

CAPINFO

Capinfo Company Limited

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

(Stock Code : 1075)



2015
Annual Report



AGGRESSIVE AND CREATIVE

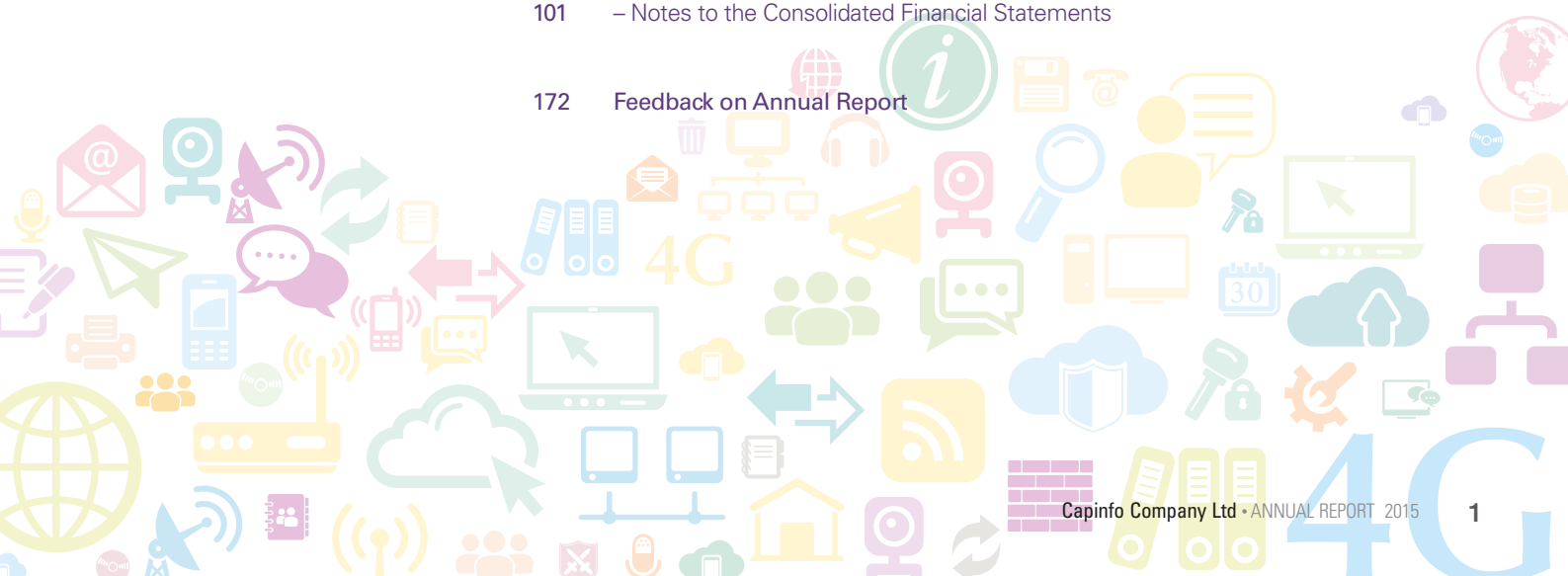
In 2015, under the complicated and austere economic situation, the Company conducted a general expansion in the market-oriented business and achieved an encouraging progress by leveraging the customer resource and technology edge accumulated in the long-term. With a view to enhance the overall competitiveness, the Company increased its investment in the research and development of Internet of Things, cloud platform and other key business fields, storing energy to capture the opportunity when it comes. There are many challenges in the future's development, nevertheless, the operating management is in full confidence that during the "Thirteenth Five-Year" period, the Company could overcome obstacles and difficulties, break through the bottleneck, and thus create a better future.





