant; and the nominal value of H Shares.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

29. SHARE OPTIONS (CONTINUED)

Share option scheme (continued)

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of H Shares of the Company in issue from time to time. The total number of H shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of H Shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to that person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued H Shares of the Company.

The Company has granted 67,298,000 options under the Scheme on 17 August 2004 at RMB1 for each grant of options and with an exercise price of HK\$0.41 per H Share. Total consideration received during the year ended 31 December 2004 for taking up the options granted amounted to RMB114. The share options were fully vested on 17 August 2004. Details of these share options held by the directors, other key management and other parties and movements in such holdings during 2011 and 2012 are as follows:

	Outstanding at 1.1.2011	Lapsed during the year	Outstanding at 31.12.2011	Lapsed during the year	Outstanding at 31.12.2012
Directors	4,398,000	–	4,398,000	(1,466,000)	2,932,000
Supervisors	1,925,000	–	1,925,000	(1,466,000)	459,000
Senior management	7,241,000	–	7,241,000	(1,466,000)	5,775,000
Senior advisors	15,430,000	–	15,430,000	–	15,430,000
Advisors	1,925,000	–	1,925,000	–	1,925,000
Other employees	14,423,000	(145,000)	14,278,000	(145,000)	14,133,000
	45,342,000	(145,000)	45,197,000	(4,543,000)	40,654,000
Exercisable			45,197,000		40,654,000

The options outstanding at the end of the year have a remaining contractual life of 2 years (2011: 3 years).

The financial impact of all the above share options granted and vested before 1 January 2005 is not recorded in the consolidated statement of financial position until such time as the options are exercised, and no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted in the year ended 31 December 2004.

30. RESERVES

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company and its PRC subsidiaries are required to set aside 10% of its profit after taxation as reported in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the relevant entities' registered capital).

According to their Articles of Association, statutory surplus reserve can be used to (i) make up prior year losses; (ii) convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory surplus reserve does not fall below 25% of the entities' registered capital; or (iii) expand production operation.

In accordance with the Company's Articles of Association, the profit after taxation for the purpose of appropriation will be deemed to be the lesser of the amounts determined in accordance with (i) PRC accounting standards and regulations and (ii) either International Financial Reporting Standards or overseas accounting standards of the place in which the Company's shares are listed.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012	2011
	RMB'000	RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	695,475	726,536
Available-for-sale financial assets, measured at cost	1,971	1,971
	697,446	728,507
Financial liabilities		
Amortised cost	134,753	75,950

Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, trade and other receivables, available-for-sale investments, amounts due from/to related parties, trade and other payables and loan from government. Details of the financial instruments are disclosed in respective notes to these financial statements. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits (see note 25). The Group's cash flow interest rate risk related primarily to its bank balances and loan from government (see notes 25 and 27). The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk and the management will consider hedging interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variables interest rates for the Group's bank balances and loan from government at the end of reporting period. The analysis is prepared assuming the amount of bank balances and loan from government outstanding at the end of reporting period were outstanding for the whole year. A 10 basis point (2011: 10 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of reporting period, if interest rate had been increased/decreased by 10 basis points and all other variables were held constant, the Group's profit would increase/decrease by approximately RMB148,000 for the year ended 31 December 2012 (2011: RMB208,000).

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, bank balances and bank deposits. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on trade receivables as the total amount due from the Group's five largest trade debtors amounted to RMB21,102,000 (2011: RMB54,981,000) and represented 68% (2011: 89%) of the total trade receivables as at 31 December 2012.

The Group exposed to concentration of credit risk on bank balances and bank deposits which were deposited with several banks only. However, the credit risk on liquid funds is limited because the counterparties are various large state-owned banks in the PRC.

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31.12.2012					
Trade and other payables	90,113	1,323	37,361	128,797	128,797
Amounts due to related parties	1,416	–	–	1,416	1,416
Loan from government	4,540	–	–	4,540	4,540
	96,069	1,323	37,361	134,753	134,753
At 31.12.2011					
Trade and other payables	28,420	6,303	34,998	69,721	69,721
Amounts due to related parties	779	–	–	779	779
Loan from government	5,450	–	–	5,450	5,450
	34,649	6,303	34,998	75,950	75,950

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, and equity attributable to owners of the Company, comprising issued share capital, and share premium and reserves as detailed in notes 28 and 30.

