CAPINFO

Capinfo Company Limited

(a joint stock limited company incorporated in
the People's Republic of China with limited liability)

(Stock Code：1075)

15th 週年 Anniversary

2013

ANNUAL REPORT

Join Efforts to Build Smart City and Share the Smart Future

As a "smart city service provider", Capinfo proactively participated in the smart city construction, and made positive contributions to the promotion of smart city management and operation as well as the harmonious and sustainable development of cities during the fifteen years since its establishment. Currently, the advanced information technology service provided by the Company has covered every aspect of city management and public service, striving to create a better life for all the citizens. From the information exchange and interconnection among all the public information networks to the online administrative examination and approval, the real-time payment settlement service to insured patients who own registered permanent residence in Beijing, the inter-hospital settlement service to patients who hold "Beijing hospital medical cards"（「京醫通」）but do not own registered permanent residence in Beijing, the service of housing fund information management to citizens, and the unified management of roadside parking fee collection, Capinfo is everywhere. As the smart city construction goes further, our future goal is to help to improve the efficiency of city operation and public services, and make every citizen enjoy the convenience of life with the help of information technology.

FIFTEEN-YEAR DEVELOPMENT HISTORY

Since its establishment in 1998, Capinfo has always stuck to the mission of "to create reliable online business environment and provide quality network application services", continuously improving the corporate governance structure, promoting technology innovation and improving the overall core competitiveness. After 15 years of development, the Company has now become a well-known smart city service provider in China, making great contributions to the promotion of information technology level of infrastructure of national economy and important livelihood areas.

LOOKING FORWARD

We would like to take this opportunity to express our sincere gratitude to the shareholders, investors, employees and people from various sectors for their supports to the development of Capinfo over years. Looking ahead, we look forward to seizing the huge opportunities in the smart city construction so as to achieve leap development by technology innovation. We also look forward to joining hands with all of our staff to build a brilliant future for Capinfo.

1998-2003

STARTED BUSINESS WITH PASSION FROM

Capinfo was established in January 1998. As a principal enterprise in the information technology construction of Beijing, guided by the principle of "overall planning, resource sharing, government-led, enterprise-operated", the Company has been chosen to accomplish the unified construction and operation of information technology infrastructure of "Digital Beijing" and major information technology application projects and developed rapidly. Capinfo created the "Beijing Model" of city information technology construction under the new business model of "enterprise invests in IT infrastructure, while the government orders IT application services", which was advanced with certain advantages in both technical resources and business model. In December 2001, the Company was listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong as the "operator of Digital Beijing", raising HK$370 million.

2003-2008

EXPANDED BUSINESS FROM

Capinfo flourished with the development of "Digital Beijing". With years of strengths and experience in IT service, the Company played an active role in the construction and operation of a number of major information technology application projects. In the second five-year, the large projects operation, maintenance, research and development capabilities of the Company continued to improve, a number of projects contracted by the Company won international project management awards, and our technical strengths were internationally recognized. During the outbreak of SARS, the Company made outstanding contributions to the effective fight against SARS by establishing disease prevention and control information system. During Beijing 2008 Olympics, the Company contracted several information system construction projects related to Beijing 2008 Olympics, which gradually improved its brand image.

2008-2013

STRATEGIC DEVELOPMENT

In the past five years, Capinfo continued to optimize corporate management and build its core competitiveness, transforming from a "Digital Beijing operator" to a "smart city service provider". In January 2011, the Company transferred its listing to the Main Board of the Stock exchange of Hong Kong with a new image of "smart city service provider". The last five years saw the Company actively promote the industry-specific development, focusing on the development of overall solution service capability in respect of housing information, smart city service based on the technology of Internet of Things, and the smart medical service, etc., and continue to increase the investment in research and development in the fields of smart city, Internet of Things, cloud computing, Big Data and mobile application with a view to achieving the target of our "Twelfth Five-year Strategic Planning", thus promoting the healthy and sustainable development of the Company.

CONTENTS

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

Capinfo Company Limited

STOCK EXCHANGE FOR LISTING

Stock Exchange of Hong Kong Limited

LEGAL REPRESENTATIVE

XU Zhe

JOINT COMPANY SECRETARIES

GAO Jiaqing, KOO Ching Fan

REGISTERED ADDRESS

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

ORGANIZATION CODE

63369720-7

DATE OF INITIAL LISTING ON GEM

21 December 2001

PAR VALUE OF H SHARES IN ISSUE

RMB0.10 per H share

NUMBER OF DOMESTIC SHARES IN ISSUE

2,123,588,091 shares

COMPANY WEBSITE

www.capinfo.com.cn

H SHARE STOCK CODE

1075

AUTHORISED REPRESENTATIVES

WANG Xu, GAO Jiaqing

DATE AND PLACE OF ESTABLISHMENT

23 January 1998, Beijing

REGISTRATION NUMBER OF BUSINESS LICENSE OF ENTERPRISE LEGAL PERSON

110000005123441

TAX REGISTRATION NUMBER

110108633697207

DATE OF TRANSFER OF LISTING TO THE MAIN BOARD

21 January 2011

TOTAL NUMBER OF SHARES IN ISSUE

2,898,086,091 shares

NUMBER OF H SHARES IN ISSUE

774,498,000 shares

LEGAL ADVISOR

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

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

AUDITORS

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

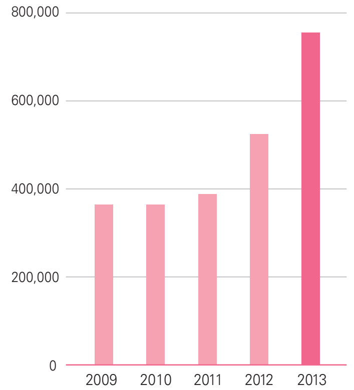
Overseas auditor
Deloitte Touche Tohmatsu
Address: 35/F, One Pacific Place,
88 Queensway, Hong Kong, PRC

FINANCIAL HIGHLIGHTS

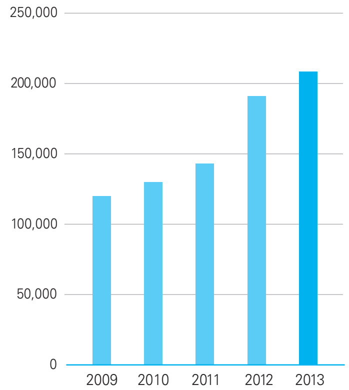
Unit: RMB'000

	2009	2010	2011	2012	**2013**
For the Year					
Revenue	363,125	363,666	388,536	526,097	**754,830**
Gross profit	119,515	129,816	142,876	191,002	**208,335**
Profit and total comprehensive income (expense) for the year attributable to owners of the Company	65,934	73,706	77,540	85,587	**82,884**
Earnings (losses) per share (RMB cents)					
From continuing and discontinued operations					
– Basic	2.28	2.54	2.68	2.95	**2.86**
Dividends per share (RMB cents)	–	3.20	1.20	1.30	**1.30**
– Interim dividend	–	2.05	–	–	**–**
– Final dividend	–	1.15	1.20	1.30	**1.30**
At Year-end					
Total assets	941,918	939,809	975,023	1,116,280	**1,171,973**
Net assets	679,299	721,705	750,657	786,660	**831,891**
Current liabilities	262,619	218,104	224,366	329,620	**340,082**
Financial Ratio					
Net gearing ratio (%)	1.20	0.88	0.73	0.58	**0.44**
Current ratio (times)	2.61	3.33	3.57	2.47	**2.14**

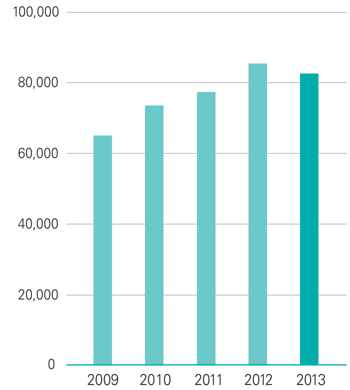
REVENUE



GROSS PROFIT



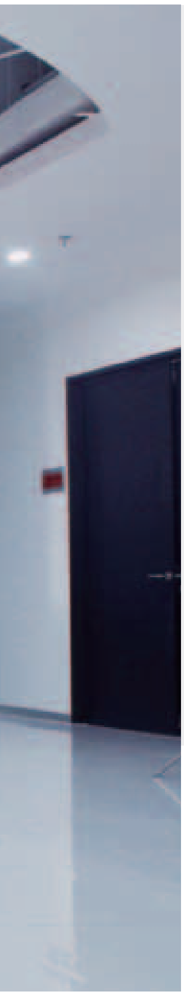
PROFIT & TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY



COMPANY PROFILE

Founded in January 1998, Capinfo Limited Company ("Capinfo" or "the Company") is a state-owned IT company whose controlling shareholder is Beijing State-owned Assets Management Co., Ltd. The Company is committed to developing information technology to drive business and society advance and establishing itself as a reliable partner for its clients with advanced technology and professional services. Capinfo was listed at the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited in December 2001, and transferred its listing to the Main Board of the Stock Exchange of Hong Kong Limited in January 2011 (stock name: Capinfo, stock code: 1075).

For more information of the Company



As a famous smart city service provider in China, Capinfo has, through its professional IT service capability and high level of social responsibility, contracted the construction, operation and maintenance of various national key information technology application projects and livelihood projects. During the past 15 years since our establishment, China has made rapid and tremendous progress in the development of information technology, we have witnessed and contributed to the growth of the PRC society. As of 31 December 2013, the Company had 1,418 employees and had established two branches and one representative office. Focusing on the government, medical care, transportation, finance and many other areas, Capinfo has established its presence in Northeast China, North China, East China and South China.

During the past 15 years, Capinfo had made great breakthrough and progress by continuous improvement of management, enhancement of technology innovation and training of high-calibre personnel, and had made great contribution to the information development of national economic infrastructure and important livelihood areas. Looking forward, upholding the principle of "technology innovation" and leveraging on its own technology and industry advantage, capinfo will promote development in the high-end IT business areas of Internet of Things, cloud computing and Big Data and enhance our core competitiveness so as to achieve sustainable development.

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

SHAREHOLDING STRUCTURE

SHAREHOLDERS

63.31%	Beijing State-owned Assets Management Co., Ltd.
3.55%	Beijing All Media and Culture Investment and Development Center
3.55%	Beijing Sino-Sky Radio TV & Communication Technology Co., Ltd.
1.82%	Beijing Telecom Investment Co., Ltd.
1.05%	China Financial Computerisation Corporation
26.72%	Public

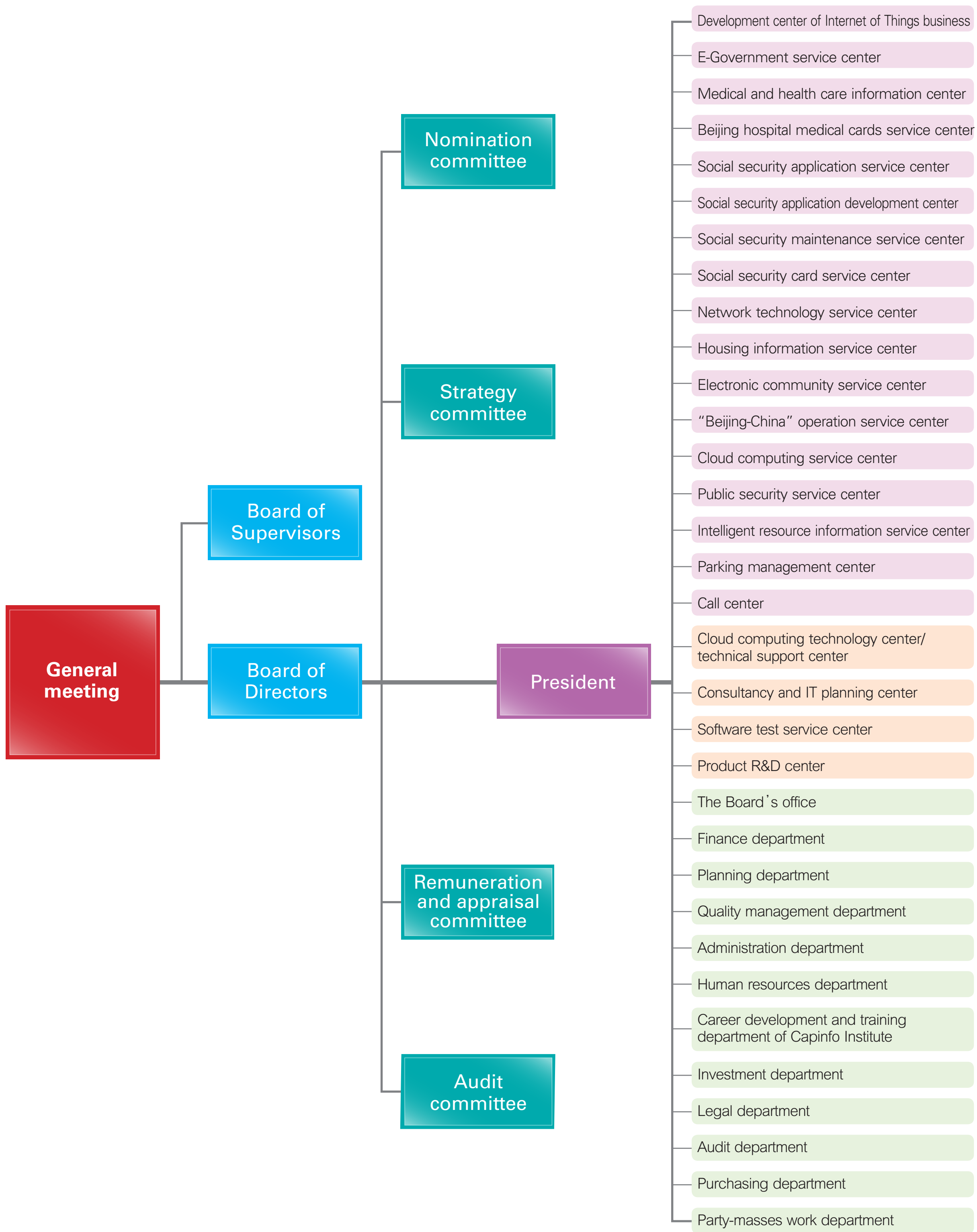
CAPINFO

Capinfo Company Limited

MAJOR COMPANIES INVESTED BY CAPINFO

100%	Capinfo (Hong Kong) Co., Ltd.
100%	Capinfo Technology Development Co., Ltd.
100%	Beijing Parking Management Centre Co., Ltd.
100%	Shanghai Hengyue Computer Technology Co., Ltd.
80%	Beijing Capinfo Hangyuan Technology Co., Ltd.
41.96%	Dongguan Longxin Digital Technology Co., Ltd.
34.98%	Beijing Certificate Authority Co., Ltd.
20%	Beijing Culture & Sports Technology Co., Ltd.
19%	Capinfo Soft Co., Ltd.

CORPORATE STRUCTURE



EVENT HIGHLIGHTS

JAN

Capinfo Institute promoted the international communication and cooperation of the informatization of medical and health care work

MAR

Co-branded card system for housing fund was launched for trial operation

APR

The Company introduced products of corruption risk prevention and control system

MAY

The Company won the bid of Beijing Aiyuhua Hospital for Children and Women for its information system construction project

JUN

Opening ceremony of Shanghai Hengyue Computer Technology Co., Ltd.

JUL

Beidou Application Engineering Center was established

AUG

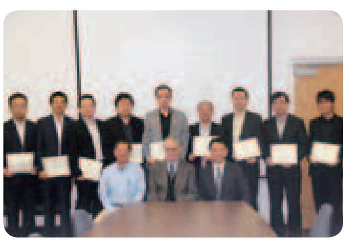
Inauguration ceremony was held for Guangzhou branch

OCT

"Beijing hospital medical cards" were put into use in another six hospitals

NOV

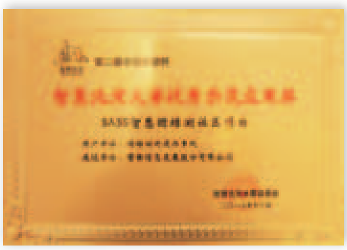
Members of the cloud platform of the CAPINFO Internet team went on a study visit to the US

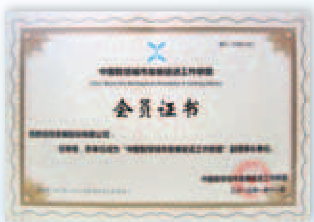


DEC

Hotline "12329" for housing information was launched

HONORS AND QUALIFICATIONS





CHAIRMAN'S STATEMENT

2013 was a key transitional year for the implementation of the Company's "Twelfth Five-year Strategic Planning", and was also the 15th anniversary of the Company. Looking back at the development history of the Company, it was the strong dedication and effort of all staff that contributed to the success of the Company. Looking forward and facing the opportunities and challenges ahead, the Company will keep abreast with the development trend of the industry, and strive to reinforce the development of its traditional core businesses while expediting the expansion of the new businesses. Through investments, acquisitions and mergers and operation on the capital market, the Company will work hard to achieve great strides in development and build a long-lasting brand.

Xu Zhe

Chairman

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors, I hereby present to you the 2013 annual report of Capinfo Company Limited. In 2013, the Group recorded steady growth of its traditional core businesses and achieved remarkable results in new business development, and also made breakthrough in management innovation, further enhancing shareholder value. The Group recorded a turnover of approximately RMB754.8 million, the highest level in history, representing an increase of 43.47% as compared with the corresponding period of last year. Profit attributable to shareholders amounted to approximately RMB82.9 million, representing a decrease of 3.15% as compared with the corresponding period of last year, due to the increasing investments in research and development activities focusing on areas such as the Internet of Things, cloud computing and Big Data as the Company expedited expansion of the national market of smart city business.

During the reporting period, by continuously enriching the important IT infrastructures of smart city operated by the Company, we further extended our business to the downstream customers, laying a solid foundation for the future development. Leveraging on the cloud computing technology and national service network, the new businesses of the Company showed a rapid growth momentum.

Capitalizing on the Internet of Things and our leading position in Beijing market, the Company provided integrated solution service in respect of various smart city areas during the year, and developed products with proprietary intellectual property rights. During the reporting period, the housing information service business of the Company has established its presence in Beijing, Shanghai and Guangzhou. Focusing on these three major cities, the segment also rapidly extended its antenna to the neighboring regions. In 2013, the Company won the bid of Beijing Aiyuhua Hospital for Children and Women to become the general contractor for the construction of its information system, and proactively participated in the construction of new digitalized hospitals, striving to foster our competitive strength and regional service capability in construction of information systems for newly-built hospitals, traditional hospital improvement, community old-age medical care, regional medical care and government public health service.

In 2013, the Company continued to enhance its efforts on industry study, so as to establish unified development concept by analyzing the IT industry, refined segments and quality peers. By analyzing the individual targets of the "Twelfth Five-year" plan, the Company continued to facilitate planning for strategic business units, so as to have a clear understanding of the internal and external resources required and set the future development path. Based on the above efforts, the Company aggressively made investments, acquisitions and mergers, and made strenuous efforts to seek companies that were highly related to the core businesses of the Company and had competitive edge in the upstream and downstream industries. Under the principle of "making up for weakness, expanding business scale and transforming operation model", the Company successfully acquired Shanghai Hengyue Computer Technology Co., Ltd. during the reporting period. This acquisition provided great support to our strategic expansion in the national housing information market.

During the reporting period, the Company continued to enhance the construction of the horizontal technical support platform, stepped up innovation of service products and software products, and achieved new breakthroughs in technology enhancement in various areas such as GIS application, embedded system, cloud computing visualization, mobile application, Internet of Things and operation and maintenance of large systems, which in turn strengthened the Company's capability in implementing and delivering its internet-based city management and public service application systems. In 2013, focusing on the establishment and operation of the cloud platform of the CAPINFO Internet, the Company constituted the basic operation framework of the cloud platform, set up operation and maintenance team and hosted the trial operation of over 60 application systems on the platform, so as to improve its ability in consultancy, pre-sale service, implementation, operation and maintenance based on the cloud platform, laying a solid foundation for the strategic transition of the Company toward a solution cloud service provider.

Adhering to the concept of "quality, integrity and customer satisfaction", the Company continuously improved and optimized its quality control system, emergency response system and budget evaluation system. During the reporting period, the Company obtained certification of the National Information Technology Service Standards (the "ITSS"), marking further improvement in the IT services provided by the Company.