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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.
Rito Info	Rito Info Technology Co., Ltd.
Capinfo Hangyuan	Beijing Capinfo Hangyuan Technology Co., Ltd.
BJCA	Beijing Certificate Authority 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.
Hong Kong Registrars	Hong Kong Registrars Limited
CSDCC	China Securities Depository and Clearing Corporation Limited
Grant Thornton	Grant Thornton Hong Kong Limited
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 2015
Reporting Period	the period from 1 January 2015 to 31 December 2015

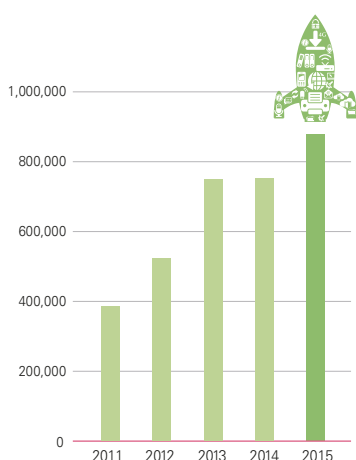
FINANCIAL HIGHLIGHTS



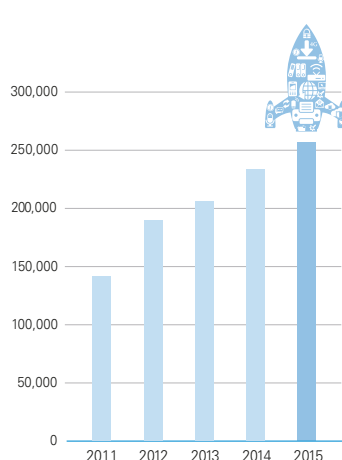
Unit: RMB'000

	2011 (restated)	2012 (restated)	2013 (restated)	2014 (restated)	2015
During the reporting period					
Revenue	388,536	526,097	754,830	756,810	879,473
Gross profit	142,876	191,002	208,335	235,065	260,713
Profit and total comprehensive income for the year attributable to owners of the Company	69,102	81,406	81,433	66,993	101,542
Earnings per share (RMB cents)					
From continuing and discontinued operations					
– Basic	2.38	2.81	2.81	2.31	3.50
Dividends per share (RMB cents)	1.20	1.30	1.30	1.06	1.57
– Interim dividend	–	–	–	–	–
– Final dividend	1.20	1.30	1.30	1.06	1.57
During the year					
Total assets	965,659	1,102,735	1,156,977	1,510,376	1,629,237
Net assets	741,293	773,115	816,895	846,218	917,042
Current liabilities	224,366	329,620	340,082	550,003	674,210
Financial Ratio					
Net gearing ratio (%)	0.74	0.59	0.44	2.68	0.20
Current ratio (times)	3.57	2.47	2.14	1.57	1.51

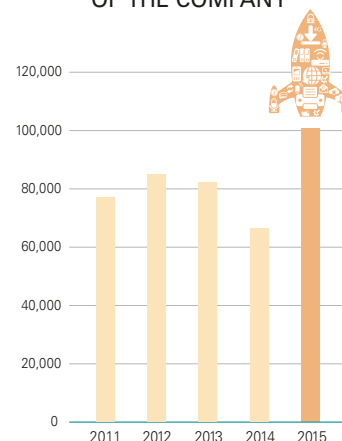
REVENUE



GROSS PROFIT



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



CORPORATE INFORMATION

Registered Name of the Company

Capinfo Company Limited

Company Website

www.capinfo.com.cn

Stock exchange for listing

The Stock Exchange of Hong Kong Limited

H Share Stock Code

1075

Legal representative

Xu Zhe (*changed in February 2016*)

Registered Address

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

Substantial Shareholder

Beijing State-owned Assets Management Co., Ltd

Date and Place of Establishment

23 January 1998, Beijing

Date of Initial Listing on GEM

21 December 2001

Date of Transfer of Listing to the Main Board

21 January 2011

Par Value of H Shares in Issue

RMB0.10 per H share

Total Number of Shares in Issue

2,898,086,091 shares

Number of Domestic Shares in Issue

2,123,588,091 shares

Number of H Shares in Issue

774,498,000 shares

Unified Social Credit Code of Business License

911100006336972074

Principal Bankers

Bank of China

Legal Advisor

PRC law advisor

Tian Yuan Law Firm

Address: 10th Floor, China Pacific Insurance Plaza, 28 Fengsheng Lane, Xicheng District, Beijing 100032 PRC

Hong Kong law advisor

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

Grant Thornton Hong Kong Limited

Address: Level 12, 28 Hennessy Road, Wanchai, Hong Kong, PRC



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

Contact Place in Hong Kong

Address: Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, PRC

Tel.: (852) 2820 0700

Fax: (852) 2827 4836

Members of the Board

Executive Director

Mr. Lu Lei

(Vice President and Secretary of the Board)