33. OPERATING LEASES

The Group as lessee

	2012	2011
	RMB'000	RMB'000
Minimum lease payments recognised as an expense during the year		
– Cable network (note 9)	45,511	21,552
– Office premises (note 9)	22,525	14,732

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

	2012	2011
	RMB'000	RMB'000
Office premises		
Within one year	13,360	11,514
In the second to fifth year, inclusive	14,790	2,881
	28,150	14,395
Cable network		
Within one year	347	–

The operating lease commitment does not include lease arrangement set out in note 18 "prepaid lease payments".

Leases are negotiated, and rentals are fixed, for a term of 1 to 5 years.

33. OPERATING LEASES (CONTINUED)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease:

	2012	2011
	RMB'000	RMB'000
Within one year	10,120	8,630
In the second to fifth year, inclusive	5,591	25,592
	15,711	34,222

The property held has committed tenants for a term of 4 to 5 years.

34. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	116,750	23,452

35. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expense recognised in the profit or loss in continuing operations of RMB 19,657,000 (2011: RMB13,049,000) represents contributions paid or payable under the retirement benefit scheme.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. RELATED PARTY DISCLOSURES

(i) *Transactions with fellow subsidiaries*

Related party	Nature of transactions	Notes	2012 RMB'000	2011 RMB'000
Fellow subsidiaries				
Capnet Company Limited ("Capnet")	Income received for providing the network system and related maintenance services	(a)	6,180	6,300
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises*	(b)	6,719	4,684

* An amount of approximately RMB316,000 (2011: RMB703,000) is included in discontinued operations.

Notes:

- (a) On 20 December 2006, the Company and Capnet entered into a comprehensive services agreement under which the Company is to provide the network system and the related maintenance service to Capnet for its own use for a term of 3 years since 1 January 2007. On 29 December 2009, the Company and Capnet entered into a renewal agreement to extend the term from 1 January 2010 to 31 December 2012. The service income of RMB6,180,000 (2011: RMB6,300,000) was recognised for the year.
- (b) On 31 March 2009, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP the office premises at a monthly rent of approximately RMB 331,000 for the period from 1 April 2009 to 31 March 2012, and then renewed the agreement at a monthly rent of approximately RMB402,000 for the period from 1 April 2012 to 31 March 2015.

On 8 May 2012, the Company entered into a lease agreement with BIDP to lease from BIDP an office premises at an monthly rent of approximately RMB204,000 for the period from 8 May 2012 to 31 March 2015.

On 31 May 2011, a subsidiary of the Group entered into a lease agreement with BIDP to lease from BIDP an additional office premises at an annual rent of approximately RMB102,000 for the period from 1 June 2011 to 31 May 2013.

On 27 April 2011, a subsidiary of the Group entered into a lease agreement with BIDP to lease from BIDP an addition office premises at an annual rent of approximately RMB372,000 for the period from 28 April 2011 to 27 April 2013.

36. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Transactions with associates

An associate	Nature of transactions	2012 RMB'000	2011 RMB'000
BJCA	Software development and providing related technical services to the Group	1,826	701

(iii) Transactions with fellow subsidiaries wholly included in the discontinued operations

Other than the disposal of subsidiaries set out in note 7, the Group carried out the following transactions with fellow subsidiaries during the year.

Fellow subsidiaries	Nature of transactions	2012 RMB'000	2011 RMB'000
National Stadium Co., Ltd.	Ticketing agency fees income	969	1,801
Beijing National Aquatics Center Company Ltd.	Ticketing agency fees income	1,316	1,992
Beijing Artists Management Co., Ltd.	Ticketing agency fees income	19	41
International Sports Co., Ltd.	Ticketing agency fees income	124	73



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. RELATED PARTY DISCLOSURES (CONTINUED)

(iv) Amounts due from/to related parties

	2012 RMB'000	2011 RMB'000
Amounts due from related parties:		
Trading in nature:		
Fellow subsidiaries	2,611	2,337
Non-trading in nature:		
Fellow subsidiaries	3,756	2,056
Associates	523	–
	4,279	2,056
	6,890	4,393
Amounts due to related parties:		
Trading in nature:		
Associates	342	779
Fellow subsidiaries	1,074	–
	1,416	779

The age of above balances are all within one year.

The amounts are unsecured and non-interest bearing.

The Group allows same credit period to related parties as other trade customers. As of 31 December 2012, the amounts due from related parties of RMB3,282,000 aged over 180 days but within one year (2011: RMB4,393,000). Other amounts due from related parties are repayable on demand.

As of 31 December 2012, the amount due to a related party of RMB1,201,000 aged within 90 days (2011: RMB779, 000). Other amounts due to related parties are repayable on demand.