2013 was a key transitional year for the implementation of the Company's "Twelfth Five-year Strategic Planning", and was also the 15th anniversary of the Company. Looking back at the development history of the Company, it was the strong dedication and effort of all staff that contributed to the success of the Company. Looking forward and facing the opportunities and challenges ahead, the Company will keep abreast with the development trend of the industry, and strive to reinforce the development of its traditional core businesses while expediting the expansion of the new businesses. Through investments, acquisitions and mergers and operation on the capital market, the Company will work hard to achieve great strides in development and build a long-lasting brand.

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.

By Order of the Board

Xu Zhe
Chairman

Beijing, the PRC
21 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, facing the complex international economic environment, the PRC economy showed a stable and positive trend. As the central government launched a series of measures to promote consumer spending on information technology to expand domestic demand, the Company proactively adjusted industrial layout, increased investments in technology innovation and research and development, and accelerated its pace in investments, acquisitions and mergers, so as to fulfill the operating targets set by the Board and achieve healthy and rapid development.

Wang Xu

Executive Director and Chief Executive

Revenue from the smart city business accounted for

66.37%

of the total revenue of the Company

Monitoring
system on public transportation lane

Monitoring
system on roadside parking

BUSINESS REVIEW

In 2013, facing the complex international economic environment, the PRC economy showed a stable and positive trend. As the central government launched a series of measures to promote consumer spending on information technology to expand domestic demand, the Company proactively adjusted industrial layout, increased investments in technology innovation and research and development, and accelerated its pace in investments, acquisitions and mergers, so as to fulfill the operating targets set by the Board and achieve healthy and rapid development.

Information-based infrastructures accelerated the construction of smart city

With the deepening of construction of smart city, more and more cities participated in the demonstrative construction of smart city by promoting construction of e-government, enhancing the intelligent technology upgrading of public facilities and improving public services, providing new business opportunity for smart city construction. In 2013, the Company continued to enhance construction of urban information-based infrastructures, and proactively promoted information technology application in government and intelligent technology upgrading, achieving remarkable results. Currently, the business of the Company covered many fields, including public security, medical and health care, transportation and finance. As at 31 December 2013, total revenue of all smart city businesses amounted to approximately RMB501.0 million (2012: RMB292.8 million), accounting for approximately 66.37% of the total revenue of the Company.

The E-Government network platform which was constructed, operated and maintained by the Company constituted the major information-based infrastructures of Beijing City, playing an outstanding role in the information technology application in the government. As a technology operation service provider, the Company leveraged on this platform to provide one-stop IT services to its clients covering from system design, planning, website construction, software development, security operation and maintenance to technology upgrading. As at 31 December 2013, the E-Government network platform received nearly 8 thousand users including the Beijing municipal government, committees, offices and bureaus of government authorities at all levels and governments at district and town level, enabling the clients to communicate and share information with each other which effectively improved the public services provided by the local governments. Leveraging on this platform, the "Beijing-China" website clusters (www.beijing.gov.cn), the Capital's city information service website (www.beijing.cn) and the eBeijing website (www.ebeijing.gov.cn), all operated and maintained by the Company, run safely and smoothly. Among which, "Beijing-China" website clusters with its safe and effective technology, operation and maintenance services was ranked No.1 among the national government websites for the consecutive seventh year.

In order to further improve the security operation and emergency response management of the cities, the Company, leveraging on the E-Government network platform, employed the new generation of mobile telecommunication technology TD-LTE to primarily establish the 4G wireless government internet of things project (the "Internet of Things"), which currently covers the major urban areas and some suburban districts and counties in Beijing. As the Internet of Things became more mature, its integration with the E-Government network will improve the e-government information system management and public services provided by the Beijing government, and also provide a solid technology platform for the promotion of the major demonstrative application projects of the Internet of Things. Capitalizing on the Internet of Things, the Company succeeded in the demonstrative application of over ten monitoring project, including projects regarding city management such as the municipal administration visual monitoring system, the visual monitoring system for the police station, firework monitoring system, lift operation security monitoring system and monitoring system on LPG users, as well as projects regarding transportation such as the roadside parking monitoring system, monitoring system on public transportation lane and monitoring system on environmental sanitation vehicles.

Among the smart city projects that were constructed, operated and maintained by the Company, the Company attached high importance to the "operation and maintenance project for Beijing Parking Management Centre" as it was the major project implemented by Beijing municipal government to improve roadside parking management and services. Beijing Parking Management Centre Co., Ltd., a wholly-owned subsidiary of the Company, was responsible for the construction, operation and maintenance of the electronic fee collection and clearing settlement platform for parking on roadsides, providing collection of information on roadside parking and monitoring services as well as electronic fee collection and clearing settlement service for parking on roadsides and occupying the road to the government and enterprises, and also assisting the administration authorities in managing parking on roadsides. As at 31 December 2013, trial operation of the electronic fee collection system for parking on roadsides successfully rolled out in three districts (i.e. Chaoyang District, Dongcheng District and Xicheng District) of Beijing City which is expected to be extended to all the six districts of Beijing City in the several years ahead.

301

base stations have been established under the Government Internet of Things Project

From point to area implementation promoted market exploitation of smart livelihood projects

"To improve information-based service in people's livelihood and accelerate the construction of social security public service system" was one of the measures proposed by the central government to promote consumer spending on information technology, and was also one of the key targets for our strategic development. During the reporting period, the Company continued to implement intelligent technology upgrading on all the information-based businesses in the livelihood field and stepped up efforts in market exploitation, so as to increase its market shares, explore new business opportunities and achieve sustainable development. As at 31 December 2013, total revenue of all smart livelihood businesses amounted to approximately RMB237.9 million (2012: RMB219.7 million), accounting for approximately 31.52% of the total revenue of the Company.

The Company has been committed to providing convenient information technology services and achieved many remarkable accomplishments. The Beijing Medical Insurance Information System and the Beijing Social Security Card System established, operated and maintained by the Company provided real-time payment settlement for over 14 million social security card holders. Due to its powerful capability in disaster recovery and convenient and reliable information technology service, the Beijing Social Security Card System was honored 2013 Gold Ant Award – The Best Application Achievement of the Golden Card Project. In order to improve the functions of these systems, the Company implemented technology upgrading on the relevant sub-systems of the medical insurance information system and social security card system such as 4G link optimization, and achieved full integration with the Internet of Things, further improving the safety and stability of the systems.

While making efforts to consolidate and develop our core businesses, the Company also proactively explored the market to reinforce its leading position in the industry and increase the market share of housing information service business, so as to improve its overall competitive strength. As the pioneer in implementing our strategy of "industrializing to expand throughout China (行業化走全國)", the housing information service business achieved remarkable results in market expansion. As at 31 December 2013, the housing information business covered 16 cities including Beijing, Shanghai and Guangzhou, and the service model had gradually transit from basic services such as simple collection, withdrawal and loans to provision of smart application service. Currently, the number of employees who participated in the housing fund program with our housing information system accounted for 14.21% of the national market, the total amount of funds managed and collected under the system accounted for 24.60% of the national amount, and the loans managed under the system amounted for 25.00% of the national amount, preliminarily establishing the brand image of Capinfo-Smart City Service Provider in the domestic housing information service industry.

To accelerate the expansion of housing information service business, the Company successfully acquired Shanghai Hengyue Computer Technology Co., Ltd. which engaged in housing information business in Shanghai for years, facilitating the rapid expansion of housing information business in the markets of Shanghai and its surrounding cities. At present, the housing information business has preliminarily formed a business development network with Beijing, Shanghai and Guangzhou at the core and covering the surrounding cities at fast pace, accumulating precious experience for the successful expansion of other businesses to other cities. During the reporting period, the Housing Fund Integrated Information Management System constructed by the Company was awarded with the third prize in Beijing Science And Technology Award, and the Housing Fund Integrated Business Management System constructed by the Company was honored the Best Solutions for Smart City.

In order to fully implement the Implementation Opinions on Promoting the Construction of Smart Community in Beijing and build a new form of community, the Company kept tapping new opportunities for smart community while reinforcing and developing its existing community business. Currently, the electronic community service platform (www.96156.gov.cn) constructed, operated and maintained by the Company serves community management institutions at all levels in Beijing, providing to more than 13 million residents over 200 items of convenience-featured community services such as home-care for the aged, marriage registration, household service, funeral and interment service etc. Leveraging on the successful experience in smart city construction and its information infrastructure resources such as the Internet of Things and CAPINFO Internet cloud platform, the Company was better positioned in smart community construction over its peers. During the reporting period, the "5A5S Tuanjiehu Smart Community Project" constructed by the Company was awarded Excellent Demonstration and Application Award in the second "China Mobile Cup" Smart Beijing Competition at the "Smart Beijing and Public Welfare" Summit Forum. With the deepening of smart community construction in Beijing, the Company will have more development opportunities.

Expansion of

smart medical service business

Challenges and business opportunities coexist in smart medical services with boundless opportunities

With the improvement of living standards of the community, to promote medical information level has become international development trends, which have great application and market potentials. As one of its business focus, the Company invested lots of resources to seize the smart medical service market. The Company has entered into service agreements with 46 hospitals on the provision of IT value-added service through its persistent efforts for years. The successful implementation of Beijing hospital medical cards and medical unity project also laid a solid foundation for our future development of medical information value-added service.

Securing leading position in smart medical service market and developing related information service business is one of the strategic priorities in the Twelfth Five-year Strategic Planning of the Company. During the reporting period, the Company successfully won the bid for information system project of Beijing Aiyuhua Hospital for Children and Women (hereinafter referred to as "Aiyuhua Hospital") at the contract price of approximately RMB33.8 million, marking the Company's full entry into smart medical service business. Aiyuhua Hospital is a profit-making medical institution built under international management and operation model, providing high quality medical and healthcare services to puerperae and children. As the master integration service provider for the hospital's information system construction project, the Company attached high importance to this project which was also the first large-scale hospital information system project constructed by the Company. In face of challenges, the Company set up a project team led by technical experts to learn from the United States the medical service model and study it. Led by the technical experts, the project was implemented smoothly according to schedule. The information system is expected to put into operation in June 2014. The experience gained from the construction of this project will pave the way for the Company's further expansion of its smart medical service market in the future.

In order to expand its smart medical service, the Company continued to explore new users and new service models. During the reporting period, the Company further expanded its "Beijing hospital medical card" user base from the insured local patients in Beijing to non-insured local patients in Beijing and the patients who come to Beijing temporarily for treatment. This card could benefit people with convenient services such as inter-hospital settlement, electronic wallet, loss reporting and canceling loss reporting, and could also be widely accepted by any hospitals which had implemented "Beijing hospital medical card" project. The card users would be offered quick and convenient diagnosis and treatment services based on the business process of hospitals, such as making appointments with doctors, payment and printing examination report. As at 31 December 2013, Beijing hospital medical card system had been put into operation in 16 departments and wards of 14 hospitals in Beijing, achieving inter-hospital application and non-cash settlement with unified functions and unified services so as to efficiently reduce the inconvenience of repeated card applications by the patients. Looking ahead, with full coverage of medical insurance service to all patients in Beijing, the service functions of the medical insurance and Beijing hospital medical card businesses of the Company will be further enhanced, enabling the Company to further expand its business in the future.


The gross floor area of the
IDC amounted to nearly
2,000
square meters

Building the Company into a cloud service provider with cloud computing technology and cloud platform resources

The robust market demand arising from the emergence of cloud computing technology drove a rapid development of the industry. During the reporting period, the Company, as a smart city service provider, proactively promoted innovations in cloud computing technology services and its business model as well as innovations in service and software products, increased investments in technology R&D, further integrated horizontal technology supporting team and facilitated provision of cloud service through vertical business segments, so as to further build the Company's new image of cloud service provider.

With Internet of the Things and cloud computing technology, the Company built CAPINFO Internet Cloud Platform ("Cloud Platform"), which has successfully hosted the trial operation of more than 60 projects, achieving unified and safe management comprehensively through providing cloud computing solutions to the customers. At present, the projects hosted by the Platform mainly involve in public security, finance and enterprise information technology. With cutting-edge technology, the Platform was awarded Excellent Demonstration and Application Award in the first "China Mobile Cup" Smart Beijing Competition, which fully reflects and recognizes the excellent demonstrative application of this Platform in the industry.

With our successful experience in building the Cloud Platform, our technological strength was well recognized by the government authorities. Recommended by Beijing Municipal Commission of Economy and Information Technology, the Company was invited to compile the "Service Quality Evaluation Criteria for Cloud Computing-based E-Government Public Platform" and the "Guide on Measurement of Cloud Computing-based E-Government Public Platform". The compiling of these documents not only enabled the Company to conduct systematic study on present situation and development trends of technology, market, service and security of cloud computing at home and abroad, but also laid a solid foundation for the Company to dominate in the E-Government cloud computing business and become the leading enterprise in the field of cloud computing technology.

To ensure the high availability of the Cloud Platform, the Company continued to strengthen its cloud computing infrastructure layout. During the reporting period, the Company expanded the capacity of Internet Data Center ("IDC") by adding a floor space of more than 800 square meters to the IDC. The expanded IDC effectively enhanced the supporting capacity and reliability of the Cloud Platform. Meanwhile, the Company kept exploring the industrial opportunity for a new generation of IDC.

Securing industry leading position with technology innovations

Technology innovation is the essence for the survival and development of an enterprise. As a high-tech IT enterprise, the Company adhered to technology innovations by establishing R&D centre with all its team members being technical elites in the industry. These elites have proprietary technology with independent intellectual property rights and have made remarkable contributions to the Company in accelerating technology innovations. As at 31 December 2013, the Company invested approximately RMB32.9 million (2012: RMB27.6 million) in technology R&D.

As we encouraged company-wide technology innovations, all business centres of the Company responded actively by promoting the healthy development of the Company with their technology achievements. During the reporting period, the Company was named the "Outstanding Innovative Enterprise in 2013" in the electronic information industry of China in 2013, and participated in a number of top-level information

designs and industry standard development. A total of six software products of the Company have obtained the Computer Software Copyright Registration Certificate. Our 12 software products have obtained the Software Product Registration Certificate. The Company also received the certification of IT services, operation and maintenance standards ("ITSS"). The Company was named the key software enterprise in the national planning layout for 2013-2014 and enjoyed preferential tax treatment. The above-mentioned technology achievements were made with the great support from the Company for technology innovations. Those achievements also encourage the fellow researchers to vigorously explore and strive for the enhancement of the Company's overall scientific research level and technological strength.

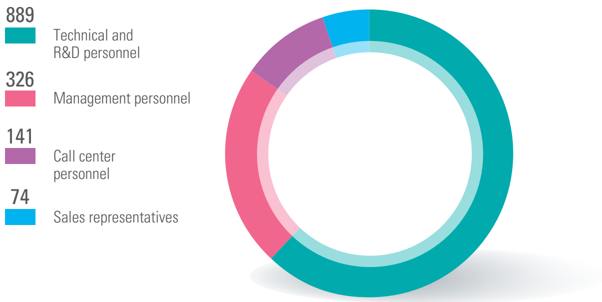
Making further progress in the future

Year 2013 marked the 15th anniversary of the founding of Capinfo. Growing from a digital city operator to a smart city service provider, and from a high-tech enterprise based in Beijing to a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Capinfo develops with the great efforts and sacrifices made by the first generation of Capinfo staff. Looking ahead, while steadily promoting its businesses, the Company will keep abreast of the boom of technology such as internet, mobile application and Big Data, etc and accelerate the establishment of channel for industrializing to expand throughout China so as to gradually transform form a localized IT service enterprise to a high-end IT service enterprise with platform operation strength, prominent industrial features and nationwide market. The Company will grasp opportunities in emerging markets to promote technology innovations, and enhance its corporate governance by further strengthening quality control, financial budget management and human resources management. On the principle of maximizing long-term interests, the Company will expand into new fields through investments and acquisitions so as to achieve healthy and fast development of the Group.

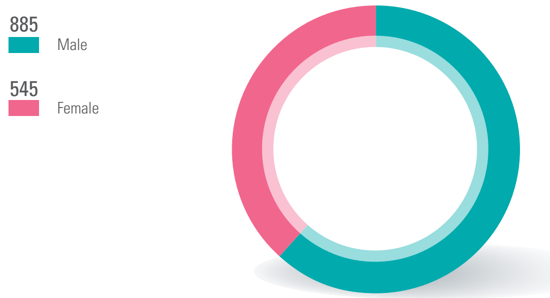
Human resources

The Company insisted on implementing "talents thriving enterprise" strategy. In line with the Twelfth Five-year Strategic Planning of the Company, human resources department kept innovating working philosophy and improving working mechanism, and implemented training programme for talents at various levels so as to provide sufficient human resources for the business development of the Company. As at 31 December 2013, the Group had a total of 1,430 employees (2012: 1,253 employees), of whom 889 were technical and R&D personnel, 326 were management personnel at various levels, 141 were call center personnel and 74 were sales representatives. In 2013, the Company recruited 400 new employees mainly for the purpose of satisfying the expansion needs in key businesses such as medical information and housing information services. The staff cost of the Group was approximately RMB171.9 million (2012: RMB152.0 million) in the continuing operations.

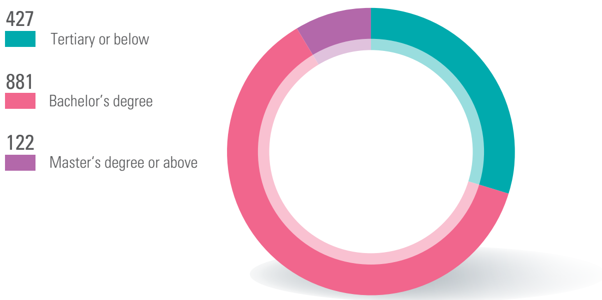
Statistical distribution chart of employees by functions



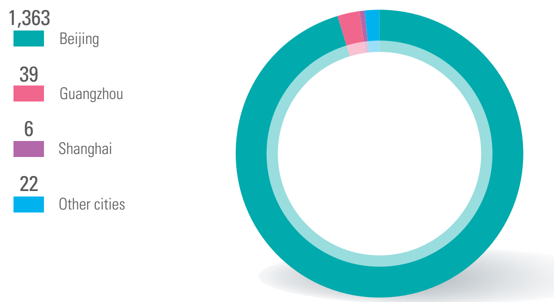
Statistical distribution chart by sex



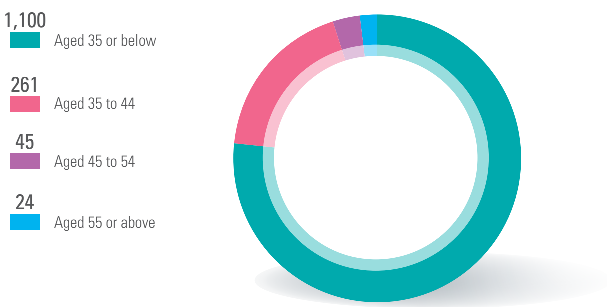
Statistical distribution chart by education



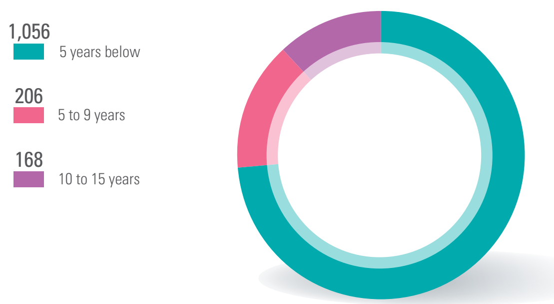
Statistical distribution chart by geographical areas



Statistical distribution chart by age



Statistical distribution chart by service years



Personnel recruitment ensured to meet business needs

The steady growth in the performance of the Company was mainly attributable to the concerted great support from a highly efficient and stable staff team. In order to meet the human resource needs of the Company, the Company recruited employees in advance while deploying human resources proactively so as to attract talented fresh graduates to join the Company through campus recruitment held by working with various professional institutions. During the reporting period, the Company held 10 campus recruitment activities, recruiting 65 talented fresh graduates. Meanwhile, the Company actively participated in various industry recruitments and published recruitment information at well-known recruitment websites to attract job seekers and provide employment opportunities for talents. In response to the government's call to ease the pressure on employment of college graduates, the Company also took the initiative to provide internship opportunities for college graduates. As at 31 December 2013, the Company had 15 interns.