Non-executive Directors

Mr. Xu Zhe *(appointed as Chairman in January 2016 to replace Dr. Wang Xu)*

Dr. Feng Haocheng *(appointed in January 2016 to replace Mr. Wu Shengjiao)*

Mr. Cao Jun *(appointed in January 2016 to replace Mr. Shi Hongyin)*

Mr. Zhou Weihua

Mr. Shan Yuhu

Ms. An Lili

Independent Non-executive Directors

Ms. Zhou Liye

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Li He *(approved by the Board to replace Dr. Jiao Jie in March 2016, which is subject to the approval of the forthcoming AGM)*

Audit Committee

Ms. Zhou Liye *(Chairman)*

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Mr. Li He *(approved by the Board to replace Dr. Jiao Jie in March 2016, which is subject to the approval of the forthcoming AGM)*

Remuneration and Appraisal Committee

Mr. Gong Zhiqiang *(Chairman)*

Ms. Zhou Liye

Dr. Feng Haocheng *(appointed in January 2016 to replace Mr. Wu Shengjiao)*

Nomination Committee

Mr. Xu Zhe *(appointed as Chairman in January 2016 to replace Dr. Wang Xu)*

Mr. Gong Zhiqiang

Mr. Cheung, Wai Hung Boswell

Strategy Committee

Mr. Xu Zhe *(appointed as Chairman in January 2016 to replace Dr. Wang Xu)*

Mr. Lu Lei

Mr. Li He *(approved by the Board to replace Dr. Jiao Jie in March 2016, which is subject to the approval of the forthcoming AGM)*

Board of Supervisors

Mr. Di Guojun *(Chairman)*

Mr. Liang Xianjun

Mr. Lang Jianjun

Authorised Representatives

Mr. Xu Zhe *(appointed in January 2016 to replace Dr. Wang Xu)*

Mr. Lu Lei

Secretary of the Company

Ms. KOO Ching Fan

Secretary of the Board

Mr. Lu Lei *(Vice President)*

COMPANY PROFILE



Founded in January 1998, Capinfo Company Limited ("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 on the Growth Enterprise Market of the Hong Kong Stock Exchange in December 2001, and transferred its listing to the Main Board of the Hong Kong Stock Exchange in January 2011 (stock name: Capinfo, stock code: 1075).



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 Group's past over a decade of development, 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 2015, the Company had 1,518 employees and had established three branches and one representative office. Business covering areas including government, medical care, transportation, finance and many other areas, Capinfo has established its presence in 94 cities across the country.

During the past over decade, 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