36. RELATED PARTY DISCLOSURES (CONTINUED)

(v) *Transactions with other government-related entities in the PRC*

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly-controlled or significant influenced by the PRC government ("Government-related entities"). In addition, the Group itself is part of a larger group of companies under BSAM which is controlled by the PRC government. Apart from the transactions with BSAM and fellow subsidiaries and other related parties disclosed above, the Group also provides e-Government technology services of approximately RMB511,668,000 (2011: RMB373,113,000) (note 6) to other Government-related entities and the PRC government. The directors consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 31 December 2012, loan from government of RMB4,540,000 (2011: RMB5,450,000) (note 27) is borrowed from the Finance Bureau of Beijing which is unsecured, repayment on demand and bears interest at annual interest rate of 3.59% (2011:3.09%). The Group has incurred interest expense of approximately RMB196,000 (2011: RMB322,000) in the year.

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits placements and other general banking facilities with certain banks and financial institutions which are Government-related entities, in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except for trade and other receivables of approximately RMB86,342,000 (2011: RMB77,449,000), amounts due from customers for contract works of approximately RMB81,347,000 (2011: RMB40,811,000), customer deposits for contract works of approximately RMB138,622,000 (2011: RMB101,491,000) as at 31 December 2012, those transactions as disclosed above, and certain balances disclosed in respective notes to the consolidated financial statements, the directors are of the opinion that transactions and balances with these related parties are not significant to the Group's operations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. RELATED PARTY DISCLOSURES (CONTINUED)

(vi) Compensation of key management personnel

The remuneration of directors and key management during the year was as follows:

	2012 RMB'000	2011 RMB'000
Short-term benefits	6,553	6,484
Post-employment benefits	450	388
	7,003	6,872

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

37. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Form of business structure	Place of registration/ incorporation and operation	Nominal value of registered/ share capital	Proportion of nominal value of registered capital held by the Company		Principal activities
				2012	2011	
Directly held						
Capinfo (Hong Kong) Co. Ltd.	Private limited company	Hong Kong	HK\$2	100%	100%	Investment holding
首都信息科技发展有限公司 (Capinfo Technology Development Co., Ltd.)	Private limited company	PRC	RMB50,000,000	100%	100%	Developing software; providing technical service; sale of hardware and software
北京市停車管理中心有限公司 (Beijing Parking Management Centre Co., Ltd.)	Private limited company	PRC	RMB20,000,000	100%	N/A*	Building and operating the parking management system in Beijing
北京首信航源科技有限公司 (Beijing Capinfo Hangyuan Technology Co., Ltd.)	Private limited company	PRC	RMB1,000,000	80%	80%	Developing, sale and implementing software and providing related technical services

* This subsidiary was established on 5 July 2012.

None of the subsidiaries had issued any debt securities during both years.

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

- (i) Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 RMB'000	2011 RMB'000 (restated)
Non-current assets		
Property, plant and equipment	137,822	62,704
Investment property	59,922	63,706
Prepaid lease payments	30,016	–
Deposits paid on acquisition of property, plant and equipment	726	557
Investments in subsidiaries	70,800	60,800
Investments in associates	42,683	32,683
Available-for-sale investments	971	971
Trade receivables	–	1,700
Deferred tax assets	9,479	4,671
	352,419	227,792
Current assets		
Inventories	759	296
Prepaid lease payments	4,687	–
Trade and other receivables	106,840	89,177
Amounts due from customers for contract works	70,058	28,791
Amounts due from related parties	6,306	2,589
Amounts due from subsidiaries	11,158	1,262
Bank deposits	122,732	130,495
Bank balances and cash	421,361	422,703
Assets classified as held for sale	–	12,800
	743,901	688,113
Total assets	1,096,320	915,905
Current liabilities		
Trade and other payables	167,374	99,357
Customer deposits for contract works	139,791	88,965
Amounts due to related parties	1,416	1,002
Amounts due to subsidiaries	63,000	39,165
Income tax payable	4,812	3,372
Loan from government	4,540	5,450
Total liabilities	380,933	237,311
Net current assets	362,968	450,802
Total assets less current liabilities	715,387	678,594
Capital and reserves		
Share capital	289,809	289,809
Share premium and reserves	425,578	388,785
Total equity	715,387	678,594



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

- (ii) Information about the statement of changes in equity of the Company for the reporting period is as below:

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	289,809	254,079	21,250	79,509	644,647
Profit and total comprehensive income for the year	–	–	–	67,244	67,244
Dividend recognised as distribution	–	–	–	(33,297)	(33,297)
Profit appropriations	–	–	7,126	(7,126)	–
At 31 December 2011	289,809	254,079	28,376	106,330	678,594
Profit and total comprehensive income for the year	–	–	–	71,585	71,585
Dividend recognised as distribution	–	–	–	(34,792)	(34,792)
Profit appropriations	–	–	6,357	(6,357)	–
At 31 December 2012	289,809	254,079	34,733	136,766	715,387

39. COMPARATIVE FIGURES

Previously, gain on change in fair value of a financial asset as FVTPL, gain on disposal of property, plant and equipment, and allowance for doubtful debts were classified as part of other income and administrative expenses in the consolidated statement of comprehensive income. Starting from the financial year ended 31 December 2012, the Group has decided to classify them as part of other gains and losses in the consolidated statement of comprehensive income. The comparative figures of year 2011 have been reclassified to conform to the current year's presentation accordingly.