Professional training improved staff competence

The Company aimed to develop into a learning and innovative organisation. To meet the business development needs of talents, the Company continued to strengthen its personnel development channel of "business, technology and management" so as to ensure there are promotion opportunities in every stage of career development. The Company provided the employees with systematic training programmes and various learning opportunities to enhance the overall quality of staff and encourage the comprehensive development of talents. During the reporting period, the Company tailored 145 on-site trainings for a total of 3,679 participants at multiple levels, including 14 orientation and professional ethics enhancement trainings, 16 business management trainings, 78 professional skills trainings, 14 operation and maintenance management trainings, 16 knowledge transfer trainings, and 7 special trainings in "Young Member Training Camp" for young management candidates. We identified potential talents for promotion among participants of Young Member Training Camp. At present, 42 members among a total of 104 participants of two sessions of trainings in Young Member Training Camp respectively held in 2011 and 2012 were promoted to junior and middle-level management positions. Meanwhile, the Company offered international exchange and learning opportunities for its core technical personnel of middle level. During the reporting period, a total of 31 participants in 5 batches attended special trainings abroad.

Incentives promoted enterprise development

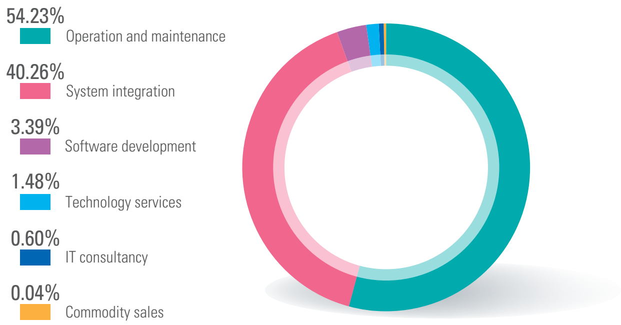
The Company defined career development path for and opened promotion opportunities to the Company's employees. The Company rewarded employees for their contributions through various schemes of incentives, such as year-end performance related incentives and outstanding project management awards. In order to encourage middle-level cadres to create greater value with their own strengths, the Company conducted job rotations for some middle-level cadres during the reporting period to enable competent middle-level cadres to make progress in different positions and lead employees to achieve challenging working target.

FINANCIAL REVIEW

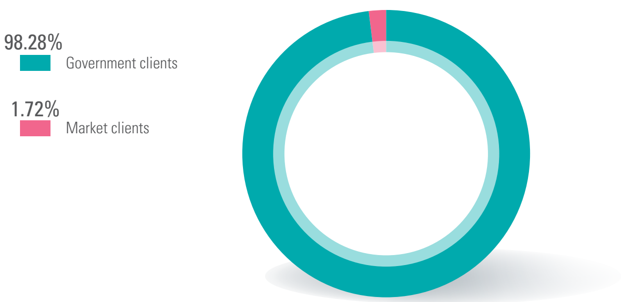
In 2013, the PRC economy showed overall stability, making progress with positive outlook while maintaining stability. Under such macro environment, all the businesses of the Group achieved positive growth while maintaining stable development. During the reporting period, the overall business of the Group run well, mainly reflected by a stable talent team and smooth operation of key projects; and the significant increase in revenue fully represented the remarkable results in business expansion. The overall development prospect for the Group was bright, and the expansion of business scale, diversification of our services and promotion of technology innovation will lay a solid foundation for the future market expansion of the Group.

In 2013, the Group diligently implemented and pushed forward the strategic targets of the "Twelfth Five-year" plan, achieving healthy development of our businesses. As at 31 December 2013, the Group recorded a turnover of RMB754.8 million, representing an increase of approximately 43.47% over last year. Of which, about 2/3 of the turnover was derived from the new order intakes. The Group recorded a gross profit of approximately RMB208.3 million, representing an increase of approximately 9.06% over that of last year, and profit attributable to shareholders of approximately RMB82.9 million, representing a decrease of approximately 3.15% as compared with last year. The increase in gross profit was lower than that of the turnover, mainly due to the significant increase in all costs associated with the increase in revenue as a result of acceleration in business expansion. Of which, labor costs amounted to approximately RMB69.4 million in the costs of sales, representing a year-on-year increase of approximately 5.95%; and costs such as property rentals were approximately RMB56.3 million, representing a year-on-year increase of approximately 14.43%. Meanwhile, the lower gross profit margin of the visual information management and electronic monitoring projects in the new field weighed down the overall gross profit margin of the Company. As the aforesaid two projects have been basically completed in 2013, there was no great volatility in the gross profit of other items as compared with the historical level of the corresponding period.

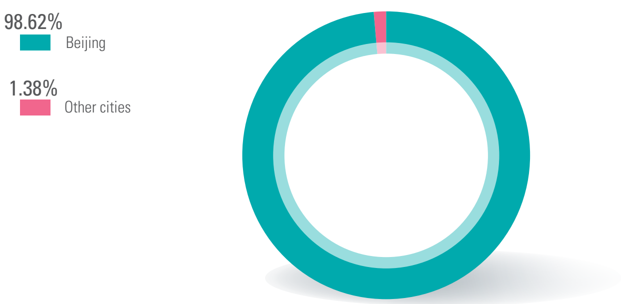
Business model



Customer distribution



Revenue distribution



In respect of the Group's business model, the main businesses of the Company were divided into operation and maintenance, system integration, software development, technology services, IT consultancy and sales of commodities. The turnover of each segment during the reporting period amounted to RMB409.3 million, RMB303.9 million, RMB25.6 million, RMB11.2 million, RMB4.5 million and RMB0.3 million respectively, accounting for approximately 54.23% (2012: 70.37%), 40.26% (2012: 19.27%), 3.39% (2012: 9.31%), 1.48% (2012: 0.51%), 0.60% (2012: 0.29%) and 0.04% (2012: 0.25%) of the total revenue of the Company. In respect of industries, government clients accounted for the largest share with about 98.28% (2012: 97.26%) of the service and operation projects of the Company from government clients. In respect of regions of business expansion, our business coverage has extended from Beijing to 25 cities across the country. However, the revenue of the Group was still derived from Beijing, which accounted for approximately 98.62% (2012: 99.98%) of the total revenue.

During the reporting period, the core businesses of the Company made steady progress while the new businesses expanded rapidly. As at 31 December 2013, the core businesses realized a revenue of approximately RMB299.1 million, basically the same with that of last year, which accounted for 39.63% of the revenue contributed by the main businesses. The costs incurred by the core businesses amounted to RMB224.7 million, accounting for 41.12% of the total costs of the Company. The core businesses of the Company mainly included the smart city businesses such as the government projects and the "Beijing-China" website clusters that leveraged on the E-Governance network and the Internet of Things platform as well as the smart livelihood businesses such as the Beijing Medical Insurance Information System, the Beijing Social Security Card System and community service information system. The new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of approximately RMB453.3 million in 2013, representing an increase of approximately 105.95% over last year and accounting for 60.06% of the revenue contributed by the main businesses. The costs incurred by the new business was RMB312.1 million, accounting for 57.11% of the total costs of the Company. In 2013, revenue contributed by the new business exceeded that from the core businesses, fulfilling for the first time the strategic development target of the Company and reflecting the remarkable results achieved in expansion of the new business.

Other income amounted to approximately RMB28.4 million, representing an increase of approximately 21.37% over last year, mainly represented the income from project research and development, property rental and interest income. Of which, the Company received support and subsidies from the government for its participation in development of high-end industry standard and project research and development, which was the main contributor to the increase in other income. Other gains and losses amounted to approximately RMB12.1 million, representing an increase of approximately 37.50% over last year, mainly represented the gains arising from entrusted investments and impairment loss on assets. Of which, gains arising from entrusted investments amounted to RMB14.2 million, representing an increase of approximately 9.23% over last year, mainly due to the extension of trust period for 82 days as compared with last year. Huaneng Trust was engaged as the trustee of these entrusted investments to manage the amount of RMB150.0 million for the period from 21 January 2013 to 27 December 2013, which shall be invested in fixed income debt products issued by major state-owned enterprises with good credit-worthiness. In order to mitigate risks of entrusted investments, the Company also engaged Shenzhen Golden Regal Guarantee Co., Ltd., an independent third party, to provide guarantee for the entrusted investment at a consideration of RMB1.5 million. Entrusted investment aimed to make good use of the idle funds, so as to improve the utilization of funds. These funds will be used to finance business development whenever it is required for business expansion, investment, acquisition or merger.

Capital expenditure, liquidity and financial resources

As at 31 December 2013, the Group had total assets of RMB1,172.0 million, and equity attributable to shareholders of the parent company amounted to RMB831.8 million. 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 borrowings over net assets, stayed at a relatively low level of less than 1%. Both ratios reflected the sufficiency in financial resources of the Group.

For the year ended 31 December 2013, 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. The Group had unsecured loan borrowing of approximately RMB3.6 million, 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 3.72%. Bank deposits, bank balance and cash of the Group amounted to approximately RMB438.1 million, representing a decrease of about 28.00% over that of last year. The fund was mainly used for project construction.

Equity investments

In 2013, the Company's income from equity investments in associates was approximately RMB14.8 million, representing an increase of approximately 52.58% over that of last year, which was mainly due to the contribution from BJCA (an associate of the Company). BJCA achieved excellent overall results in 2013, with its profit increasing by approximately RMB15.5 million over the corresponding period of last year. Currently, the listing procedures of BJCA progressed smoothly, and the supplementary materials has been again submitted to the CSRC for approval.

Income tax

As at the date of this report, the Company was jointly accredited as a key software enterprise in the national planning layout for the year 2013-2014 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation, and was entitled to a reduced tax rate of 10% for enterprise income tax. In 2013, the income tax expense of the Group was approximately RMB9.8 million, representing a decrease of approximately 14.04% over last year. The decrease was mainly because the above-mentioned accreditment of key software enterprise under the national plan entitled the Company a retroactive tax benefit for the years 2011 and 2012 at a preferential tax rate of 10%, resulting in the reduction of RMB4.1 million to the income tax expense of 2012 which was recorded as a tax credit in the current year.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

LU Lei　ZENG Xianggao　ZHOU Liye　SHI Hongyin　ZHANG Kaihua　XU Zhe

EXECUTIVE DIRECTOR

Dr. WANG Xu (Chief Executive), aged 45, 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.

WANG Xu PAN Jiaren WANG Zhuo HU Sha CHEN Jing GONG Zhiqiang

NON-EXECUTIVE DIRECTORS

Mr. XU Zhe (Chairman), aged 44, 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. and the deputy general manager of Beijing Capital Agribusiness Group. He once served at Beijing International Trust Corporation Limited. He 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 40, 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 cultural and creative and sports industry investment 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 34, was appointed as Non-executive Director since June 2012. Mr. Lu is currently a senior project manager of the technology and modern manufacturing industry investment 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 74, 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 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 47, a senior engineer, was appointed as Non-executive Director since December 2011. Mr. Shi is currently the head of research and development 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 57, a senior accountant, 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.

Mr. Wang Zhuo, aged 54, a senior engineer, was appointed as Non-executive Director since July 2013 and is currently a director of China Financial Computerisation Corporation. He is also a special prosecutors of The Supreme People's Procuratorate of the PRC and a member of Beijing Municipal Committee. He had worked for the Statistics and Analysis Department of The People's Bank of China. He was a director of Information Management Department with extensive experience in information technology management. Mr. Wang graduated from Tianjin University in 1998 and obtained a master's degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Jing, aged 70, a professional engineer and an expert entitled to receive special contribution allowances from the State Council, 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.

Ms. ZHOU Liye, aged 51, registered accountant, was appointed as Independent Non-executive Director since June 2012 and is also the chairman of the audit committee. Ms. Zhou is currently a senior partner of Ruihua Certified Public Accountants, and holds concurrent positions as independent directors of Shenzhen Edifier Technology Co., Ltd., a company 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 55, 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 Hong Kong 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 42, 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 experience in control of corporate legal risks. Mr. Gong graduated from Hebei University with a master degree in laws in 1995.

XU Xiangyan DI Guojun XIAO Jun

CHAIRMAN TO THE BOARD OF SUPERVISORS

Mr. DI Guojun, aged 52, 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 37, was appointed as supervisor representing shareholders since December 2011. Mr. Xiao is currently the manager of the financial planning department of Beijing CHJ-Care Investment Co., Ltd.. Mr. Xiao previously served at Beijing Ruimingwei Certified Tax Agent Company, Shinewing Certified Public Accountants, Beijing Automotive Industry Holding Co., Ltd. and the audit division of Beijing State-owned Assets Management Co., Ltd.. He has extensive experience in corporate audit management. Mr. Xiao graduated from Capital University of Economics and Business with a master's degree in business administration in 2013.

Ms. XU Xiangyan, aged 41, an intermediate 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 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.

WU Bo GAO Jiaqing YU Donghui ZHENG Zhiguang GONG Chengliang

SENIOR MANAGEMENT

Dr. GAO Jiaqing, aged 42, 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 Limited. Dr. Gao has extensive experience in capital operation and corporate management.

Mr. YU Donghui, aged 41, 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 and roadside parking projects 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.

Dr. WU Bo, aged 57, joined the Company in August 2000, is currently the Vice-President of the Company, mainly responsible for the management of Capinfo Institute and the E-community business. 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. ZHENG Zhiguang, aged 59, 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 business and the social security card application project. The projects managed by Mr. Zheng were awarded "Top 10 Best for Information Application in Beijing" and " 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 (currently known as Beihang University) 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..

Mr. GONG Chengliang, aged 42, joined the Company in April 1999, was appointed as Vice-President since February 2013 and is also the technical director and 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 held various positions in the Company including general manager of the technical support center.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2013.

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 many years.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 103 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements on page 158 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 2013 and the past four financial years is set out in Financial Highlights on page 3 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment acquired by the Group during the year are set out in note 16 to the consolidated financial statements on page 146 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, Bejing (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 the movements of the investment property of the Company during the reporting period are set out in note 17 to the consolidated financial statements on page 147 of this annual report.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 30 to the consolidated financial statements on page 158 of this annual report.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Save as disclosed below, as of 31 December 2013, 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:

		Number of H Shares subject to options outstanding as of 31 December 2013	
Name	Capacity	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%
Total		3,391,000	0.44%

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 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 2013:

Name of controlling 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 per-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.

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 SUPPLIERS AND CUSTOMERS

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. The turnover attributable to the Group's five largest customers accounted for approximately 51.45% of the Group's total turnover. The five largest customers are set out below in descending order:

No.	Name of customers	Approximate percentage to total turnover
1	Beijing Government Networks Administration Center	15.36%
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)	13.63%
3	Beijing Municipal Public Security Bureau Tongzhou Branch (北京市公安局通州分局)	9.29%
4	Beijing Municipal Public Security Bureau Traffic Management Bureau (北京市公安局公安交通管理局)	9.28%
5	Beijing-China Operation Management Centre (首都之窗運行管理中心)	3.89%
	Total	51.45%

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.

MATERIAL LITIGATION AND ARBITRATION

During the reporting period, the Group was not involved in any material litigation or arbitration. Besides, to the best knowledge of the management of the Company, the Group had no material litigation or claim which was pending or threatened by or against the Group.

CONNECTED TRANSACTIONS

The Company formulated Management System of Information Disclosure and Management System of Inside Information and Insiders, 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. Connected transactions occurred during the reporting period are set out as follows:

I Continuing connected transactions exempt from the independent shareholders' approval

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Annual Cap	Transaction amount for the year
1	Provision of network system operation and maintenance and services	Capnet Company Limited	Income	6.3	5.9
2	Purchase of hardware	Capnet Company Limited	Expenses	10.0	4.5
3	Purchase of network security system and services	Beijing Certificate Authority Co., Ltd.	Expenses	2.0	0.7
4	Lease of office premises	Beijing IC Design Park Co., Ltd.	Expenses	11.0	8.2

1. Continuing connected transaction for provision of the network system operation and maintenance and services

On 18 January 2013, with the approval at the 8th meeting of the 5th Board of Directors of the Company, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") and Capnet Company Limited ("Capnet") renewed the Network System Services Agreement, pursuant to which, Capinfo Technology provided Capnet with the network system operation and maintenance and services. The term of the agreement was extended to 31 December 2015. The Board of Directors approved that the annual caps for each of the years from 2013 to 2015 were RMB6.3 million. 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: 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.

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.

Voting: 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 Chairman Xu Zhe and the Directors Zhang Kaihua and Lu Lei (all being employees of BSAM, a related party) had abstained from voting on the resolution.

2. Continuing connected transaction for hardware purchase

On 18 January 2013, with the approval at the 8th meeting of the 5th Board of Directors of the Company, Capinfo Technology and Capnet entered into the Hardware Purchase Framework Agreement, pursuant to which, Capinfo Technology purchased hardware products and relevant services from Capnet based on its business needs for the period up to 31 December 2015. As approved by the Board of Directors, the annual caps for each of the years from 2013 to 2015 were RMB4.7 million, RMB6.1 million and RMB7.8 million respectively. On 1 August of the same year, with the approval at the 16th meeting of the 5th Board of Directors of the Company, Capinfo Technology and Capnet entered into the Supplemental Agreement to the Hardware Purchase Framework, pursuant to which, the Board of Directors approved that the annual caps of hardware purchase transaction amounts for each of the years from 2013 to 2015 were increased to RMB10.0 million, RMB25.0 million and RMB25.0 million respectively in light of the boosted demand for hardware purchase due to the business growth of Capinfo Technology for the first half of the year. 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: Capinfo Technology is a wholly-owned subsidiary of the Company and Capnet is a holding subsidiary of BSAM, the controlling shareholder of the Company, with its 95% of equity interests owned by BSAM.

Transaction background: Capnet is principally engaged in the operation of value-added telecommunication service and the sale of computer products, with concessions granted by some well-known equipment manufacturers. Capinfo Technology provides comprehensive IT planning, consultancy, construction, operation and maintenance services, etc. Capinfo Technology purchases hardware equipments from Capnet for some projects with reference to the prices of similar products and services available in the market.

Voting: 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, Chairman Xu Zhe, Director Zhang Kaihua and Director Lu Lei (all being employees of BSAM, a related party) had abstained from voting on the resolution.

3. Continuing connected transaction for purchase of the network security system and services

On 21 March 2011, with the approval at the 20th meeting of the 4th Board of Directors of the Company, the Company and Beijing Certificate Authority Co., Ltd. ("BJCA") entered into the Network Security System Development Services Agreement to engage BJCA to assist in developing network security system and products and to provide related technical services with a term of the agreement to 31 December 2013. The Board of Directors approved that the annual caps for each of the years from 2011 to 2013 were RMB3.0 million, RMB2.0 million and RMB2.0 million respectively. 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.

Voting: 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) had abstained from voting on the resolution.

4. Continuing connected transaction for the office lease

With the approval at the 32nd meeting of the 4rd Board of Directors, the Company and Beijing IC Design Park Co., Ltd. ("BIDP") renewed the Office Lease Agreement on 30 March 2012, with a term of the agreement to extend to 31 March 2015 and an aggregate floor area of 2,940.2 square meters leased at an annual rent of approximately RMB4.8 million. At the same year, with the approval at the 34th meeting of the 4th Board of Directors of the Company, the Company and BIDP entered into the Office Lease Expanding Agreement on 8 May 2012, to lease another 1,292.53 square meters at an annual rent of approximately RMB2.7 million.

With the approval at the 16th meeting of the 5th Board of Directors, the Company and BIDP entered into the Office Lease Expanding Agreement on 1 August 2013 to lease another 980 square meters at an annual rent of approximately RMB2.2 million for a term until 31 March 2015, pursuant to which, the Company leases an aggregate floor area of 5,212.73 square meters for daily office use in BIDP. The Board eventually approved the caps of office lease transactions of RMB11.0 million, RMB15.0 million and RMB4.0 million respectively for the years from 2013 to the first quarter of 2015. The above transactions were 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: 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. BIDP is located in a centre of technology companies in Haidian District, Beijing for its convenient transportation, high quality of the building and reasonable rent level.

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 above respective board resolution dates, the Directors who are employees of BSAM (a related party) had abstained from voting on the resolution.

Independent Auditors' View on the Continuing Connected Transations Exempt from Independent Shareholders' Approval

The independent auditors of the Company has reviewed the performance of the annual continuing connected transactions based on their working procedures. The auditors are of the opinion that these transactions:

1. have received the approval of the Board of Directors of the Company;

2. are in accordance with the pricing policies of the Group on condition that such transactions involve technology or services provided by the Group;

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).