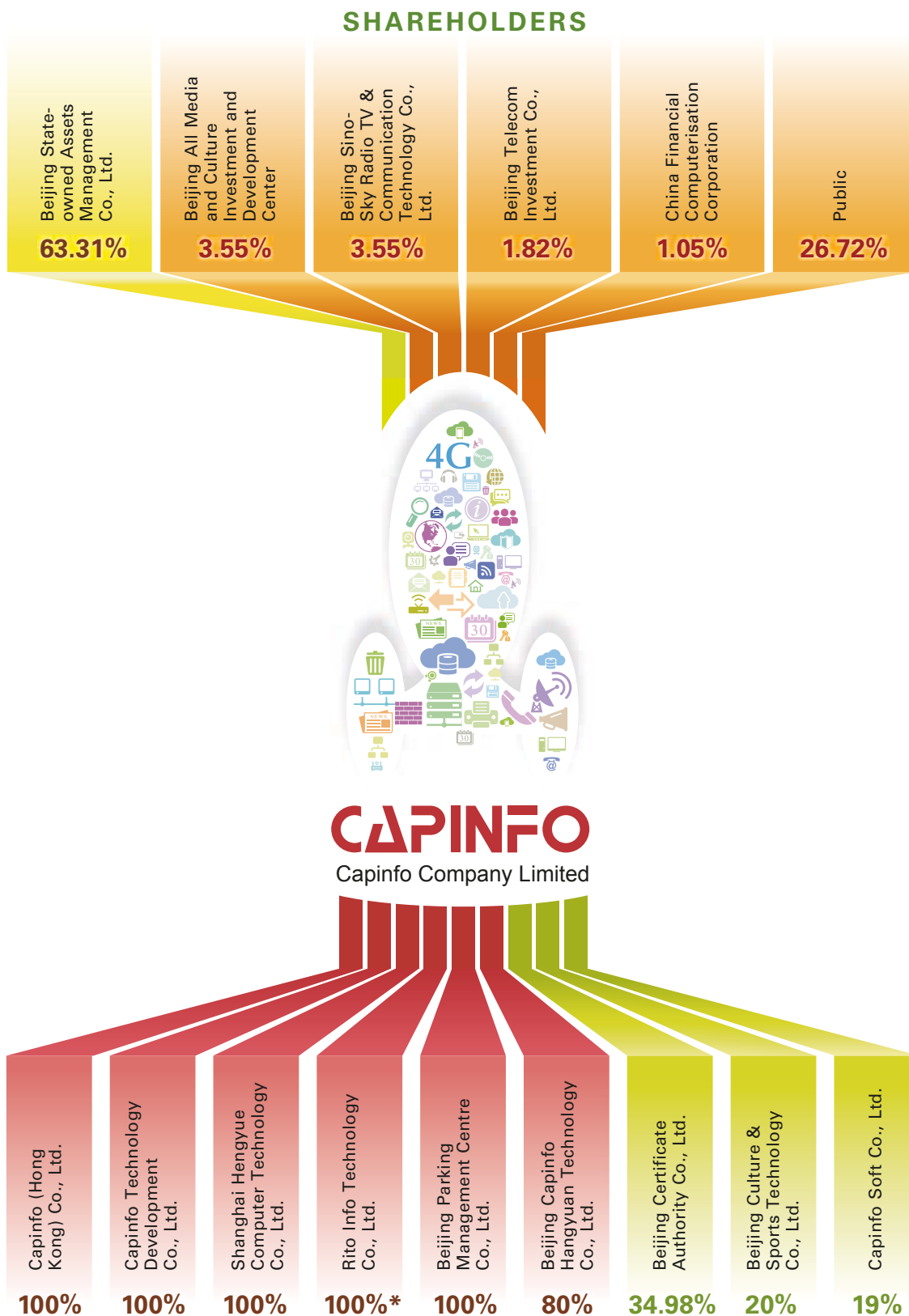
A leader in providing information technology services to enhance customers' value