	2011 (originally stated) RMB'000	Reclassification adjustments RMB'000	2011 (restated) RMB'000
Other income	33,815	(16,762)	17,053
Other gain and loss	5,708	15,142	20,850
Administrative expenses	(45,044)	1,620	(43,424)

DEFINITION

Abbreviation	Full Name
Group	the Company and its subsidiaries
Capinfo/the Company	Capinfo Company Limited
Capinfo Hong Kong	Capinfo (Hong Kong) Co. Ltd.
Capinfo Technology	Capinfo Technology Development Co., Ltd.
Parking Management	Beijing Parking Management Centre Co., Ltd.
Capinfo Hangyuan	Beijing Capinfo Hangyuan Technology Co., Ltd.
Dongguan Longxin	Dongguan Longxin Digital Technology Co., Ltd.
BJCA	Beijing Certificate Authority Co., Ltd.
Ziguang Information Industry	Ziguang Information Industry Investment Co., Ltd.
BST	Beijing Culture & Sports Technology Co., Ltd.
Capinfo Soft	Capinfo Soft Co., Ltd.
BSAM	Beijing State-owned Assets Management Co., Ltd.
Capnet	Capnet Company Limited
BIDP	Beijing IC Design Park Co., Ltd.
National Stadium	National Stadium Co., Ltd.
National Aquatics Center	Beijing National Aquatics Center Company Ltd.
BeiAo Group	Beijing BeiAo Group Co., Ltd.
BAMC	Beijing Artists Management Co., Ltd.
International Sports	International Sports Co., Ltd.
China Unicom	China United Network Communications Corporation Limited
SN Ticket	Beijing Shuinion Ticket Co., Ltd.



DEFINITION

Abbreviation	Full Name
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Capinfo Institute	a training institute run by Capinfo Company Limited, under the career development and training department of the Company
Companies Law	the Companies Law of the People's Republic of China
Articles of Association	the Articles of Association of Capinfo Company Limited
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Stock Exchange	the Stock Exchange of Hong Kong Limited
IND	the Independent Non-executive Directors
the Year	the year ended 31 December 2012
Reporting Period	the period from 1 January 2012 to 31 December 2012



FEEDBACK ON 2012 ANNUAL REPORT OF CAPINFO COMPANY LIMITED

The Company wishes to get your comments or suggestions on our annual report by way of questionnaire so as to continue to enhance the quality of our annual report. We will appreciate your cooperation. Please tick the following options as appropriate.

Content	Rating					Is the information helpful?			Comments and Suggestions
	(ranging from 1-5 in ascending order)					Poor	Fair	Excellent	
The whole Annual Report	1	2	3	4	5				
Company Profile	1	2	3	4	5				
Chairman's Statement	1	2	3	4	5				
Business Review	1	2	3	4	5				
Financial Review	1	2	3	4	5				
Directors' Report	1	2	3	4	5				
Independent Non-executive Directors' Report	1	2	3	4	5				
Supervisors' Report	1	2	3	4	5				
Corporate Governance Report	1	2	3	4	5				
Investors Relations	1	2	3	4	5				
Index of Information disclosure	1	2	3	4	5				

1. Any additional information you expected to be disclosed in the Annual Report:

2. Any other comments or suggestions:

The completed feedback may be returned to Capinfo by:
faxing to (852) 2827 4836 or (8610) 8235 8550,
emailing to investor@capinfo.com.cn, or
sending to Hong Kong Registrars Limited by post

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Information Collection Statement:

1. Your supply of personal data to Capinfo by completing Information Collection Form is on a voluntary basis.
2. Capinfo will treat your personal data as strictly confidential.
3. Your personal data may be used to feedback your comments or suggestions and publish statistical and data analysis.



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The background of the page is a photograph of a modern city street with several tall, glass-fronted buildings. The image is overlaid with a semi-transparent grid pattern that covers the entire page. The color palette is a mix of light blue and white, with a soft gradient from top to bottom.

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