II Connected transactions exempt from the independent shareholders' approval

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Contractual amount
1	Integration and construction project of the hazardous chemicals management system	Beijing Petroleum Exchange Co., Ltd.	Income	12.4
2	Construction project of the refined oil spot price quotation and trading information system integration	Beijing Petroleum Exchange Co., Ltd.	Income	8.8

1. Connected transaction for integration and construction project of hazardous chemicals management information system

On 30 May 2013, with the approval at the 14th meeting of the 5th Board of Directors of the Company, the Company and Beijing Petroleum Exchange Limited ("BPEX") entered into the Construction Project Cooperation Agreement for Hazardous Chemicals Trading Management System in Beijing for an amount of approximately RMB11.7 million. Within twelve months prior to the signing of this agreement, the Company had entered into a cooperation agreement for system construction with BPEX for an amount of RMB696,000. These transactions shall be aggregated in accordance with the relevant provisions of the Listing Rules of the Stock Exchange. 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: BSAM (the Company's controlling shareholder) held 35% of the equity interests of BPEX.

Transaction background: BPEX is a large scale electronic exchange platform that specialises in the sale of petroleum and chemical, plastic, rubber and related products in the northern part of the PRC, and provides clients with a full range of spot trading and medium to long term trading solutions. The hazardous chemicals trading management system in Beijing is a trading supervision platform to be constructed by BPEX, with an aim to ensure centralized information collection, unified trading, as well as real-time monitoring and unified service for warehousing and distribution by means of informatization. The company won the bid for the project in market competition.

Voting: 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, Chairman Xu Zhe, Director Zhang Kaihua and Director Lu Lei (all being employees of BSAM, a related party) had abstained from voting on the resolution.

2. Connected transaction for integration and construction project of the refined oil spot price quotation and trading information system

On 23 December 2013, with the approval at the 20th meeting of the 5th Board of Directors of the Company, the Company and BPEX entered into the Integration and Construction Project Cooperation Agreement for Refined Oil Spot Price Quotation and Trading Information System. The services stipulated therein consisted of four parts, namely provision of software and hardware purchase, server installation, and system construction, operation and maintenance services, etc, with an aggregate contract price of approximately RMB8.8 million. 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: BSAM (the Company's controlling shareholder) held 35% of the equity interests of BPEX.

Transaction background: BPEX is a large scale electronic exchange platform that specialises in the sale of petroleum and chemical, plastic, rubber and related products in the northern part of the PRC, and provides enterprises with a full range of refined oil spot trading and medium to long term trading solutions. The refined oil spot price quotation and trading information system is a trading supervision platform to be constructed by BPEX, with an aim to ensure informationized management of refined oil spot price quotation. Highly recognized by BPEX for our technical strength and services demonstrated in the successful construction of the hazardous chemicals trading management system in Beijing, the Company secured this project smoothly.

Voting: 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, Chairman Xu Zhe, Director Zhang Kaihua and Director Lu Lei (all being employees of BSAM, a related party) had abstained from voting on the resolution.

Independent Non-Executive Directors' View on the Continuing Connected Transations and the Connected Transactions (together the "Connected Transactions") Exempt from Independent Shareholders' Approval

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

1. in the ordinary and usual course of business of the Group;

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.

III. Connected transaction for information system integration and construction project of Aiyuhua Hospital for Children and Women subject to Independent shareholders' approval

With the approval at the extraordinary general meeting of the Company held on 30 July 2013, the Cooperation Agreement for Information System Construction Project of Beijing Aiyuhua Hospital for Children and Women, entered into between the Company and Beijing Guotong Xintai Investment Management Company Limited ("Guotong Xintai") at the contract price of approximately RMB33.8 million, became effective. The Company had complied with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules, and the relevant information regarding the transaction was posted on the websites of the Stock Exchange and the Company.

Connected relationship: BSAM, the controlling shareholder of the Company, beneficially owns 80.80% of equity interests in Guotong Xintai.

Transaction background: Beijing Aiyuhua Hospital for Children and Women ("Aiyuhua Hospital"), invested and constructed by Guotong Xintai, mainly provides comprehensive medical and health management services including prenatal care, obstetrics, pediatrics and children health services. The Company won the public bid from Guotong Xintai to become the master integration service provider for the information system construction project of Aiyuhua Hospital, responsible for the integrated hospital information system construction, including system integration, software development, IT operation and maintenance, etc..

Voting: 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 (i.e. 23 April 2013), Chairman Xu Zhe, Director Zhang Kaihua and Director Lu Lei (all being employees of BSAM, a related party) had abstained from voting on the resolution. On the general meeting resolution date, BSAM (as a related shareholder) had abstained from voting on the resolution.

Independent Non-Executive Directors' View on the Above Connected Transations

1. These transactions were approved by the Board and the general meeting;

2. The terms of the agreements were fair and reasonable to the shareholders as a whole;

3. The relevant prices were fair and reasonable with reference to the market prices under the same conditions;

4. The Company implemented the contracts in strict compliance with the terms of the relevant agreements.

IV. Former ticketing agency agreement ceased to be deemed as a continuing connected transaction

Following the completion of transferring its equity interests in Beijing Culture & Sports Technology Co., Ltd. ("BST") in August 2012, the Company's shareholding in BST was diluted from 45% to 20%, thus its de facto control in BST was lost and BST ceased to be the connected party of the Company. Therefore, the former Ticketing Agency Service Agreement entered into between BST and four other shareholders, namely National Stadium Co., Ltd., Beijing National Aquatics Center Company Ltd., International Sports Co., Ltd. and Beijing Artists Management Co., Ltd. ceased to constitute a continuing connected transaction subject to reporting and announcement requirements.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on page 62 of this annual report.

By Order of the Board

Mr. Xu Zhe
Chairman

Beijing, the PRC
21 March 2014

ZENG Xianggao ZHOU Liye CHEN Jing GONG Zhiqiang

To the Board of the Company,

As Independent Non-executive Directors ("Independent Directors") of the Company, we have the basic knowledge in respect of the operations of listed companies, have a good understanding of the relevant laws and regulations, and possess the necessary working experience and qualification for discharging our duties as Independent Directors. In 2013, we took initiative to maintain close communication with the management of the Company to get a relatively comprehensive understanding of the production management and standardized operation and other aspects of the Company; proactively attended the general meetings, board meetings and committee meetings to express impartial and objective independent advice on the subject matters considered by the Board of the Company and provide constructive opinions for the long-term development of the Company; and performed our duties independently and diligently to safeguard the interests of the shareholders as a whole in strict accordance with the provisions of the laws and regulations. Details of our duty performance in 2013 are set out below, which will be put before the shareholders at the Company's annual general meeting.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT

I. BASIC INFORMATION OF INDEPENDENT DIRECTORS

There are four Independent Directors in the Board of the Company, which conforms to the minimum requirements regarding the number of Independent Directors of the Listing Rules. The Independent Directors have professional background and relevant experience in financial, legal or information sectors, and are confirmed after verification by the regulators to be qualified for such positions.

II. PERFORMANCE OF DUTIES FOR THE YEAR

The four of the Independent Directors have, since the date of inauguration, complied with our undertakings given as candidates and performed our duties diligently. We have exercised our independent judgment and ensured not to be affected by substantial shareholders, the effective controlling parties of the Company or any other units or individuals that have interests in the Company, so as to safeguard the legitimate interests and rights of the shareholders as a whole according to the law.

1. Attendance of Board Meetings and the General Meetings

In 2013, we proactively attended the general meetings and board meetings, and raised no objections to the resolutions passed at the general meetings and board meetings. At the general meetings, we earnestly listened to the enquiries raised by the shareholders present at the meetings regarding their concerns or the operation of the Company, and studied as a focus in the performance of our duties. At the board meetings, we carefully considered and reviewed every board resolution, proactively participated in the discussion and made independent judgment, so as to provide professional opinion and advice on the major decision-making of the Company and to safeguard the legitimate interests and rights of the Company and the shareholders as a whole.

2. Operation of the Board and its Subordinate Committees

The composition of the Board of Directors of the Company is scientific and reasonable with clearly defined duties and obligations and sound systems. Strict compliance has been given to all the procedures, rules and systems under the Rules of Procedures of the Board of Directors and the articles of the respective subordinated committees. 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 (an Independent Director) is the chairman. During the year, the audit committee held three on-site meetings and signed meeting documents once. The members present duly reviewed the Company's internal control report, independent auditor report and the financial and operation analysis report to ensure effective identification of operating risks, oversee the implementation of risk control measures and improve the internal control environment of the Company through effective supervision; monitored the effectiveness of the accounting policies adopted by the Company to ensure integrity, fairness and accuracy of the Company's financial reports and the relevant information and provide opinions and suggestions for consideration by the Board. Meanwhile, the audit committee maintained direct contact with the independent auditors 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 remuneration and appraisal committee signed meeting documents once, and each of the members present examined the overall implementation of remuneration policy of the Company in 2012 and approved the bonus distribution proposal of senior management of 2012 and the annual salary of the senior management for the year 2013 based on the operating results of the Company and with reference to the remuneration standards of executives of the same industry as well as the individual performance of the senior management of the Company.

- The nomination committee comprises three members, among which two are Independent Directors, and Mr. Xu Zhe (the Chairman) is the chairman. During the year, the nomination committee signed meeting documents once and proposed to appoint Mr. Wang Zhuo as a non-executive Director. Given that Mr. Wang has extensive expenrience in the information field and his contributions in respect of public positions, recommendation to appoint him as a candidate for non-executive Director is submitted to the Board and the general meeting for approval.

- The strategy committee comprises four members, among which one is Independent Director, and Mr. Xu Zhe (the Chairman) is the chairman. During the year, the strategy committee held one meeting to duly analyze the macro-economic environment of the country and development trends of the industry and make professional recommendations on the implementation of strategic planning for the year 2013 and the implementation of future planning combined with the actual situation of the Company.

3. Connected Transactions and Disclosure of Information

The Company has formulated and strictly implemented the Information Disclosure Management System and the Management System of Inside Information and Insiders, duly fulfilled its information disclosure obligations and conducted connected transactions in accordance with the law. The Company has strictly complied with the relevant provisions of the laws and regulations of the PRC and the jurisdiction where the Company is listed as well as the Listing Rules, and has made timely, legal, true and complete information disclosure. As to resolutions relating to connected transactions, the connected directors and shareholders of the connected parties had abstained from voting at the relevant board meetings or general meetings where such resolutions were proposed, and the Independent Directors had given statement and provided independent opinions, so as to fundamentally prohibit the majority shareholders from transferring any profit of the Company by means of connected transactions.

Looking forward into the new year, we expect the Company to further explore the market and try its best endeavour to promote growth and steady development of its business operation, so as to provide all shareholders with excellent returns. In 2014, we will spend more time and effort to perform our duties. In the spirit of good faith and diligence and in compliance with the laws and regulations and the Articles of Association of the Company, we will fully play our role as Independent Directors of listed companies to safeguard the legitimate interests and rights of the shareholders as a whole (especially the minority shareholders) by law. I would like to take this opportunity to express my sincere thanks to the Board and management of the Company and other people for their cooperation and support in the performance of our duties.




Mr. Chen Jing **Ms. Zhou Liye** **Mr. Zeng Xianggao** **Mr. Gong Zhiqiang**

Independent Directors

Beijing, the PRC
21 March 2014

Di Guojun
Chairman of the Board of Supervisors

SUPERVISORS' REPORT

During the year 2013, with an aim to safeguard the interests of the Company and minority shareholders, the Board of Supervisors duly complied with the provisions of the laws and regulations including the Companies Law and the Listing Rules as well as the provisions of the Articles of Association, oversaw the compliant operation of the Company and the performance of duties of the Director and management of the Company, listened to the reports relating to the Company's production, operation, investments and finance, supervised the material decision-making process of the Company and protected the legitimate interests and rights of the Company and the shareholders. Details of our duty performance in 2013 are set out as below:

1. OPERATION OF THE BOARD OF SUPERVISORS

In accordance with the relevant laws and regulations of the State, the Articles of Association of the Company and the regulatory requirements, the Board of Supervisors focused on the key work of the Company, supervised the finance, risks, internal control and other aspects of the Company in an in-depth manner and further strengthened self-building by improving its working mechanism and enhancing risk control, making significant contributions to the sustainable and sound development of the Company. During the Reporting Period, the Board of Supervisors carried out duty performance supervision in an in-depth manner, focusing on the compliance with the laws, regulations and the Articles of Association as well as the performance of management duties by the Directors and management of the Company, so as to improve the compliance and legality of corporate governance and major operation decision-making process.

2. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT ISSUES

During the Reporting Period, the general meetings, the Board of Directors and the management of the Company operated in strict compliance with their respective authority and procedures for decision-making. The general meetings were held in compliance with the procedures of convening and holding as stipulated in the law. The Board of Directors duly implemented the resolutions passed at the general meetings, and each of the Directors performed their respective duties in a faithful and diligent manner, while the Independent Directors provided objective and independent opinions with the attitude of being responsible to all shareholders. The management fulfilled and loyally performed their duties to safeguard the interests of the Company and the shareholders as a whole.

The Company has established a relatively full-rounded, sound and effective set of internal control system, which provided the Company with a standardized management system. The Company further standardized the management procedures of the inside information so as to prevent insider trading. Meanwhile, the Company enhanced communication with the investors by various means to establish a good company image and made information disclosure on the principle of "openness, fairness and impartiality", so as to enlarge the right to be informed and the participation right of the shareholders and to enhance the transparency and standard operation level of the Company. Upholding the principal of operation in good faith, the Company implemented proactive profit distribution policy and put great emphasis on providing the investors with reasonable returns. The Company had strictly complied with the relevant laws and regulations of the State and the regulations and rules of the Company, and the Directors and management were in the interests of the Company and no actions that were detrimental to the interests of the Company or to the interests of all the investors were found in the performance of their duties.

3. LAWFUL OPERATION OF THE COMPANY

The Board of Supervisors exercised supervision in routine work over the legal compliance and legality of the Company's operation and management. It had also exercised supervision over the work performance of the Company's Directors and management. During the Reporting Period, the Company conducted business according to the law and made continuous efforts to improve its internal control system; the decision-making procedures are in compliance with the relevant provisions of the laws, regulations and the Articles of Association; the Directors and management of the Company had discharged their duties according to the principle of diligence and good faith, and no violations of any laws or regulations and no actions that were detrimental to the interests of the Company had been found during the discharging of their duties.

• Authenticity of Financial Statements

During the Reporting Period, the Board of Supervisors carefully examined the independent auditor reports and the financial and operation analysis report for the interim and annual period, and supervised and inspected the Company's implementation of relevant financial policies and legislation as well as details on the Company's assets, financial income and expenditure. It is of the opinion that the financial reports of the Company gives a true and fair presentation of the financial position and operating results of the Company, the preparation procedure for the reports and decision-making and approval procedures are in compliance with the requirements of the laws, regulations, the Articles of Association and the Company's internal management system. The Board of Supervisors approved financial and audit reports of the Group presented by Deloitte Touche Tohmatsu (the independent auditor) and Grant Thornton (special general partnership) (the domestic auditor).

• Implementation of Resolutions Passed at the General Meetings

During the Reporting Period, members of the Board of Supervisors attended the general meetings and Board meetings as observers. No objection had been made to the reports and proposals submitted by the Board to the general meetings for consideration. The Board of Supervisors conducted supervision and inspection over the implementation of resolutions passed at the general meetings by the Board and the management. The Board of Supervisors is of the opinion that the Directors and the senior management of the Company have diligently discharged their duties in accordance with the resolutions approved by the general meetings. None of the Directors and senior management of the Company were found to have violated any laws or regulations or the Articles of Association nor taken any act which were detrimental to the interests of the Company and shareholders in discharging their duties.

• Connected Transaction and Information Disclosure of the Company

The Company fulfilled its information disclosure obligations in strict compliance with the regulatory policies and the requirements of the Listing Rules, duly implemented the Information Disclosure Management System and the Management System of Inside Information and Insiders, and disclosed information in a timely and fair manner. Information disclosed by the Company during the Reporting Period was true, accurate and complete.

The procedures for entering into connected transactions by the Company were in compliance with the requirements of the Listing Rules, and the prices were determined pursuant to commercial market rules. The approval, voting, disclosure and implementation of connected transactions complied with the relevant provisions of the laws, regulations and the Articles of Association. The Board of Supervisors did not find any act that was detrimental to the interests of the shareholders or the Company.

In 2014, the Board of Supervisors of the Company will continue to perform supervisory duty over the Company in such aspects as operation, information disclosure, connected transactions, financial report and so forth in accordance with the authorities and responsibilities conferred by the Articles of Association. The Board of Supervisors will also supervise on the Board and its members and the management of the Company, so as to prevent them from abusing their powers and authorities to infringe the legitimate rights and interests of the shareholders, the Company and its staff. Meanwhile, the Board of Supervisors will further enhance self-building and strengthen exchange and communication with our peers, so as to make aggressive progress and enhance our performance of duty.

By Order of the Board of Supervisors

Mr. Di Guojun
Chairman of the Board of Supervisors

Beijing, the PRC
21 March 2014

CORPORATE GOVERNANCE

Good corporate governance serves as a foundation for the Company to improve its management. The Company pursues sound corporate governance and believes that good corporate governance is in the interests of the Company, shareholders and stakeholders. The Company considers excellent corporate governance as an important goal. With an aim to continuously improve its corporate governance level, the Company constantly improves its corporate governance practices and procedures, with a standardized and improved corporate governance structure established. It also strictly complies with the state laws and regulations, relevant regulatory requirements and Listing Rules as well as closely observes trends in regulatory changes in China and abroad. 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 code as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE FRAMEWORK

In accordance with the relevant provisions of the laws and regulations including the Companies Law and the Listing Rules as well as the Articles of Association, and with reference to the status quo of the Company, Capinfo constantly developed, improved and effectively implemented work systems and related work processes for the Board and its various specialized committees. The Company has established effective corporate governance system with general meeting as the organ of highest authority, the Board as the decision-making organ, the Board of Supervisors as the supervisory organ and the management as the implementation organ. During the reporting period, through the co-ordination and checks and balances among the general meeting, the Board and its specialized committees, the Board of Supervisors and the management led by the Chairman together with the effective operations of the internal control systems, the internal management operations of the Company have been further standardised and the level of its corporate governance has been continually enhanced.

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
21	Management System of Investors Relations

EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

No.	Exceeding the requirements of code provisions of Corporate Governance Code of the Listing Rules
1	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.
2	Two Independent Non-executive Directors of the Board are Certified Public Accountants.
3	All members of the audit committee are Independent Non-executive Directors with legal, accounting professional qualifications or relevant experience in the industry.
4	The management monitors the operating risks and the effectiveness of the internal control system of the Company on an ongoing basis.
5	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.
6	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.
7	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.
8	The Company adopted fair information disclosure policy which explicitly explains the principles regarding provision of information to the public.
9	In addition to the liability insurance coverage for the Directors, the Company also purchased liability insurance for the supervisors and senior management.
10	The Company sent notice of convention of general meetings to the shareholders at least 45 days before the meeting.

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, 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 elect and replace supervisors who are shareholder 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:

- 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.

- 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.

- 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.

- 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 page 96 of this annual 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 Directors, including one Executive Director, seven Non-executive Directors and four Independent Non-executive Directors.

The Company's Board of Directors comprises three female members and nine male members, with one aged below 40, five aged between 40 and 49 as well as six aged 50 and above. The Board's members are professionals in finance, law, commerce, information services and management with extensive experience and expertise in various areas. In terms of the composition of the Board, the Company supports the principle of diversity and strives to achieve a scientific balance in those aspects such as the Directors' genders, ages and business expertises, thus playing an active role in corporate governance level. The name list of the members of the Board has been published on the websites of both the Stock Exchange and the Company for the inspection of the shareholders and investors.

Biographies of the Chairman and other Directors of the Company are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on pages 34 to 37 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. 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 to make relevant disclosure in the 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 and approved the Information Disclosure Management system, the Management System of Inside Information and Insiders and the Management System of Investors Relations.

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 seperated 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.

At the extraordinary general meeting held on 30 July 2013, Mr. Wang Zhuo was appointed as Non-executive Director in replacement of Ms. Lu Xiaobing.

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.

During the reporting period, the Company engaged the Hong Kong professional legal advisers to conduct training on "management and control practices of inside information" to Directors, supervisors, senior management and key staff with a total number of more than 60. The contents of trainning covered those aspects such as the statutory duties of inside information disclosure, the general obligation of disclosure set out in the Listing Rules, the Directors' responsibilities and connected transactions, the details of which included the ways to disclose inside information, the methods regarding the management and control of inside information and the legal liabilities assumed, so as to further enhance the awareness and understanding of the Directors in relation to inside information as well as relevant laws and regulations. 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 more competent for their jobs. During the reporting period, the Directors provided their training records to the Company on a regular basis.