An innovator in integration and application of information resources



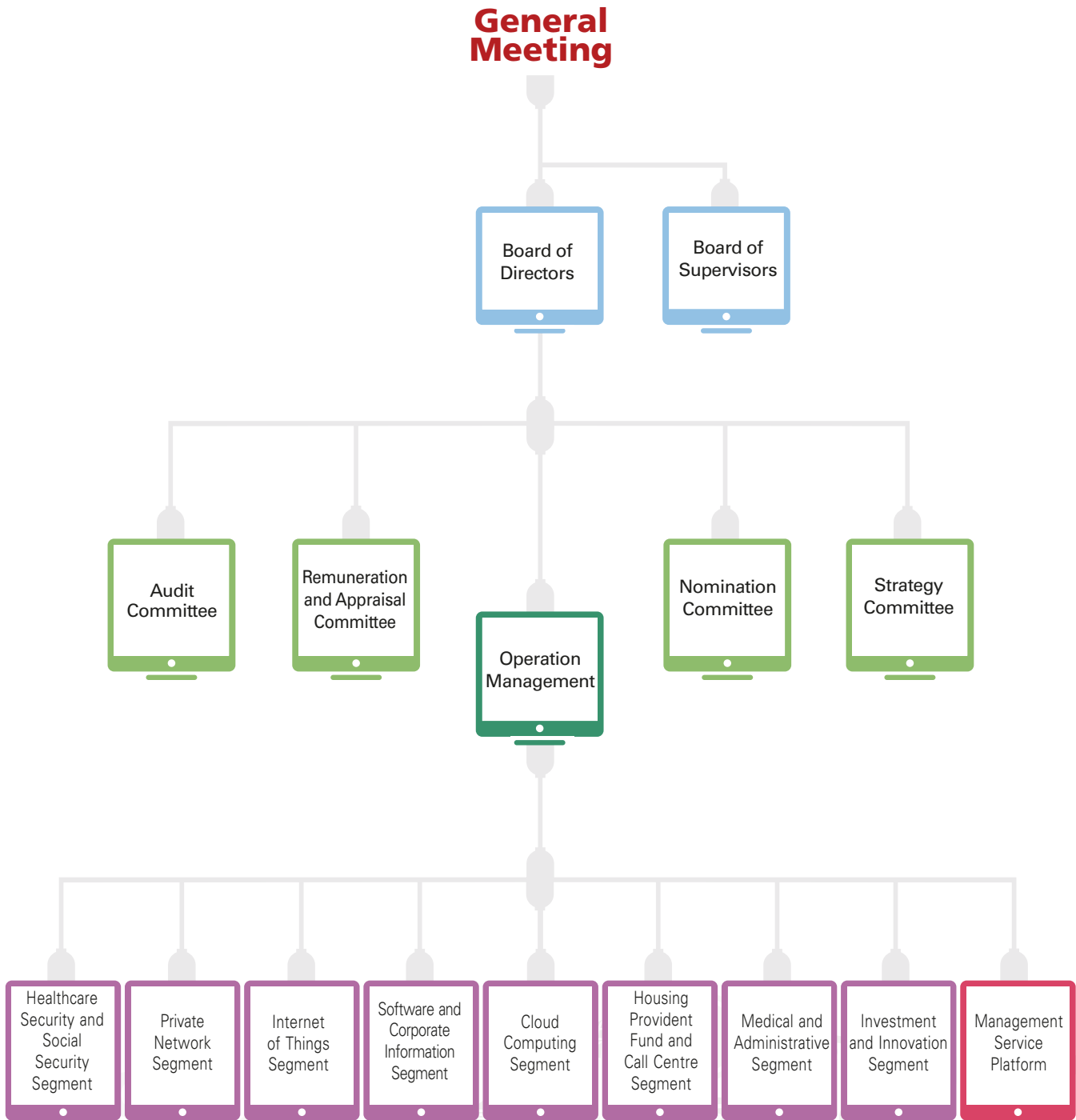
For more information of the Company

SHAREHOLDING STRUCTURE



Note*: The Company's shareholding in Rito Info Technology Co., Ltd. shall be 51% according to business registration.

CORPORATE STRUCTURE



EVENT HIGHLIGHTS



JANUARY

The Company participated in the activity of "High-end Dialogue of Intelligent Community"



FEBRUARY

The host of CAPINFO Cloud Platform passed the certification of the reliable cloud service



MARCH

The Company took part in the first session of "Start-up Businesses Fair" (創業廟會) held by small and medium enterprises in Beijing



APRIL

The Company provided WeChat registration service for Beijing hospital medical card holders, and successfully introduced the pilot programme at Millennium Monument Hospital



MAY

Become the social commonweal service practice base of China Sports Management Center for the Disabled (中國殘疾人體育運動管理中心)



JUNE

The Company entered into a strategic cooperation framework agreement with the China-Japan Friendship Hospital



JULY

Held activities of micro innovation Coffee Time in Zhongguancun Venture Street



SEPTEMBER

Held skill innovation contest for employees



OCTOBER

Held new media marketing sharing meeting in Droplets Theater












DECEMBER

Won a bid for a project of air quality forecast and warning in Beijing, making its technical service expand to the field of environmental protection



HONORS AND QUALIFICATIONS



-  42 system software obtained the computer software copyright and applied for a patent
-  The Company won the first prize of the thirteenth Beijing enterprise modernization innovation achievement
-  the Company won administrative cloud service award of the reliable cloud service for the year of 2014 to 2015
-  The Company won the ITSS Award for public service
-  the Company obtained the qualification certification of system integration
-  the Company won the category A qualification of operation and maintenance under the qualification of information system integration and service
-  The Company was included in the list of National New Working Foundation Standard Work Units
-  the Company was admitted as a service provider of the public service platform designed for small and medium enterprises in Beijing
-  The Company was named as the AAzc grade credit enterprise in Zhongguan Science and Technology Park

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the Board of Directors, I hereby present to you the 2015 annual report of Capinfo Company Limited. In 2015, operating results of the Group sustained growth and great achievements have been made in the business integration, market expansion, and internal management, laying a solid foundation for the further growth and development of the Company. During the reporting period, the Group recorded a turnover of RMB879.5 million, representing an increase of 16.21% as compared with the corresponding period of last year. Profit attributable to owners of the Company amounted to RMB101.5 million, representing an increase of 51.57% as compared with the corresponding period of last year.