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 *(Chief Executive)*	✓	✓	✓
Non-executive Director			
Mr. Xu Zhe *(Chairman)*	✓	✓	✓
Ms. Zhang Kaihua	✓	✓	
Mr. Lu Lei	✓	✓	
Mr. Pan Jiaren	✓	✓	
Mr. Shi Hongyin	✓	✓	
Ms. Hu Sha	✓	✓	
Mr. Wang Zhuo	✓	✓	
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 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 Group during the year. In preparing the financial statements for the year ended 31 December 2013, 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 101 to 102 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 2013.

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 eight on-the-spot meetings, including one meeting without the presence of Executive Directors, and signed meeting documents six 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 81 of this annual 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 relevant requirements of Rule 13.44 of the Listing Rules and 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 1 of Appendix 14 to the Listing Rules, any Director attending the Board meetings by telephone, visual device and other 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.

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;

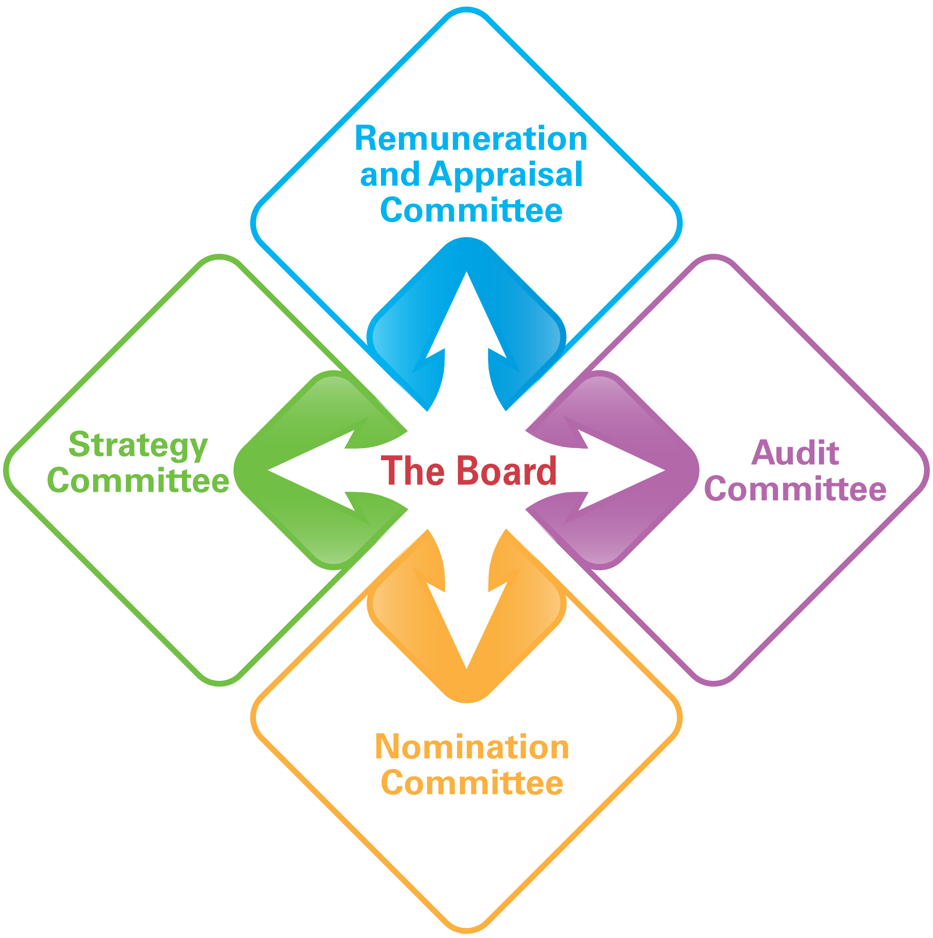
- Directors are entitled to have access to the communication information of the management of the Company so as to keep them informed of the operations of the Company in a timely manner through constant communications with the management;

- 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:

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 independent auditor, to approve the remuneration and the terms of engagement of independent auditor;
- to develop and implement policies on the engagement of an independent auditor to provide non-audit services;
- to monitor the independent auditor's independence and objectivity and the effectiveness of the audit process;
- to meet at least twice a year with the independent auditor, review the independent auditor's explanatory statement to the management on its audit or review, discuss with the independent auditor 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 preformance 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;

- 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.

Convening of audit committee meetings:

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

- the Independent Auditor's Report of the Group for the year 2012 and the interim period of 2013, the Financial and Operation Analysis Report of the Company for the first and third quarters of 2013 as well as the Audit Opinion and Review Conclusion of the independent auditor;

- nine 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 the Group's internal audit for the year 2012 and the audit plan for the year 2013.

The audit committee is of the opinion that, the internal control management of the Company was effective, while the procedures of internal audit were standard and reasonable, thus fulfilling the target of effectively controlling and preventing the operation risk. The Company was able to accurately identify the operation risk with rapid response and prompt correction; meanwhile the Company formulated feasible risk control measures, which were strictly executed. 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, the financial reporting information is complete and accurate, and adequate disclosures have been made that give a true picture of the Company's operational position.

Details of the attendance of the members of the audit committee set out in the "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 81 of this annual 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:

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

Convening of remuneration and appraisal committee meetings:

During the reporting period, the remuneration and appraisal committee signed meeting documents once in the form of circulation. The members examined the overall implementation of remuneration of the employees of the Company in 2012 and approved the proposal on distribution of bonus to the senior management for the year 2012 and the basic annual salary package of senior management for the year 2013 based on the Company's performance and with reference to the remuneration level of senior management of peer companies as well as the specific performance of the senior management of the Company.

Details of the attendance of the members of the remuneration and appraisal committee set out in the "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 81 of this annual report.

Directors' remuneration

Unit: RMB'000

Name	Fees	Remuneration and bonus paid according to the company duties	Audit committee	Remuneration and appraisal committee	Nomination committee	Strategy committee	Total Remuneration
Executive Director							
Dr. Wang Xu *(Chief Executive)*	—	1,046	—	—	—	—	1,046
Non-executive Director							
Mr. Xu Zhe *(Chairman)*	—	—	—	—	—	—	—
Ms. Zhang Kaihua	—	—	—	—	—	—	—
Mr. Lu Lei	—	—	—	—	—	—	—
Mr. Pan Jiaren	—	—	—	—	—	—	—
Mr. Shi Hongyin	—	—	—	—	—	—	—
Ms. Hu Sha	—	—	—	—	—	—	—
Mr. Wang Zhuo	—	—	—	—	—	—	—
Independent Non-executive Director							
Mr. Chen Jing	50	—	5	10	5	5	75
Ms. Zhou Liye	50	—	10	—	—	—	60
Mr. Zeng Xianggao	50	—	5	—	5	—	60
Mr. Gong Zhiqiang	50	—	5	5	—	—	60
Resigned Director							
Ms. Lu Xiaobing (Non-executive Director)	—	—	—	—	—	—	—

Senior Management's Emoluments

The annual emoluments of the senior management of the Company fall within RMB1.5 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 10 to the consolidated financial statements on page 139 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 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:

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 the diversity of composition of the Board, and to carry out regular review to ensure a scientific and reasonable 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;
- to conduct appraisals on the candidates for directorship and make recommendations; and
- to perform other duties as delegated by the Board.

Convening of nomination committee meetings:

During the reporting period, the nomination committee signed meeting documents once in the form of circulation. After reviewing the qualifications and experiences of the nominee (namely Mr. Wang Zhuo), and in view of his extensive working experiences in information area as well as his contribution in relation to the public services, the members of the nomination committee recommended him as a candidate for Non-executive Director of the Company and submitted to the Board and general meeting for review and approval. Details of the attendance of the members of the nomination committee set out in the "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 81 of this annual 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:

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.

Convening of strategy committee meetings:

During the reporting period, the strategy committee held one on-the-spot meeting. The committee duly analyzed the national macro-economic environment and development trends of the industry, and considered the Company's report on explanation and implementation of strategic planning for the year 2013 in light of the actual situation of the Company. In addition, the committee 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 table 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 *(Chief Executive)*[5]	7/7				1/1
Non-executive Director					
Mr. Xu Zhe *(Chairman)*[6]	6/7			*/1	1/1
Ms. Zhang Kaihua[6]	6/7		*/1		1/1
Mr. Lu Lei[6]	6/7				
Mr. Pan Jiaren	5/8				
Mr. Shi Hongyin	5/8				
Ms. Hu Sha	8/8				
Mr. Wang Zhuo[7]	3/5				
Independent Non-executive Director					
Mr. Chen Jing	4/8	3/3	*/1	*/1	0/1
Ms. Zhou Liye	8/8	3/3			
Mr. Zeng Xianggao	3/8	3/3		*/1	
Mr. Gong Zhiqiang	5/8	3/3	*/1		
Resigned Director					
Ms. Lu Xiaobing (Non-executive Director)[8]	0/3				

Notes:

1. The Board held eight on-the-spot meetings and signed meeting documents six times in the form of circulation.

2. The audit committee held three on-the-spot meetings and signed meeting documents once in the form of circulation.

3. The remuneration and appraisal committee did not hold any on-the-spot meeting, but signed meeting documents once in the form of circulation.

4. The nomination committee did not hold any on-the-spot meeting, but signed meeting documents once 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 seven on-the-spot meetings held in 2013.

6. Mr. Xu Zhe, Ms. Zhang Kaihua and Mr. Lu Lei have abstained from voting on the relevant resolutions to approve the connected transactions at the respective Board meetings in 2013.

7. Mr. Wang Zhou was appointed as the Non-executive Director of the 5th Board of Directors of the Company with the approval of the general meeting on 30 July 2013.

8. Ms. Lu Xiaobing resigned as the Non-executive Director on 30 July 2013 due to health reason.

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 responsibilites 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 effeciency 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 40 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 extensive experience in company secretarial work.

Pursuant to the provisions of Rule 3.29 of the Listing Rules, both of the joint company 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 company 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 of the Board of Supervisors are set out as below:

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.

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 supervisors are set out in the section under heading "Profiles of Directors, Supervisors and Senior Management" on pages 38 to 39 of this annual report.

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, and 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 Board conform to the requirements of the laws, regulations 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.

Convening of meetings of the Board of Supervisors:

During the reporting period, the Board of Supervisors signed meeting documents twice in the form of circulation, effectively supervised the compliance of the Board and the operation and management by the management, and approved the Independent Auditor's Report and the Financial and Operation Analysis Report of the Group for the year 2012 and the interim period of 2013.

Participation of trainings by 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 on-the-spot trainings organized by Hong Kong Institute of Chartered Secretaries in relation to corporate governance, inside information control and management trainings organized by the Company as well as reading materials and E-learning in relation to laws and regulations, finance and commerce as well as internal control of risks. Meanwhile, the Company also send a duplicate of "Monthly Report to Directors" (provided to the Directors) to the supervisors so as to update them with 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 regularly.

INTERNAL CONTROL

During the reporting period, the Company established a comprehensive and systematic internal control system according to its own operation characteristics and had it implemented effectively. The general meeting, Board of Directors, Board of Supervisors and management under the leadership of the Board of Directors perform their respective duties. General meeting is the organ of highest authority of the Company. The Board of Directors is the decision-making body of the Company. The Board of Supervisors is the supervision organ of the Company. 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, as the decision–making research units of the Board. Chairman of the Board and management of the Company directed, coordinated, managed and supervised the Company's daily operations in accordance with the decisions of the Board. The Company established internal audit department to take charge of the organization, promotion and coordination of internal control of the Company. Under the sound corporate governance structure, the internal control management system of the Company operated effectively.

Internal Control System

Control Culture	Establish regulated corporate governance structure, foster the integrity and moral values of employees, enhance the competence and control awareness of employees and create good business atmosphere for the Company.
Risk Assessment	Confirm and identify risks relating to the Company as the basis to develop control measures.
Control Measures	Formulate policies and procedures for each business function, including approval, authorization, check, advice, performance assessment, assets safety and division of responsibilities.
Information Communication	Ensure smooth information communication with outside and provide responsibilities reminder for the management to take measures to implement the supervision effectively.
Supervision	Adopt control and risk assessment system and continuously assess and control risks through internal audit and by informing employees of important control process.

Through the design, operation, evaluation and continuous improvement of internal control system, the Company kept reinforcing the duty of internal control management, regulated risks, as well as improved the internal control management so as to facilitate the realization of the Company's strategic objectives in its "Twelfth Five-year" Plan. The Company implemented the internal control system in all business processes and operations, ensuring integrity, rationality and effectiveness in the improvement of internal control environment, enhancement of risk identification and assessment capabilities, reinforcement of risk control measures, improvement of information exchange and strengthening of supervision and evaluation mechanism. The internal control system provides reasonable assurance for the Company to implement the development strategy, achieve the business objectives and realize sustainable healthy development of all businesses.

During the reporting period, the Company continued to strengthen and improve the establishment of internal control system so as to keep optimizing the internal control environment; improved the corporate governance system; enhanced management and direction over the branches, joint ventures and controlled subsidiaries; further implemented talent strategy; and strengthened the corporate culture with an aim to promote the implementation of its overall "Twelfth Five-year Strategic Planning". Meanwhile, the Company further improved its decision-making and risk control abilities and extended the breadth and depth of market risk management; promoted the standardized and computerised management of financial information; made a comprehensive business plan and annual budget; perfected the appraisal standards of business performance and business development; further optimized the business processes, which made the business processing more efficient; intensified the management of operational risk by integrating the risk control systems; further improved the connected transaction management mechanism, material risk alert mechanism and emergency handling mechanism to regulate the crisis management procedure; improved the information disclosure and investor relations management to continue to enhance the transparency and safeguard the rights and interests of the shareholders. Through the above measures, the Company kept reinforcing its internal control.

During the reporting period, the Company further increased its efforts in supervision and inspection. Focusing on the Company's "Twelfth Five-year" development strategy, the internal audit department, oriented by risk and aimed at uplifting corporate value, effectively performed its duties of internal control by supervising the business transformation and business innovation, as well as the effectiveness of implementation of business regulatory requirements and the Company's systems to generally cover the key areas which need to be paid more attention and controlled.

Effectiveness of Internal Control

The audit department and the management of the Company regularly discussed the effectiveness of the Group's internal control and reported to the Board after the review by audit committee. As of 31 December, 2013, the Board was of the view that the Company did a fruitful job in internal control during the reporting period, and no significant events which may affect the shareholders were identified.

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 developed Management System of Inside Information and Insiders to enhance internal control over inside information management. During the reporting period, the Company organized inside information control trainings to strengthen the compliance awareness of all the employees and strengthened confidentiality of inside information, strictly implemented the registration system of insiders and controlled the range of insiders. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- strictly kept the inside information of the Company confidential before disclosure, and disclosed it immediately after the Board approved to do so;
- conducted registration of insiders strictly according to the requirements of Management System of Inside Information and Insiders;

- 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. The audit department performs independent examination and evaluation on all business operations and management activities of the Company, monitoring the effectiveness of its internal control and carrying out evaluation and advisory activities for its internal control independently and objectively. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects are directly reported to the management and the Audit Committee.

During the reporting period, the Company implemented risk-oriented and value adding-targeted audit activities according to the development strategy and central tasks of the Company, and fully accomplished the annual audit plan, including 9 copies of Internal Audit Reports, 11 copies of Audit Follow-up Reports and 11 copies of Leaving Post Audit Reports. Thus, the Company has performed its audit supervision, evaluation and consultation duties in a more effective way. The Company performed supervision and examination on internal control of business units through on-site examinations, off-site audits, special audits and departure audits, which covered major areas of the Company's operation and management including business, financial management, connected transactions, terms, duty performance and departure of senior management members. Audits focused on strategic, systematic and mechanism risks in main businesses with strong influence over the Company's operation, fast innovative development and new workflow system mode, as well as efficiency of key rules, processes, systems, operations and related management and control. The internal audits addressed the focuses of the Board and regulatory requirements. The problems identified in the audits were continuously tracked and the units/departments responsible for the problems were urged to carry out rectification. The Company conducted examination on overall business and process risks, thereby promoting the sound operation and sustainable development of the Company.

During the reporting period, internal auditors of the Company actively adapted to the requirements on duty performance under the complex risk management circumstance, accelerated functional transformation and professional innovation and optimized working methods and management mechanisms, thereby improving the effects of the operation of audit projects. Emphasis was placed on integration and analysis of the various types of risk and control information, to enhance auditing service capabilities in terms of professional problem identification and overall supervision; more information technologies were applied during audits, auditing practice standards were perfected, and expertise of the auditing team was further strengthened, effectively supporting the comprehensive improvement of auditing quality and performance.

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

Reporting Period	Number of Audit Reports	Number of Audit Follow-up Reports	Number of Leaving Post Audit Reports
Year 2012	2	4	5
First quarter of 2013	2	3	2
Second quarter of 2013	2	2	2
Third quarter of 2013	3	2	2
Total	9	11	11

INDEPENDENT AUDITOR

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

Unit: RMB'000

Services	2013	2012
Audit service	1,242	1,175
Non-audit service	250	200
Total	1,492	1,375

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

CONTINUOUS IMPROVEMENT

The Company 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

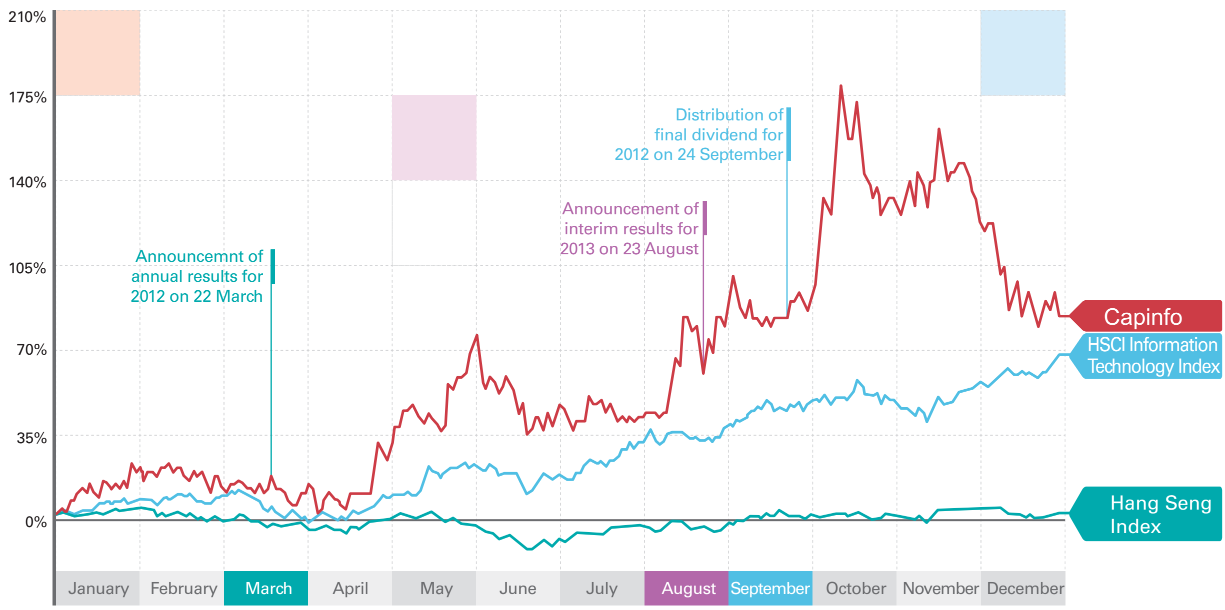
In 2013, in an honest and pragmatic manner and with an active and open attitude, the Company maintained effective and close communication with the investors. The Company enhanced interaction with the capital market, so as to further strengthen the investors' confidence in the Company. As of 31 December 2013, the market capitalization of the Company amounted to HK$1.478 billion. The share price of the Company at the year-end gained approximately 70% over that recorded at the beginning of the year, outperforming the rise of the Hang Seng Index and the Hang Seng Information Technology Industry Index.

The Company continuously improved the transparency of corporate governance, expanded the breadth and depth of information disclosure, optimized the reception process of investor visits and maintained smooth communication channels with the investors, so as to ensure stable development of investors relations. In 2013, the Company received ten visits of institutional investors, and communicated with the shareholders, investors and analysts through various channels such as annual general meeting, company visits and teleconference to update the investors information on the domestic macro-economic environment, the industry prospect and the operation development of the Company, further strengthening their understanding of the industry and the Company and enabling them to accurately evaluate the Company's investment value. In communicating with the investors, the Company spared no efforts to satisfy the investigation and research needs of all kinds of investors, research institutes and financial media and diligently answered their enquiries. Meanwhile, the Company earnestly listened to the advice and opinions of the investors and timely reported the questions raised by the investors to the management, with an aim to constantly improve the quality of our work.

INVESTORS RELATIONS

During the Reporting Period, the Company continued to update the investors relations page of our official company website; proactively collected information on the capital market and tracked shareholder development; and built up company image by interaction with the media and participation in exhibitions. The Company made great efforts to enhance information disclosure. Through regular reports, ad hoc announcements and company website, the Company provided all the investors and people who had interest in the Company an access to get detailed and comprehensive information on the Company which made the Company and the investors closer. Meanwhile, the Company developed and issued the Information Disclosure Management System and the Management System of Inside Information and Insiders, and made its first attempt in conducting voluntary information disclosure which was warmly received by the market. In the future, the Company will also gradually expand the scope of voluntary information disclosure, so as to provide all investors information on the development of the Company in a timely and all-round manner. In order to further regulate the management of investors relations, the Company formulated the Investor Relations Management System to improve the management of investors relations.

Through the foregoing measures and actions, the Company strengthened communications with all capital market partners and enhanced the transparency of business operation and management activities. In 2013, the 2012 Annual Report of the Company won two golden awards in the information technology company category in the International ARC Awards Competition, and Dr. Gao Jiaqing, Vice-president and Joint Company Secretary, won the award of The Most Innovative Board Secretary under the 9th Golden Round Table Awards for the Board of Directors of Chinese Listed Companies. These awards represent recognition of the efforts we made in the past year to improve management of investors relations, further consolidating our image at the capital market. In 2014, the Company will continue to strenghthen service awareness for the shareholders and explore new model of investor relation management, so as to further improve the quality of investor relation management and pay back the shareholders with dedicated work and excellent operating results.



Share Price Movement for the Year 2013

RECORDS OF RECEPTION ACTIVITIES BY WAY OF RESEARCH AND COMMUNICATIONS

No.	Date of reception	Place of reception	Mode of reception	Type of subjects of reception	Subjects of reception
1	February 2013	Beijing	On-site research	Institutions	Fullgoal Asset Management (HK) Ltd.
2	March 2013	Beijing	Teleconference	Institutions	Penta Investment Advisers Ltd.
3	March 2013	Beijing	On-site research	Institutions	Matthews International Capital Management, LLC
4	June 2013	Beijing	On-site research	Institutions	Rich Hill Investments Limited (盈峰投資有限公司)
5	June 2013	Beijing	On-site research	Institutions	Zhiwei Investments Limited in Foshan（佛山市智瑋投資有限公司）
6	September 2013	Beijing	Teleconference	Institutions	Value Partners Group Limited
7	September 2013	Beijing	Teleconference	Institutions	CMS Asset Management (HK) Co., Limited
8	September 2013	Beijing	On-site research	Institutions	Everyoung Capital Management Ltd.
9	October 2013	Beijing	On-site research	Institutions	China Asset Management Co., Ltd.
10	Novermber 2013	Beijing	On-site research	Institutions	CMS Asset Management (HK) Co., Limited

INVESTORS CALENDAR

21 March 2014	29 April 2014	21 May to 20 June 2014
Announcement of annual results for the year ended 31 December 2013	Dispatch of 2013 annual report, notice of, proxy form and reply slip for 2013 annual general meeting	Closure of register of members (both days inclusive) to ascertain the entitlement to attend the general meeting
20 June 2014	**24 June 2014**	**4:30 p.m. 25 June 2014**
Convention of 2013 annual general meeting*	Ex-dividend date	Last time to register for 2013 final dividend
26 June to 2 July 2014	**August 2014**	**Before 30 September 2014**
Closure of register of members (both days inclusive) to ascertain the entitlement to the dividend	Announcement of interim results for the six months ended 30 June 2014	Payment of 2013 final dividend

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, the People's Republic of China (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 Friday, 30 May 2014.

2. To be valid, the form of proxy together with any power of attorney (if any) 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.

DIVIDEND POLICY

The Company always attaches great importance to the shareholders' demand for dividends, and is committed, based on the financial performance of the Company as well as taking into consideration the long-term interests of the Company, the interests of the shareholders as a whole and the sustainable development of the Company, to maintaining a stable dividend policy to ensure the continuity and stability of the relevant 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.

PROFIT DISTRIBUTION PLAN IN THE REPORTING PERIOD

1. During the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB82.9 million and basic earnings per share amounted to RMB2.86 cents. The Board of the Company proposed a payment of final dividend of RMB1.30 cents (approximately HK1.65 cents) per share (tax inclusive) for the year 2013, totaling approximately RMB37.7 million (tax inclusive). The 2013 annual general meeting will be held on Friday, 20 June 2014 to consider and approve the proposed payment of final dividend for the year 2013 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).

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, 2 July 2014 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, 2 July 2014 (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 and will not entertain 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

Year of distribution	Declaration date	Payment date*	Dividend per share before tax RMB cent	HKD cent	Total amount of cash dividend RMB million	Net profit attributable to the shareholders of the parent company RMB million	Percentage of net profit attributable to the shareholders of the parent company
Final dividend for 2007	20 March 2008	15 July 2008	1.40	1.54	40.6	47.1	86.13%
Final dividend for 2008	23 March 2009	16 July 2009	0.52	0.59	15.1	53.2	28.32%
Interim dividend for 2010	12 August 2010	5 November 2010	2.05	2.35	59.4	76.8*	77.35%
Final dividend for 2010	21 March 2011	9 August 2011	1.15	1.36	33.3	73.7	45.22%
Final dividend for 2011	23 March 2012	13 August 2012	1.20	1.48	34.8	77.5	44.85%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	85.6	44.02%
Final dividend for 2013	21 March 2014	Before 30 September 2014	1.30	1.65	37.7	82.9	45.46%

Note*:

1. 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.

2. Net profit attributable to the shareholders of the parent company for the interim period of 2010 represented the sum of net profit attributable to the shareholders of the parent company for the annual period of 2009 and the interim period of 2010.

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

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. The details are set out as follows:

	2013 extraordinary general meeting	2012 annual general meeting
Date of meeting	30 July 2013	19 June 2013
Place of meeting	Beijing	Beijing
Issues	1. the connected transaction in relation to the construction of an integrated information system in Beijing Aiyuhua Hospital for Children and Women; 2. the resignation of Ms. Lu Xiaobing as Director; 3. election of Mr. Wang Zhuo to replace Ms. Lu Xiaobing as Non-executive Director of the Company.	1. the audited consolidated financial statements of the Group and the Directors' and independent auditor's reports for the year ended 31 December 2012; 2. the supervisors' report for the year 2012; 3. the independent directors' report for the year 2012; 4. the re-appointment of Deloitte Touche Tohmatsu as auditor and to authorize the Board of Directors of the Company to fix their remuneration; 5. declaration of the final dividend of HK1.61 cents (i.e. RMB1.30 cents) per share for the year ended 31 December 2012; 6. authorize the Board of Directors to fix the remuneration of the Directors; 7. authorize the Board of Directors to fix the remuneration of the supervisors.
Number of shareholders or authorized representatives present at the meeting	6	5
Total number of representing shares	2,127,464,091	2,123,588,091
Percentage of total share capital	73.41%	73.28%
For*	100%	100%
Against	Nil	Nil

Note*: Being the shareholder of a related party, BSAM has abstained from voting on No. 1 Resolution approving the connected transaction at the 2013 EGM.

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 on the same day after the general meeting for the information of the shareholders and investors.

ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2013 extraordinary general meeting	2012 annual general meeting
Executive Director		
Dr. Wang Xu (Chief Executive)	✓	✓
Non-executive Directors		
Mr. Xu Zhe (Chairman)		✓
Ms. Zhang Kaihua	✓	✓
Mr. Lu Lei	✓	✓
Mr. Pan Jiaren		✓
Mr. Shi Hongyin		✓
Ms. Hu Sha	✓	✓
Mr. Wang Zhuo[1]	N/A	N/A
Independent Non-executive Directors		
Mr. Chen Jing	✓	
Ms. Zhou Liye	✓	✓
Mr. Zeng Xianggao		✓
Mr. Gong Zhiqiang	✓	✓
Resigned Director		
Ms. Lu Xiaobing[2] (Non-executive Director)		

Notes:

1. The appointment of Mr. Wang Zhuo as a Non-executive Director was approved at the extraordinary general meeting held on 30 July 2013.

2. Ms. Lu Xiaobing resigned as a Non-executive Director after conclusion of the extraordinary general meeting held on 30 July 2013.

AMENDMENTS TO ARTICLES OF ASSOCIATION

During the Reporting Period, the Company made no amendments to the provisions of the Articles of Association.

INVESTORS RELATIONS

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 Dr. Gao Jiaqing (joint company secretary of the Company) or 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

China Securities Depository and Clearing Corporation Limited (Domestic Shares)

Address: No. 17 Taipingqiao Street, Xicheng District,
Beijing, PRC
Post Code: 100033
Tel.: (8610) 5937 8888
Fax: (8610) 5859 8977

Hong Kong Registrars Limited (H Shares)

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

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 on Movements in Securities for December 2012	4 January 2013
2	Announcement on Renewal Continuing Connected Transactions in relation to Provision of Network System and Related Maintenance Services to Capnet; and New Continuing Connected Transactions in relation to Procurement of Hardware Products and Related Services from Capnet	18 January 2013
3	Announcement on Trust Investment	21 January 2013
4	Monthly Return on Movements in Securities for January	1 February 2013
5	Monthly Return on Movements in Securities for February	4 March 2013
6	Notice of Board Meeting	12 March 2013
7	Consolidated Results for the Year Ended 31 December 2012	24 March 2013
8	Monthly Return on Movements in Securities for March	2 April 2013
9	Announcement on Possible Notifiable and Connected Transaction in relation to the Construction Project for Beijing Aiyuhua Hospital	24 April 2013
10	Reply Slip for Annual General Meeting	26 April 2013
11	Form of Proxy for Annual General Meeting	26 April 2013
12	Notice of Annual General Meeting	26 April 2013
13	2012 Annual Report	26 April 2013
14	Announcement on Being Accredited as a Key Software Enterprise in the National Planning Layout for the Year 2011-2012	29 April 2013
15	Monthly Return on Movements in Securities for April	2 May 2013
16	Announcement on Discloseable and Connected Transaction in relation to the Construction Project for Beijing Aiyuhua Hospital	23 May 2013
17	Announcement on Connected Transactions in relation to the Hazardous Chemical Trading Management System in Beijing	30 May 2013
18	Monthly Return on Movements in Securities for May	4 June 2013
19	Announcement on Acquisition of Shanghai Hengyue Computer Technology Co., Ltd.	13 June 2013
20	Announcement on Proposed Resignation and Election of Non-Executive Director	13 June 2013
21	Circular on Discloseable and Connected Transaction in relation to the Construction Project for Beijing Aiyuhua Hospital and Proposed Resignation and Election of Non-Executive Director	13 June 2013
22	Notice of Extraordinary General Meeting	13 June 2013
23	Form of Proxy for EGM	13 June 2013
24	Reply Slip for EGM	13 June 2013
25	Announcement on Results of Annual General Meeting	19 June 2013
26	Clarification Announcement on Notice of Extraordinary General Meeting	21 June 2013
27	Monthly Return on Movements in Securities for June	4 July 2013
28	Announcement on Poll Results of the Extraordinary General Meeting	30 July 2013

INDEX OF INFORMATION DISCLOSURE

No.	Events	Release Date
29	Announcement on Revision of Annual Caps for Continuing Connected Transactions in relation to the Procurement of Hardware Products and Related Services from Capnet; and the Lease Agreements in respect of Office Premises	1 August 2013
30	Monthly Return on Movements in Securities for July	5 August 2013
31	Notice of Board Meeting	13 August 2013
32	Interim Results Announcement for the Six Months Ended 30 June 2013	23 August 2013
33	Monthly Return on Movements in Securities for August	2 September 2013
34	2013 Interim Report	3 September 2013
35	Monthly Return on Movements in Securities for September	8 October 2013
36	Monthly Return on Movements in Securities for October	5 November 2013
37	Monthly Return on Movements in Securities for November	2 December 2013
38	Announcement on Connected Transactions in relation to Hardware and Software Contracts with Beijing Petroleum Exchange and Continuing Connected Transaction in relation to Equipment Management Contract	23 December 2013

Deloitte.
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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 page 103 to 173, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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 2013, 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

21 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
Continuing Operations			
Revenue	5	**754,830**	526,097
Cost of sales		**(546,495)**	(335,095)
Gross profit		**208,335**	191,002
Other income	5	**28,397**	23,446
Other gains and losses	8	**12,079**	8,775
Research and development costs		**(32,943)**	(27,568)
Marketing and promotional expenses		**(69,093)**	(46,682)
Administrative expenses		**(68,662)**	(61,077)
Finance cost for loan from government, wholly repayable within 5 years		**(152)**	(196)
Share of results of associates	20	**14,759**	9,747
Profit before tax		**92,720**	97,447
Income tax expense	11	**(9,804)**	(11,416)
Profit for the year from continuing operations	12	**82,916**	86,031
Discontinued Operations			
Loss for the year from discontinued operations	13	**–**	(3,251)
Profit and total comprehensive income for the year		**82,916**	82,780
Profit and total comprehensive income (expense) for the year attributable to owners of the Company			
– from continuing operations		**82,884**	85,973
– from discontinued operations		**–**	(386)
		82,884	85,587

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000 (Restated)
Profit and total comprehensive income (expense) for the year attributable to non-controlling interests			
– from continuing operations		**32**	58
– from discontinued operations		**–**	(2,865)
		32	(2,807)
Profit and total comprehensive income (expense) attributable to:			
Owners of the Company		**82,884**	85,587
Non-controlling interests		**32**	(2,807)
		82,916	82,780
EARNINGS (LOSSES) PER SHARE			
From continuing and discontinued operations	15		
– Basic		**RMB2.86 cents**	RMB2.95 cents
– Diluted		**RMB2.85 cents**	RMB2.95 cents
From continuing operations	15		
– Basic		**RMB2.86 cents**	RMB2.97 cents
– Diluted		**RMB2.85 cents**	RMB2.97 cents
From discontinued operations	15		
– Basic		**–**	RMB(0.01) cent
– Diluted		**–**	RMB(0.01) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**165,451**	139,045
Investment property	17	**56,605**	59,922
Intangible assets	18	**14,537**	–
Prepaid lease payments	19	**39,707**	30,016
Deposits paid on acquisition of property, plant and equipment		**2,505**	726
Interests in associates	20	**69,538**	60,528
Available-for-sale investments	21	**1,971**	1,971
Trade receivables	24	**89,533**	–
Deferred tax assets	22	**6,014**	9,678
		445,861	301,886
Current assets			
Inventories	23	**5,342**	759
Prepaid lease payments	19	**7,051**	4,687
Trade and other receivables	24	**197,434**	112,022
Amounts due from customers for contract works	25	**68,125**	81,496
Amounts due from related parties	38	**10,021**	6,890
Bank deposits	26	**72,767**	154,776
Bank balances and cash	26	**365,372**	453,764
		726,112	814,394
Current liabilities			
Trade and other payables	27	**227,724**	175,058
Amounts due to related parties	38	**1,004**	1,416
Amount due to customers for contract works	25	**107,591**	143,426
Income tax payable		**133**	5,180
Loan from government	28	**3,630**	4,540
		340,082	329,620
Net current assets		**386,030**	484,774
Total assets less current liabilities		**831,891**	786,660

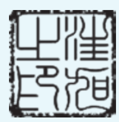
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	**2013 RMB'000**	2012 RMB'000
Capital and reserves			
Share capital	29	**289,809**	289,809
Share premium and reserves		**541,950**	496,751
Equity attributable to owners of the Company		**831,759**	786,560
Non-controlling interests		**132**	100
Total equity		**831,891**	786,660

The consolidated financial statements on page 103 to 173 were approved and authorised for issue by the board of directors on 21 March 2014 and are signed on its behalf by:

CHAIRMAN
Mr. Xu Zhe



EXECUTIVE DIRECTOR
& CHIEF EXECUTIVE OFFICER
Dr. Wang Xu

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note 31)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	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
Profit and total comprehensive income for the year	–	–	–	–	82,884	82,884	32	82,916
Dividend recognised as distribution (note 14)	–	–	–	–	(37,685)	(37,685)	–	(37,685)
Profit appropriations	–	–	–	9,593	(9,593)	–	–	–
At 31 December 2013	**289,809**	**254,079**	**–**	**49,902**	**237,969**	**831,759**	**132**	**831,891**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit for the year	**82,916**	82,780
Adjustments for:		
Income tax expenses from continuing operations	**9,804**	11,416
Finance cost	**152**	196
Interest income from bank deposits	**(4,428)**	(6,683)
Gain on change in fair value of a financial asset at fair value through profit or loss ("FVTPL")	**(14,166)**	(13,023)
Share of results of associates	**(14,759)**	(9,747)
Gain on disposal of subsidiaries included in the profit from discontinued operations	**–**	(2,234)
Depreciation of property, plant and equipment	**46,467**	35,216
Depreciation of investment property	**3,849**	3,784
Amortisation of intangible asset	**509**	–
Gain on disposal of property, plant and equipment	**(29)**	(35)
Loss on disposal of the investment in an associate	**85**	–
Allowance for doubtful debts	**2,031**	4,283
Operating cash flows before movements in working capital	**112,431**	105,953
Increase in inventories	**(4,583)**	(529)
Decrease/(increase) in amounts due from customers for contract works	**22,368**	(39,879)
Increase in amounts due from related parties	**(2,112)**	(5,918)
Increase in trade and other receivables	**(174,932)**	(58,350)
Increase in trade and other payables	**58,242**	50,147
(Decrease)/increase in amounts due to related parties	**(412)**	6,224
(Decrease)/increase in amount due to customer for contract works	**(35,835)**	39,699
Cash generated from operations	**(24,833)**	97,347
Income tax paid	**(11,187)**	(14,739)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(36,020)**	82,608

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Interest received		**4,428**	6,683
Dividend received from associates		**3,738**	–
Proceeds from disposal of property, plant and equipment		**215**	1,555
Cash paid for acquisition of property, plant and equipment		**(77,491)**	(91,204)
Deposits paid on acquisition of property, plant and equipment		**(3,450)**	(732)
Cash expenditure on investment property		**(532)**	–
Cash paid for development costs		**(12,718)**	–
Withdrawal from bank deposits		**134,910**	260,085
Placement of bank deposits		**(52,901)**	(233,594)
Cash paid for prepaid lease payments		**(21,052)**	–
Net cash outflow on acquisition of a subsidiary	36	**(1,919)**	–
Cash paid for a financial asset at FVTPL		**(150,000)**	(175,000)
Settlement of a financial asset at FVTPL		**164,166**	188,023
Net cash outflow from disposal of discontinued operations	7	**–**	(5,468)
Advance to related parties		**(1,019)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(13,625)**	(49,652)
FINANCING ACTIVITIES			
Interest paid		**(152)**	(196)
Repayment of loan from government		**(910)**	(910)
Dividend paid		**(37,685)**	(34,792)
NET CASH USED IN FINANCING ACTIVITIES		**(38,747)**	(35,898)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(88,392)**	(2,942)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**453,764**	456,706
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**365,372**	453,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 Main Board of 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 principal place of business and the contact place in Hong Kong 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 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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the year. The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the title of "consolidated statement of comprehensive income" is changed to "consolidated statement of profit or loss and other comprehensive income". Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (As revised in 2011) and HKAS 28 (As revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance.

The impact of the application of these standards that is relevant to the Group is set out below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)Int-12 *Consolidation – Special Purpose Entities*. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over the investee, (b) exposed, or rights, to variable returns from its involvement with the investee and (c) the ability to use its power over the investee to affect the amount of the investor's returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

HKFRS 12 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 application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 20 for details).

In June 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 17 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
HK (IFRIC) – Int 21	Levies[1]

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

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 "Financial Instruments"

HKFRS 9, issued in 2009, introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 "Financial Instruments" (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted. The directors of the Company (the "Directors") do not expect HKFRS 9 will have any material impact on the results and financial position of the Group based on an analysis of the Group's investments as at 31 December 2013.