Looking back to 2015, despite the complex and volatile market environment, through the joint efforts of the management and all employees, the Group overcame unfavorable factors of the government affairs informationization demand pattern adjustment and fierce market competition and achieved stable operation of core businesses through business integration, strengthening management, and strictly controlling costs; new business such as the Internet of Things, cloud computing, smart community, housing informationization and enterprise informationization witnessed rapid development; the operation and maintenance of the Group has been significantly improved and the leading market position in the smart city sector has been further consolidated. During the reporting period, the Group actively expanded the cloud services market, constantly improved the infrastructure and service capabilities, developed the industry application based on cloud service solutions, and promoted business model innovation. By leveraging on the long-term accumulated experience in brand image building in Beijing, the Group has successfully extended the smart city business to Beijing-Tianjin-Hebei region.



While actively expanding business, the Group conducted various management duties in an orderly manner. During the reporting period, the Group continuously adjusted and optimized its management mechanism, revised operating rules, and improved internal control and risk management capabilities. The Board of Directors and its professional committees also made great efforts to improve corporate governance and provide strong support and protection for the business development of the Group.

2015 is the last year of the "12th Five-Year" Strategic Plan. During the "12th Five-Year" Plan period, the Group seized the construction demand for infrastructure, public service system, and government affairs informationization in the process of smart city development, successively captured the construction opportunities of E-government network platform, the Internet of Things platform, medical insurance upgrading, Beijing hospital medical card, housing provident fund industry supervision and other major projects, built the business system and resources allocation with the Capinfo characteristics, enhanced the strategic advantage and competitive basis, and further consolidated the brand image of the Group as a smart city service provider, creating good conditions for the Group to grasp resources and capabilities in the future and subsequent market opportunities.

Looking forward to 2016, the Group will further reinforce the business base, strengthen efforts in customer base expansion, actively expand the national and industrialized market, and make innovations in business model and institutional mechanisms. We will continue to explore capital means to foster the business growth, constantly improve the Group's scale, efficiency and influence, and make sustained efforts for a new start of the "13th Five-Year" Plan.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the shareholders who give long-term support for the development of the Company, our dedicated staff who made contribution to our growth and people from various sectors who pay continuous attention to the development of the Company.

By order of the Board of Directors

Mr. Xu Zhe
Chairman

Beijing, the PRC
24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

In 2015, the macro economy's downward pressure on the domestic economy continued to increase, the speed up of adjustment to industrial structure, new trend of development forming the macro economy environment, the Group's business development faced with various difficulties and stringent challenges. Facing difficulties and challenges, the Group accelerated business development strategy with Smart City as the core, focusing on the layout of the Internet of Things, cloud computing, smart medical service, big data and other hotspots; optimized the organizational structure, strengthened management and improved the overall operational efficiency. During the reporting period, the Group recorded a revenue of RMB879.5 million, representing an increase of 16.21% as compared with the corresponding period of last year; and profit attributable to owners of the Company of RMB101.5 million, representing an increase of 51.57% as compared with the corresponding period of last year.



During the reporting period, the overall revenue and profit of the Company kept growing, but the profits of the core business declined. Because the domestic E-government market entered into a period of deep readjustment, government informatization require mode adjustment and the demand grew slowly; on the other hand, the Company increased investment in the Internet of Things, cloud computing, housing informatization and tobacco informatization and other core businesses, thus leading research and development and other related expenses increased significantly; at the same time, the medical information and other innovative business of the Company were still in the development and expansion period which would affect the short-term performance of the Company.



Smart City

In 2015, the Company focused on core business development, comprehensively strengthened and enhanced professional and systematic competitive ability of core business, constructed innovative and efficient marketing system, enhanced capability of market share expansion, deepened technological innovation and innovation of diversified business models, strengthened the management deployment and achieved stable development of business scale.

In respect of government information, the Company based on the basic business direction of smart government service and smart public safety, continued to consolidate and enhance the leading position of market in the field of government. During the reporting period, "Beijing-China website clusters" (www.beijing.gov.cn) won the first prize for the competition of government portal website for nine consecutive years. The Company continued to strengthen the construction of the bearing capacity of electronic government network and business operation of the Internet of Things of which the operation and maintenance the Company was responsible for, ensured the efficient and stable operation of the system of more than 8,000 government users of the E-government network; a total of 329 base stations were completed on the networking platform, IOT platform bore nearly 50 application projects including mobile video monitoring of bus counterterrorism, toxic and harmful gases monitoring, mobile office and emergency command, of which the successful bid of the Beijing ambient air quality monitoring and early warning forecast platform project marked the Company's formal entry into the field of environmental protection. At the same time, the Company strived to cultivate extended service and products with highly-added value, developed the 4G network terminal access products, which was widely used in bus anti-terrorism and other projects, the momentum in the overall sales was strong, effectively promoting the knowledge asset to drive business growth.

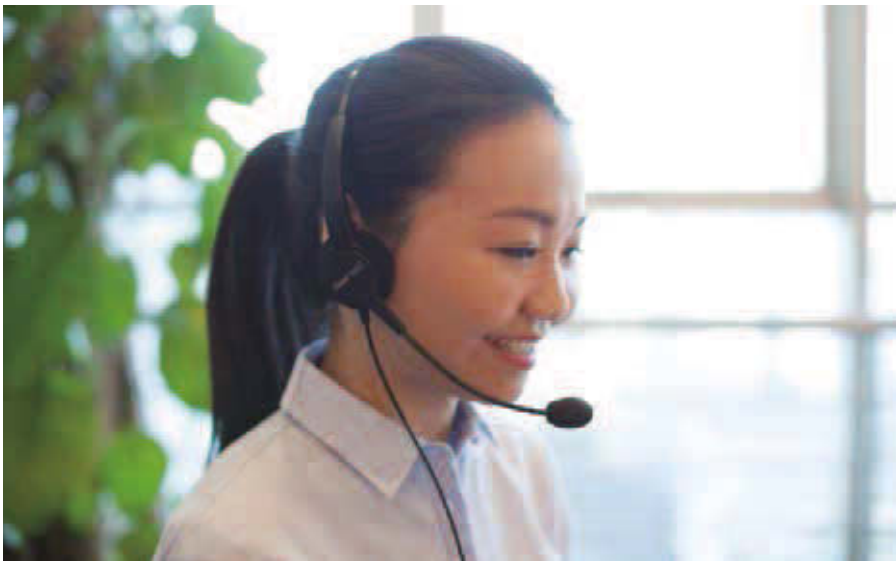
In respect of business development, during the reporting period the Company won the people's livelihood service platform project of Tianjin Municipal Public Security Bureau, the information infrastructure construction projects of Dongcheng District of Beijing, the operation and management of intelligent city of Yanqing of Beijing and many other government projects, the successful bid of these projects would help the Company drive landing of smart city project through the top-level design, so that the Company could accelerate the pace of the development towards the Beijing, Tianjin and Hebei metropolitan regional market based on consolidation and expansion of the shares of the existing market.



Smart Livelihood

In respect of social security, public health and others, the Company increased research and development (“R&D”) and continued to increase market share. During the reporting period, the medical insurance network platform of which the construction operation and maintenance the Company was responsible for was stably operated, the number of the cumulative service users of the medical insurance information system, the social security card application system was more than 14 million, a total of over 17 million Medicare cards were issued. The service “closure of personal account” project based on the medical insurance information system was fully started. During the reporting period, the electronic community information system of which the construction operation and maintenance the Company was responsible for ran smoothly, providing more than 200 community services including pension, marriage, housekeeping and others for more than 13 million community residents. Taking the “Smart Tuanjiehu Street” as an outstanding blueprint, the system successfully developed new customers in Longtan, Tianshui, Yichang and other places. At the same time, the Company seized the hotspot of national “E-government and information benefiting” and successfully created the personal credit platform that led the nation.