Except for the disclosure requirements under HKFRS 9 as described above, the Directors 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 HKFRSs 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 and services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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 when the Company:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to owners of the Company and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified 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 of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

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

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

Investments in associates

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

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 in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. 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, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale is accounted for using the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

Upon disposal or partial disposal of the Group's interest in an associate in which the Group lost significant influence and discontinued the use of equity method, any retained interest that is within the scope of HKAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate at the date, and the proceeds from disposing of such interest (or partial interest) in the associate and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence or joint control over the investee.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale (continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments in associates above).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

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 works, 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 works. 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 works. 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 works. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure (continued)

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 recognised in profit or loss in the period in which it is incurred.

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

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 profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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.

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2013, the carrying amount of trade receivables is RMB 228,231,000 (net of allowance for doubtful debts of RMB14,974,000) (31 December 2012: carrying amount of RMB 31,228,000, net of allowance for doubtful debts of RMB14,049,000)(note 24).

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 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 property, plant and equipment are disclosed in note 16.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 22. 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:

	2013 **RMB'000**	2012 RMB'000
Revenue from continuing operations		
Income from technology service contracts		
Operation and maintenance service	**409,353**	370,169
System integration service	**303,946**	101,439
Software development service	**25,576**	48,996
Technology service	**11,180**	2,682
Consulting service	**4,452**	1,497
Sales of goods	**323**	1,314
	754,830	526,097

5. REVENUE AND OTHER INCOME (CONTINUED)

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

	2013 RMB'000	2012 RMB'000 (restated)
Other income from continuing operations		
Gross rental income from investment property	**9,592**	9,592
Interest income from bank deposits	**4,428**	6,640
Imputed interest income from Build-and-Transfer("BT") projects	**4,178**	–
Government grants (note)	**9,977**	7,145
Others	**222**	69
	28,397	23,446

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.

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 RMB741,831,000 (2012: RMB511,668,000) (note 38(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. ("北京文化體育科技有限公司") ("BST") and Beijing Shui Niao Ticket Services Co., Ltd. ("北京水鳥票務有限公司"or "水鳥票務") ("SN Tickets"), to a fellow subsidiary, Beijing BeiAo Group Co., Ltd., ("北京北奧集團有限公司") ("BeiAo Group") 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 SN Tickets also completed on 15 August 2012, for a cash consideration of RMB238,000.

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

2012	**BST** RMB'000	**SN Tickets** 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 works	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)
Amount due to customers 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 Tickets on the Group's results and cash flows last year is disclosed in note 13.

The loss on disposal was included in the loss for the prior year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

8. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Continuing Operations:		
Gain on change in fair value of a financial asset at FVTPL (note)	**14,166**	13,023
Loss on disposal of the investment in an associate	**(85)**	–
Gain on disposal of property, plant and equipment	**29**	35
Allowance for doubtful debts (note 24)	**(2,031)**	(4,283)
	12,079	8,775

Note: In January 2013, 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 Group invested RMB150 million in the trust investment managed by Huaneng Trustee Limited (the "Trust Investment") for the period up to 27 December 2013. The Trust Investment was wholly invested in fixed income financial instruments. The return of the Trust Investment is expected to be 10% per annum at a maximum. As at 27 December 2013, the principal of the Trust Investment has been settled together with investment income of approximately RMB14,166,000 (2012: RMB13,023,000).

In respect of the Trust Investment, the Company entered into a guarantee agreement with ShenZhen Golden Regal Guarantee Co., Ltd. ("深圳市金瑞格融資擔保有限公司" or "Golden Regal") which Golden Regal 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 Group recognised the guarantee fee of RMB1,500,000 as an expense in profit or loss. As at 27 December 2013, the guarantee has been released.

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	2013 RMB'000	2012 RMB'000
Fees		
– independent non-executive directors	**255**	257
Other emoluments for executive and non-executive directors		
– basic salaries and allowances	**995**	842
– retirement benefit scheme contributions	**51**	46
	1,046	888
Other emoluments for supervisors		
– basic salaries and allowances	**244**	246
– retirement benefit scheme contributions	**51**	42
	295	288
	1,596	1,433

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The emoluments paid or payable to each of the 16 (2012:19) Directors and supervisors were as follows:

2013	Fees RMB'000	Other emoluments Basic salaries and allowances RMB'000	Other emoluments Retirement benefit scheme contributions RMB'000	Total RMB'000
Directors				
Executive Director				
Dr. Wang Xu	–	995	51	1,046
Non-executive Directors				
Mr. Xu Zhe*	–	–	–	–
Ms. Zhang Kai Hua*	–	–	–	–
Mr. Lu Lei*	–	–	–	–
Mr. Pan Jiaren*	–	–	–	–
Mr. Shi Hong Yin*	–	–	–	–
Ms. Hu Sha*	–	–	–	–
Mr. Wang Zhou* (appointed on 13 June 2013)	–	–	–	–
Ms. Lu Xiaobing* (Resigned on 13 June 2013)	–	–	–	–
Independent non-executive Directors				
Mr. Chen Jing	75	–	–	75
Ms. Zhou Liye	60	–	–	60
Mr. Zeng Xianggao	60	–	–	60
Mr. Gong Zhiqiang	60	–	–	60
Supervisors				
Mr. Di Guojun*	–	–	–	–
Mr. Xiao Jun*	–	–	–	–
Ms. Xu Xiangyan	–	244	51	295
	255	1,239	102	1,596

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

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

2012	Fees RMB'000	Other emoluments: Basic salaries and allowances RMB'000	Other emoluments: Retirement benefit scheme contributions RMB'000	Total RMB'000
Directors				
Executive Director				
Dr. Wang Xu	–	842	46	888
Non-executive Directors				
Mr. Xu Zhe*	–	–	–	–
Ms. Zhang Kai Hua*	–	–	–	–
Mr. Pan Jiaren*	–	–	–	–
Mr. Shi Hong Yin*	–	–	–	–
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)	–	–	–	–
Ms. Lu Xiaobing* (Resigned on 13 June 2013)	–	–	–	–
Independent non-executive Directors				
Mr. Chen Jing	75	–	–	75
Mr. Zeng Xianggao	57	–	–	57
Mr. Gong Zhiqiang	60	–	–	60
Ms. Zhou Liye (appointed on 19 June 2012)	32	–	–	32
Dr. Wang Huacheng (Resigned on 19 June 2012)	33	–	–	33
Supervisors				
Mr. Xiao Jun*	–	–	–	–
Ms. Xu Xiangyan	–	246	42	288
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 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 2013 and 2012.

10. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included one (2012: one) director of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining four (2012: four) highest paid individuals are as follows:

	2013 RMB'000	2012 RMB'000
Basic salaries and allowances	**3,480**	3,107
Retirement benefit scheme contributions	**205**	184
	3,685	3,291

The above employees' emoluments were within the following bands:

	Number of individuals	
	2013	2012
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**4**	1

During the year ended 31 December 2013, 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.

11. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
The charge from continuing operations comprises:		
PRC Enterprise Income Tax		
– Current year	**10,288**	16,423
– Overprovision	**(4,148)**	–
– Deferred tax charge (credit) (note 22)	**3,664**	(5,007)
	9,804	11,416

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.

11. INCOME TAX EXPENSE (CONTINUED)

The Company was accredited as a key software enterprise in the national planning layout for the year 2011-2012 in the first half year of 2013 and layout for the year 2013-2014 in December 2013 by the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the State Administration of Taxation. According to the provision under the Notice on Enterprise Income Tax Policy to Further Encourage the Development of the Software and Integrated Circuit Industries (Cai Shui [2012] No. 27) that "key software enterprises in the national planning layout that have not enjoyed tax-free concessions in the year will be levied enterprise income tax at a reduced tax rate of 10%", the Company was therefore retrospectively entitled to a preferential tax rate of 10% for 2011 and 2012, and the same preferential 10% tax rate for year 2013. Accordingly, overprovision of PRC Enterprise Income Tax amounting to RMB4,148,000 (based on a previously 15% preferential rate) has been reversed in the current year.

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 7.5% from 2011 to 2012. Capinfo Technology subjects to PRC income tax at 15% for the year ended 31 December 2013.

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

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

	2013 RMB'000	2012 RMB'000
Profit before tax from continuing operations	**92,720**	97,447
Tax at non-incentive income tax rate of 25% (2012: 25%)	**23,180**	24,362
Tax effect of the various low tax rate incentives	**(14,338)**	(7,773)
Tax effect of share of result of associates	**(3,690)**	(2,437)
Tax effect of expenses that are not deductible for tax purpose	**3,448**	468
Utilisation of temporary differences previously not recognised	**(463)**	–
Tax effect of deductible temporary differences not recognised	**508**	473
Utilisation of tax losses previously not recognised	**(74)**	(68)
Tax effect of tax losses not recognised	**2,261**	283
Tax effect of changes in tax rate of deferred tax assets recognised	**3,120**	(3,892)
Reversal of overprovision	**(4,148)**	–
Tax expense for the year	**9,804**	11,416

12. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
CONTINUING OPERATIONS		
Profit for the year has been arrived at after charging the following items:		
Directors' and supervisors' remuneration (note 9)	**1,596**	1,433
Other staff costs	**153,245**	130,986
Other staff's retirement benefit scheme contributions	**17,039**	19,569
	171,880	151,988
Less: Staff costs included in		
– research and development costs	**(24,192)**	(21,468)
– cost of sales	**(69,352)**	(65,508)
	78,336	65,012
Depreciation of property, plant and equipment (note 16)	**46,067**	34,005
Depreciation of investment property (note 17)	**3,849**	3,784
Total depreciation	**49,916**	37,789
Less: Depreciation included in		
– research and development costs	**(1,455)**	(1,473)
– cost of sales	**(40,163)**	(25,508)
	8,298	10,808
Amortisation of intangible assets (note 18)	**509**	–
Operating lease rentals in respect of		
– cable network (note 34)	**41,201**	45,511
– office premises (note 34)	**30,312**	22,525
	71,513	68,036
Less: Operating lease rentals included in		
– research and development costs	**(2,140)**	(486)
– cost of sales	**(56,312)**	(49,167)
	13,061	18,383
Auditors' remuneration	**1,981**	2,044
Direct operating expense arising from investment property:		
– that generated rental income	**2,789**	2,043
Cost of inventories recognised as expenses	**126,047**	75,647
Share of tax of associates (included in share of results of associates)	**3,663**	2,414

13. DISCONTINUED OPERATIONS

On 19 December 2011, the Company entered into a share transfer agreement with a fellow subsidiary, BeiAo Group, to dispose of two subsidiaries, BST and SN Tickets, 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 RMB'000
Loss of BST for the year	(5,483)
Loss of SN Tickets for the year	(2)
	(5,485)
Gain on disposal of BST (note 7)	2,233
Gain on disposal of SN Tickets (note 7)	1
	2,234
Total loss for the year from discontinued operations	(3,251)

13. DISCONTINUED OPERATIONS (CONTINUED)

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

	2012 RMB'000
Profit for the year from discontinued operations	
Revenue	11,965
Cost of sales	(7,501)
Gross profit	4,464
Other income	962
Research and development costs	(950)
Marketing and promotional expenses	(5,574)
Administrative expenses	(4,387)
Loss before tax	(5,485)
Income tax expense	–
Loss and total comprehensive expense for the year from discontinued operations	(5,485)
Loss and total comprehensive expense for the year attributable to:	
Owners of the Company	(2,468)
Non-controlling interests	(3,017)
	(5,485)
Gain on disposal of discontinued operations (note 7)	2,234
Total loss for the year from discontinued operations	(3,251)

13. DISCONTINUED OPERATIONS (CONTINUED)

Profit for the year from discontinued operations includes the following:

	2012 RMB'000
Interest income	(43)
Government grants	(961)
Operating lease rentals in respect of	
– cable network	87
– office premises	929
	1,016
Staff costs	5,479
Staff's retirement benefit scheme contributions	500
	5,979
Less: Staff costs included in research and development costs	(328)
Staff costs included in cost of sales	(1,098)
	4,553

The disposal of the discontinued operations was completed on 15 August 2012. During the year of 2012, discontinued operations had cash outflows of RMB2,827,000, RMB47,000 and RMB Nil 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

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2011 Final – RMB1.20 cents per share	**–**	34,792
2012 Final – RMB1.30 cents per share	**37,685**	–
	37,685	34,792

Subsequent to the end of the reporting period, a final dividend of RMB1.30 cents pre-tax per share in respect of the year ended 31 December 2013 (2012: final dividend of RMB1.30 cents per share in respect of the year ended 31 December 2012) in total of approximately RMB37,675,000 (2012:RMB37,675,000) 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

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**82,884**	85,587

Number of shares	**2013**	2012
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	**6,000,643**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,904,086,734**	2,898,086,091

The calculation of diluted earnings per share for the year ended 31 December 2012 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 2012.

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:

	2013 RMB'000	2012 RMB'000
Profit for the year attributable to owners of the Company	**82,884**	85,587
Add: loss from discontinued operations	**–**	386
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	**82,884**	85,973

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

15. EARNINGS (LOSSES) PER SHARE (CONTINUED)

From discontinued operations

The disposal of the discontinued operations was completed on 15 August 2012 and hence, there was no earning or loss arising from the discontinued operations for the current year. Basic and diluted loss per share from discontinued operations for the year 2012 was RMB0.01 cent per share, based on the loss for the year from discontinued operations of RMB386,000 attributable to the owners of the Company, and the denominators detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Network equipment RMB'000	Office equipment, furniture and fixtures RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2012	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	(7,274)	(2,532)	–	–	–	(9,806)
At 31 December 2012	147,309	602,211	9,876	27,822	12,339	799,557
Additions	13,735	26,635	2,923	1,814	27,950	73,057
Transfer	1,741	6,361	–	454	(8,556)	–
Eliminated on disposals	(11,731)	–	–	–	–	(11,731)
Acquired on acquisition of a subsidiary (note 36)	2	–	–	–	–	2
At 31 December 2013	151,056	635,207	12,799	30,090	31,733	860,885
Depreciation						
At 1 January 2012	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	(7,083)	(2,532)	–	–	–	(9,615)
At 31 December 2012	133,951	503,006	7,782	15,773	–	660,512
Provided for the year	11,655	30,578	1,531	2,703	–	46,467
Eliminated on disposals	(11,545)	–	–	–	–	(11,545)
At 31 December 2013	134,061	533,584	9,313	18,476	–	695,434
Carrying values						
At 31 December 2013	16,995	101,623	3,486	11,614	31,733	165,451
At 31 December 2012	13,358	99,205	2,094	12,049	12,339	139,045

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%
Leasehold improvements	Over the period of the respective leases

17. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2012, 31 December 2012	73,788
Additions	532
At 31 December 2013	74,320
DEPRECIATION	
At 1 January 2012	10,082
Provided for the year (note 12)	3,784
At 31 December 2012	13,866
Provided for the year (note 12)	3,849
At 31 December 2013	**17,715**
CARRYING AMOUNT	
At 31 December 2013	**56,605**
At 31 December 2012	59,922

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

17. INVESTMENT PROPERTY (CONTINUED)

The fair value of the Group's investment property at 31 December 2013 was RMB154,000,000 (2012: RMB150,000,000). 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 based on the average result of comparable approach and income approach. The comparable approach reflects recent transaction prices for similar properties in the similar locations and conditions. The income approach assessed the market rentals of all lettable unites of the properties and discounted the market rental at the market yield expected by investors for this type of properties. The market rental are assessed by reference to the rentals achieved in the lettable unites of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. The valuation was performed on the assumption that the Company had obtained the ownership title of the investment property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information of the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3	**Fair value as at 31 December 2013**
	RMB'000	**RMB'000**
Commercial property units located in PRC	56,605	154,000

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

At 31 December 2013, the ownership title certificate of the property had not been issued to the Group.

18. INTANGIBLE ASSETS

	Capitalised development cost (note (i)) RMB'000	**Customer base (note (ii))** RMB'000	**Total** RMB'000
At 1 January 2012 and 31 December 2012	–	–	–
Additions from internal developments	12,718	–	12,718
Acquired on acquisition of a subsidiary (note 36)	–	2,328	2,328
Amortisation expenses (note 12)	–	(509)	(509)
At 31 December 2013	12,718	1,819	14,537

Notes:

(i) Capitalised development cost represents the cost incurred in relation to the cloud computing which the relevant product and service have not yet put into commercial production. The capitalised development cost is amortised on a straight-line basis over commercial lives of the underlying products not exceeding 3 years.

(ii) The customer base was recognised in the acquisition of a subsidiary, details of which are set up in note 36. The customer base is amortised on a straight-line basis based on the estimated useful lives of 3 years.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2013 **RMB'000**	2012 RMB'000
Current portion	**7,051**	4,687
Non-current portion	**39,707**	30,016
	46,758	34,703

Prepaid lease payment represents prepayment made by the Group for the rental of premises for a period from 4 to10 years for installation of wireless equipment for the government network projects.

20. INTERESTS IN ASSOCIATES

	2013 **RMB'000**	2012 RMB'000
Cost of unlisted investments in associates	**24,314**	44,155
Share of post-acquisition profit, net of dividends received	**45,224**	16,373
	69,538	60,528

20.1 Details of material associate

Details of the Group's material associate, which is a private limited company 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 ownership interest and voting power held by the Group		Principal activities
		2013	2012	
北京數字認證股份有限公司 (Beijing Certificate Authority Co., Ltd) ("BJCA")	PRC	**34.98%**	34.98%	Provision of services related to digital certificates

BJCA is accounted for using the equity method in these consolidated financial statements.

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

BJCA

	2013 **RMB'000**	2012 RMB'000
Current assets	**278,487**	231,518
Non-current assets	**23,315**	18,783
Current liabilities	**101,935**	84,315
Non-current liabilities	**12,986**	14,769

20. INTERESTS IN ASSOCIATES (CONTINUED)

20.1 Details of material associate (continued)

BJCA (continued)

	2013 RMB'000	2012 RMB'000
Revenue	**273,572**	220,371
Profit from continuing operations	**56,335**	37,292
Profit for the year	**45,864**	30,391
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**45,864**	30,391
Dividend received by the Group from the associate during the year	**3,568**	–

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

	2013 RMB'000	2012 RMB'000
Net assets of the associate	**186,881**	151,217
Proportion of the Group's ownership interest in BJCA	**34.98%**	34.98%
Carrying amount of the Group's interest in BJCA	**65,371**	52,896

Aggregate information of associates that are not individually material

	2013 RMB'000	2012 RMB'000
The Group's share of loss from continuing operations	**(1,284)**	(504)
Loss for the year	**(1,284)**	(504)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income	**–**	–
Aggregate carrying amount of the Group's interest in these associates	**4,167**	7,631
Dividend received from the associate during the year	**170**	–

20. INTERESTS IN ASSOCIATES (CONTINUED)

20.1 Details of material associate (continued)

Unrecognised share of losses of associates

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:

	2013 **RMB'000**	2012 RMB'000
Unrecognised share of loss for the year	–	(121)
Cumulative unrecognised share of loss	–	(1,910)

20.2 Changes in the Group's ownership in assoicates

In December 2013, the Group entered into a share transfer agreement with a third party person, Mr. Huang Hongbin, to fully dispose of its 41.96% equity interest in the associate 東莞市龍信數碼科技有限公司 ("Dongguan Longxin Digital Technology Co., Ltd.") ("Dongguan Longxin"), which is mainly engaged in the development of software. The disposal is in line with the Group's long-term policy to focus its activities on the technology service market. The disposal of Dongguan Longxin was completed on 31 December 2013, on which date the Company's equity interest decreased from 41.96% to nil, and the cash consideration approximately amounting RMB1,926,000 from Dongguan Longxin was subsequently received in January 2014.

On 19 December 2011, the Group entered into a share transfer agreement with a fellow subsidiary, Beijing BeiAo Group Co., Ltd., to dispose of 25% interests in this subsidiary, BST, which was mainly engaged in operations of the ticket agency service and technology service of network systems. The disposal was 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.

20.3 Reclassification for an associate

By the end of year 2012, the Group held interests in an associate, 紫光信業投資股份有限公司 (Ziguang Information Industry Investment Company Limited) ("Ziguang Information Industry"), which is under liquidation. The investment in Ziguang Information was fully impaired in previous years. During current year, the Group has accounted for the investment in Ziguang Information as available-for-sale investment.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2013 RMB'000	2012 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.

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

Name of investee	Place of incorporation/ establishment	Proportion of nominal value of registered/issued capital held by the Group		Principal activities
		2013	2012	
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	**14.70%**	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%	Provision of data-driven multi-channel direct marketing and coustomer loyalty solutions
Astoria Innovations Limited.	British Virgin Islands	**5%**	5%	Provision of labour force digitalisation market service and related businesses
Ziguang Information Industry	PRC	**23%**	23%	Development, sales and management consultation of operation systems and related businesses

22. DEFERRED TAXATION

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

	Payroll and welfare payable and Accrued expense RMB'000
At 1 January 2012	4,671
Credit to profit or loss for the year (note 11)	5,007
At 31 December 2012	9,678
Credit to profit or loss for the year (note 11)	(3,664)
At 31 December 2013	6,014

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

	2013 **RMB'000**	2012 RMB'000
Tax losses	**10,309**	1,558
Deductible temporary differences on allowance for the inventories and receivables	**45,484**	44,178
	55,793	45,736

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:

	2013 **RMB'000**	2012 RMB'000
2014	**–**	157
2015	**128**	266
2017	**1,135**	1,135
2018	**9,046**	–
Total	**10,309**	1,558

23. INVENTORIES

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

24. TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Total trade receivables	**243,205**	45,277
Less: Allowance for doubtful debts	**(14,974)**	(14,049)
	228,231	31,228
Less: Non-current portion which is shown in non-current assets	**(89,533)**	–
	138,698	31,228
Other receivables and prepayments	**35,087**	42,719
Deposits for technology service projects	**26,578**	39,898
Less: Allowance for doubtful debts	**(2,929)**	(1,823)
	58,736	80,794
Trade and other receivables shown in current assets	**197,434**	112,022

The Group allows an average credit period of 180 days to its trade customers except for certain BT project. The trade receivables from the BT projects are unsecured, which are repayable by installments over a five year period after the completion date of the construction of the underlying projects. At initial recognition, the fair values of the trade receivables from the BT projects were estimated at respective applicable effective interest rates.

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:

	2013 RMB'000	2012 RMB'000
0 to 6 months	**183,629**	27,009
7 to 12 months	**41,958**	1,446
1 to 2 years	**742**	1,674
2 to 3 years	**971**	1,099
Over 3 years	**931**	–
	228,231	31,228
Less: Non-current portion	**(89,533)**	–
	138,698	31,228

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for the doubtful debts:

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**15,872**	11,589
Impairment losses recognised during the year (note 8)	**2,031**	4,283
Balance at end of the year	**17,903**	15,872

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 RMB13,569,000 (2012:RMB13,464,000).

25. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2013 RMB'000	2012 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	**275,388**	195,312
Recognised profits less recognised losses	**77,690**	38,335
	353,078	233,647
Less: Progress billings	**(392,544)**	(295,577)
	(39,466)	(61,930)
Recognised and included in the consolidated financial statements as:		
Amounts due from customers for contract works	**68,125**	81,496
Amounts due to customers for contract works	**(107,591)**	(143,426)
	(39,466)	(61,930)

26. BANK BALANCES AND CASH/BANK DEPOSITS

Bank balances and cash

Bank balances carry interest at a market interest rate of 0.35% (2012: 0.35%) per annum.

Bank deposits

Bank deposits carry fixed interest rates which range from 0.35% to 3.08% (2012: 1.35% to 2.80%) per annum with maturity periods between three and six months.

27. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**108,615**	56,218
Deferred income arising from government grants (note)	**7,709**	7,939
Other payables	**49,461**	46,866
Accrued expenses	**30,570**	38,022
Payroll and welfare payables	**30,762**	25,033
Advance from customers	**607**	980
	227,724	175,058

Note: The balance arises as a result of the benefit received from the government. The Group received government grants of RMB10,207,000 (2012: 11,082,000) during the current year for certain technology research activities and released RMB9,977,000 (2012: RMB7,145,000)in other income in the current year (note 5(b)).

The following is an aged analysis of trade payables at the end of the reporting period, which presented based on the date of material or service received on the billing date of contract work:

Age

	2013 RMB'000	2012 RMB'000
0 to 6 months	**31,949**	1,760
7 to 12 months	**55,742**	27,276
1 to 2 years	**4,616**	8,551
2 to 3 years	**3,874**	4,556
Over 3 years	**12,434**	14,075
	108,615	56,218

The average credit period on purchase of goods is 15 days (2012: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

Included in trade payables are retention payables of RMB3,317,000 (31 December 2012: RMB3,417,000) which are interest-free and payable at the end of the retention period of individual construction contract. These retention payables are expected to be settled in the Group's normal operating cycle which is usually longer than one year.

28. LOAN FROM GOVERNMENT

	2013 **RMB'000**	2012 RMB'000
Carrying amount repayable on demand and shown under current liabilities(note 38(v))	**3,630**	4,540

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.72% (2012: 3.59%) per annum and repayable on demand.

29. SHARE CAPITAL

	Number of shares		
	Domestic shares	**H shares**	**Registered, issued and fully paid** RMB'000
Balance of share capital of RMB0.10 each per share at 1 January 2012, 31 December 2012 and 31 December 2013	2,123,588,091	774,498,000	289,809

30. 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.

30. 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 2012 and 2013 are as follows:

	Outstanding at 1.1.2012	Lapsed during the year	Outstanding at 31.12.2012	Reclassify during the year	Lapsed during the year	**Outstanding at 31.12.2013**
Directors	4,398,000	(1,466,000)	2,932,000	–	–	**2,932,000**
Supervisors	1,925,000	(1,466,000)	459,000	–	–	**459,000**
Senior management	7,241,000	(1,466,000)	5,775,000	(459,000)	(1,466,000)	**3,850,000**
Senior advisors	15,430,000	–	15,430,000	1,836,000	–	**17,266,000**
Advisors	1,925,000	–	1,925,000	(459,000)	–	**1,466,000**
Other employees	14,278,000	(145,000)	14,133,000	(918,000)	(918,000)	**12,297,000**
	45,197,000	(4,543,000)	40,654,000	–	(2,384,000)	**38,270,000**
Exercisable	45,197,000		40,654,000			**38,270,000**

During the current year, there was no exercise of existing outstanding share options and no new options were granted by the Group.

The options outstanding at the end of the year have a remaining contractual life of 1 year (2012: 2 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 profit or loss and other comprehensive income in respect of the value of options granted in the year ended 31 December 2004.

31. 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.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**706,724**	695,475
Available-for-sale financial assets, measured at cost	**1,971**	1,971
	708,695	697,446
Financial liabilities		
Amortised cost	**178,964**	134,753

Financial risk management objectives and polices

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (continued)

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits (see note 26). The Group's cash flow interest rate risk related primarily to its bank balances and loan from government (see notes 26 and 28). 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 (2012: 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 RMB328,000 for the year ended 31 December 2013(2012: RMB381,000).

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 RMB 158,764,000 (2012: RMB21,102,000) and represented 84% (2012: 68%) of the total trade receivables as at 31 December 2013.

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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and polices (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 RMB'000	**1-3 months** RMB'000	**3 months to 1 year** RMB'000	**Total undiscounted cash flows** RMB'000	**Carrying amount at 31.12.2013** RMB'000
At 31.12.2013					
Trade and other payables	**26,328**	**61,437**	**86,565**	**174,330**	**174,330**
Amounts due to related parties	**1,004**	**–**	**–**	**1,004**	**1,004**
Loan from government	**3,630**	**–**	**–**	**3,630**	**3,630**
	30,962	**61,437**	**86,565**	**178,964**	**178,964**

	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2012 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

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.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to 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 28, and equity attributable to owners of the Company, comprising issued share capital, and share premium and reserves as detailed in notes 29 and 31.

34. OPERATING LEASES

The Group as lessee

	2013 RMB'000	2012 RMB'000
Minimum lease payments recognised as an expense during the year		
– Cable network (note 12)	**41,201**	45,511
– Office premises (note 12)	**30,312**	22,525

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:

	2013 RMB'000	2012 RMB'000
Office premises		
Within one year	**23,509**	13,360
In the second to fifth year, inclusive	**6,949**	14,790
	30,458	28,150
Cable network		
Within one year	**19**	347

The operating lease commitment does not include lease arrangement set out in note 19 "prepaid lease payments".

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

34. 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:

	2013 RMB'000	2012 RMB'000
Within one year	**5,591**	10,120
In the second to fifth year, inclusive	**–**	5,591
	5,591	15,711

The property held has committed tenants for an original term of 4 to 5 years with the remaining lease term expiring within 2014.

35. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**10,850**	8,493

36. ACQUISITION OF A SUBSIDIARY

On 31 May 2013, the Group acquired a 100% equity interest in 上海橫越計算機科技有限公司 (Shanghai Hengyue Computer Technology Co., Ltd.) ("Shanghai Hengyue") from certain third party individuals. Shanghai Hengyue is engaged in software development and operational maintenance of housing fund system. Shanghai Hengyue was acquired so as to continue the expansion of the Group's housing information technology service business.

Consideration transferred

	RMB'000
Cash	2,680

Acquisition-related costs amounting to RMB40,000 have been excluded from the cost of acquisition and have been recognised directly as an expense when it occurred.

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Identifiable assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plants and equipment (note 16)	2
Intangible asset (note 18)	2,328
Trade and other receivables	118
Bank balances and cash	761
Other payables	(529)
	2,680

The intangible asset mainly represented the fair value of customer base recognised in the acquisition, which is amortised over 3 years on a straight-line basis.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	2,680
Less: recognised amount of identifiable net assets acquired (100%)	(2,680)
Goodwill arising on acquisition	–

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	2,680
Less: cash and cash equivalents acquired	(761)
	1,919

Impact of acquisition on the results of the Group

Included in the profit of the Group for the current year was a loss of RMB43,000 attributable to Shanghai Hengyue. Revenue for the year includes RMB602,000 attributable to Shanghai Hengyue.

Had the acquisition of Shanghai Hengyue been effected at the beginning of the current year, the total amount of revenue of the Group from continuing operations for current year would have been RMB755,422,000, and the amount of the profit of the Group from continuing operations for the current year would have been RMB82,739,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the current year, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shanghai Hengyue been acquired at the beginning of the year, the directors of the Company calculated depreciation of equipment and the amortisation of intangible asset based on the recognised amounts of equipment and intangible assets at the date of the acquisition.

37. 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 RMB17,141,000 (2012: RMB19,657,000) represents contributions paid or payable under the retirement benefit scheme.

38. RELATED PARTY DISCLOSURES

(i) Transactions with fellow subsidiaries

Related party	**Nature of transactions**	Notes	**2013 RMB'000**	2012 RMB'000
Fellow subsidiaries				
Capnet Company Limited ("Capnet")	Income earned by the Group for providing the network system and related maintenance services	(a)	**5,943**	6,180
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises*	(b)&(c)	**8,227**	6,719
Capnet	Providing hardware and related service to the Group	(d)	**4,484**	–
Beijing Petroleum Exchange Co., Ltd.	Income earned by the Group for providing development of the hazardous chemical trading management system	(e)	**–**	627
Beijing Petroleum Exchange Co., Ltd.	Income earned by the Group for providing hardware, software and related equipment management service	(f)	**5,611**	–

* An amount of approximately RMB316,000 is included in discontinued operations for year 2012. The disposal of the discontinued operation was completed on 15 August 2012.

38. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (continued)

Notes:

(a) On 20 December 2006, the Company's wholly-owned subsidiary Capinfo Technology and Capnet entered into a comprehensive services agreement under which Capinfo Technology is to provide the network system and the related maintenance service to Capnet for a term of 3 years since 1 January 2007. On 29 December 2009, Capinfo Technology and Capnet entered into a renewal agreement to extend the term to 31 December 2012. On 18 January 2013, Capinfo Technology and Capnet entered into a further renewal agreement to extend the term to 31 December 2015. The service income of RMB5,943,000 (2012: RMB6,180,000) 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's certain 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's certain office premises at a monthly rent of approximately RMB204,000 for the period from 8 May 2012 to 31 March 2015.

On 6 January 2013, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB 5,000 for the period from 6 January 2013 to 5 March 2013, and then renewed the agreement at a monthly rent of approximately RMB9,000 for the period from 6 March 2013 to 5 September 2013.

On 1 August 2013, the Company entered into a lease agreement with BIDP, pursuant to which the Company leases from BIDP certain office premises at an monthly rent of approximately RMB177,000 for the period from 1 August 2013 to 31 March 2015.

(c) On 27 April 2011, BST entered into a lease agreement with BIDP to lease from BIDP's certain office premises at an annual rent of approximately RMB 372,000 for the period from 28 April 2011 to 27 April 2013.

On 31 May 2011, BST entered into a lease agreement with BIDP to lease from BIDP's certain office premises at an annual rent of approximately RMB 102,000 for the period from 1 June 2011 to 31 May 2013.

On 15 August 2012, the Group disposed of its subsidiary, BST.

(d) On 18 January 2013, Capinfo Technology and Capnet entered into a procurement framework agreement under which Capinfo Technology will procure hardware products and related service from Capnet for a term of approximately 3 years starting from 18 January 2013. The relevant purchase of RMB4,484,000 was made for the year.

(e) On 20 April 2012 and 30 May 2013, the Company and Beijing Petroleum Exchange entered into two contracts under which the Company will provide services of the development of the hazardous chemical trading management system to Beijing Petroleum Exchange in two separate phases. The service income of RMB627,000 was recognised for the year ended 31 December 2012.

(f) On 23 December 2013, the Company and Beijing Petroleum Exchange entered into four contracts under which the Company will provide hardware, software and related equipment management service to Beijing Petroleum Exchange. The income of RMB5,611,000 was recognised for the current year.

38. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Transactions with associates

An associate	Nature of transactions	2013 RMB'000	2012 RMB'000
BJCA	Software development and providing related technical services to the Group	**734**	1,826

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

Fellow subsidiaries	Nature of transactions	2013 RMB'000	2012 RMB'000
National Stadium Co., Ltd.	Ticketing agency fees income*	**–**	969
Beijing National Aquatic. Centre Company Ltd.	Ticketing agency fees income*	**–**	1,316
Beijing Artists Management Corp., Ltd.	Ticketing agency fees income*	**–**	19
International Sports Co., Ltd.	Ticketing agency fees income*	**–**	124

* These transactions are included in the discontinued operations. The disposal of the discontinued operations was completed on 15 August 2012.

(iv) Amounts due from/to related parties

	2013 RMB'000	2012 RMB'000
Amounts due from related parties:		
Trading in nature:		
Fellow subsidiaries	**4,723**	2,611
Non-trading in nature:		
Fellow subsidiaries	**4,463**	3,756
Associates	**835**	523
	5,298	4,279
	10,021	6,890
Amounts due to related parties:		
Trading in nature:		
Associates	**197**	342
Fellow subsidiaries	**807**	1,074
	1,004	1,416

38. RELATED PARTY DISCLOSURES (CONTINUED)

(iv) Amounts due from/to related parties (continued)

The amounts are unsecured and non-interest bearing and repayable within one year of the reporting period end.

The Group allows the same credit period to related parties as other trade customers. As of 31 December 2013, the amounts due from related parties of RMB8,331,000 aged over 180 days but within one year (2012: RMB3,282,000). Other amounts due from related parties are repayable on demand.

As of 31 December 2013, the amount due to a related party of RMB904,000 aged within 90 days (2012: RMB1,201, 000). Other amounts due to related parties are repayable on demand.

(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 RMB741,831,000 (2012: RMB511,668,000) (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 2013, the loan from government of RMB3,630,000 (2012: RMB4,540,000) (note 28) was borrowed from the Finance Bureau of Beijing which is unsecured, repayable on demand and bears interest at annual interest rate of 3.72% (2012:3.59%), and the Group has incurred interest expense of approximately RMB152,000 (2012: RMB196,000) 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 RMB161,990,000 (2012: RMB86,342,000), amounts due from customers for contract works of approximately RMB67,031,000 (2012:RMB81,347,000), amount due to customers for contract works of approximately RMB104,251,000 (2012: RMB138,622,000) as at 31 December 2013, 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.

38. RELATED PARTY DISCLOSURES (CONTINUED)

(vi) Compensation of key management personnel

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

	2013 RMB'000	2012 RMB'000
Short-term benefits	**6,963**	6,553
Post-employment benefits	**470**	450
	7,433	7,003

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

39. 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	Issued and fully paid-up share capital/registered capital	Proportion of nominal value of registered capital held by the Company 2013	2012	Principal activities
Directly held						
Capinfo (Hong Kong) Company Limited	Private limited company	Hong Kong	HK$2	**100%**	100%	Investment holding
首都信息科技發展有限公司 (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 Company Limited)(note (i))	Private limited company	PRC	RMB20,000,000	**100%**	100%	Building and operating service of the side 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
Shanghai Hengyue (note(ii))	Private limited	PRC	RMB500,000	**100%**	N/A	Developing software, and Providing system maintenance service

Notes:

(i) This subsidiary was established on 5 July 2012.

(ii) This subsidiary was acquired on 31 May 2013.

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

40. INFORMATION ABOUT THE STATEMENTOF FINANCIAL POSITION OF THE COMPANY

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

	2013 RMB'000	2012 RMB'000
Non-current assets		
Property, plant and equipment	**165,244**	137,822
Investment property	**56,605**	59,922
Prepaid lease payments	**39,707**	30,016
Deposits paid on acquisition of property, plant and equipment	**2,505**	726
Intangible assets	**12,718**	–
Investments in subsidiaries	**73,480**	70,800
Investments in associates	**24,314**	42,683
Available-for-sale investments	**950**	971
Trade receivables	**89,533**	–
Deferred tax assets	**5,697**	9,479
	470,753	352,419
Current assets		
Inventories	**5,313**	759
Prepaid lease payments	**7,051**	4,687
Trade and other receivables	**188,717**	106,840
Amounts due from customers for contract works	**49,134**	70,058
Amounts due from related parties	**9,437**	6,306
Amounts due from subsidiaries	**16,875**	11,158
Bank deposits	**72,226**	122,732
Bank balances and cash	**305,494**	421,361
	654,287	743,901
Total assets	**1,125,040**	1,096,320

40. INFORMATION ABOUT THE STATEMENTOF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2013 RMB'000	2012 RMB'000
Current liabilities		
Trade and other payables	**212,313**	167,374
Amount due to customers for contract works	**101,709**	139,791
Amounts due to related parties	**894**	1,416
Amounts due to subsidiaries	**68,969**	63,000
Income tax payable	**–**	4,812
Loan from government	**3,630**	4,540
Total liabilities	**387,515**	380,933
Net current assets	**266,772**	362,968
Total assets less current liabilities	**737,525**	715,387
Capital and reserves		
Share capital	**289,809**	289,809
Share premium and reserves	**447,716**	425,578
Total equity	**737,525**	715,387

40. 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 2012	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
Profit and total comprehensive income for the year	–	–	–	77,012	77,012
Dividend recognised as distribution				(37,685)	(37,685)
Profit appropriations	–	–	9,085	(9,085)	–
Others	–	–	–	(17,189)	(17,189)
At 31 December 2013	289,809	254,079	43,818	149,819	737,525

41. COMPARATIVE FIGURES

Previously, rental income and related expense in relation to the investment property were included in other income. Starting from current year, the Group has decided to classify rental related expenses to administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

The comparative figures of year 2012 have been reclassified to conform to the current year's presentation accordingly.

	2012 (originally stated) RMB'000	**Reclassification adjustments** RMB'000	**2012 (restated)** RMB'000
Other income	17,618	5,828	23,446
Administrative expenses	(55,249)	5,828	(61,077)

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.
Shanghai Hengyue	Shanghai Hengyue Computer Technology 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.
BPEX	Beijing Petroleum Exchange Co., Ltd.
Aiyuhua Hospital	Beijing Aiyuhua Hospital for Children and Women
Guotong Xintai	Beijing Guotong Xintai Investment Management Company Limited
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Deloitte	Deloitte Touche Tohmatsu
Capinfo Institute	a training institute run by Capinfo Company Limited, which is a functional department of the Company responsible for employee training
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 2013
Reporting Period	the period from 1 January 2013 to 31 December 2013

FEEDBACK ON 2013 ANNUAL REPORT

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 (ranging from 1-5 in ascending order)	Is the information helpful?	Comments and Suggestions
The whole Annual Report	1 2 3 4 5	Poor Fair Excellent	
Chairman's Statement	1 2 3 4 5		
Management Discussion and Analysis	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		

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 the Company by:

- faxing to (852) 2827 4836 or (8610) 8235 8550
- emailing to investor@capinfo.com.cn
- sending to Hong Kong Registrars Limited by post

Information Collection Form

Name	
Postal Address	
Tel No.	
Email Address	

Information Collection Statement:

1. Your supply of personal data to the Company by completing Information Collection Form is on a voluntary basis.
2. The Company 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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