In respect of housing construction, the Company successfully signed with the project of information system upgrade of Beijing housing provident fund, and signed with Guangzhou Housing Estates Guarantee Corporation and banks nearly a dozen of key city housing information projects including guarantee fund supervision, provident fund loans, provident mutual loans and convenient client phone APP and WeChat public number and others, successfully completed the provident fund statistics project of the Ministry of Housing and Urban-Rural Development, and realized the sustainable development in the field of housing construction. At present, the housing construction solutions of the Company has achieved the domestic leading level with multilevel solution comprehensively covering from national ministries, provincial cities to prefecture level cities, counties and cities.



In respect of pension, following the construction project of the “96156” little helper pension (disabled) service platform, the Company successfully won bidding for the Beijing city pension (disabled) coupons variable card project, promoted pension services towards standardized, scientific, and informationized development. As of 31 December 2015, the project had provided services for more than 0.3 million elderly and disabled people in Beijing.

At the same time, the Company actively expanded the information construction project of Beijing pension industry platform, further expanding the Company’s business scope.

SMART MEDICAL SERVICE



Smart Medical Service

In respect of medical information, the Company accelerated the expansion of Smart Medical Service, based on doing a good job in providing upgrade and maintenance services for regular customer, constantly expanded the number of large hospitals and medical management institutions. During the reporting period, the Company followed the successful experience accumulated through the information construction project of Aiyuhua Hospital for Children and Women, won the bidding for the information construction projects with the Beijing China-Japan Friendship Hospital, Chaoyang Hospital and Intech Hospital, which laid a solid foundation for the Company to enter the medical information market. At the same time, the Company actively explored the transformation of the business model, taking the value-added services in the fields of medical insurance and medical information as the starting point, and actively promoted the sharing platform of electronic medical records and marketing of medical insurance server.



During the reporting period, “Beijing hospital medical card” project with the construction, operation and maintenance conducted by the Company achieved progress and the Company has successfully completed the social security card binding and WeChat payment functions of the “Beijing hospital medical card” system, successfully introduced the pilot programme at Millennium Monument Hospital in Beijing. As of 31 December 2015, nearly 30 departments in 23 third-level grade-A hospitals have been covered with over 4 million cards issued.





Enterprise informatization

In respect of enterprise informatization, the Company actively explored innovative business model and new profit growth points, constructed the “Capinfo Cloud Business” platform (www.capcb.cn), and provided information services regarding industry and commerce, financial tax, human resource, social security, and enterprise information SaaS service for small and medium sized enterprises in the brand of “Enterprise O2O Service Master”. In the aspect of enterprise financial information management, following continuous operation and maintenance of the financial system of Haier Group, Hisense Group, Tsingtao Brewery and other companies, Rito Info Technology Co., Ltd. (“Rito Info”), a wholly owned subsidiary of the Company, successfully expanded a number of new customers including Huainan Mineral Company, Qingdao Mesnac and others.

Cloud Services and Product R&D

The Company continuously explored demand growth point brought by cloud computing, big data to improve business planning and IT consultancy capacity, increased application of the industries based on cloud service solutions, promoted innovation of business modes and gradually developed toward specialization, pluralism and intelligence. As of 31 December 2015, the E-government Internet cloud platform (“CAPINFO Cloud Platform”) constructed by the Company for government has large storage size, available multi cloud structure, which could provide services such as cloud rent, PaaS and SaaS for government and enterprise customers. At the same time, the Company also provides comprehensive and private cloud solutions for these customers. At present, CAPINFO Cloud Platform accumulatively contains 40 clients from government and enterprise. CAPINFO Cloud Platform has passed the third security protection certification, and obtained the host certification of “Reliable Cloud” granted by Data Centre Alliance which is under the management of Ministry of Industry and Information Technology and received “Government Cloud Service Award”.

During the reporting period, Capcloud Platform won the bids for cloud leasing programs from the Supreme People’s Court, People’s High Court of Beijing, the Third Intermediate People’s Court of Beijing and others, making the Company’s scope of business successively expand to judicial field and forming the solution service system at national, provincial and municipal levels. In respect of the tobacco, the Company’s wholly-owned subsidiary, Rito Info actively strengthened coverage of good-quality customers while positively



expanding marketization projects, used cloud technology to successfully win the bidding in the China National Tobacco Corporation's financial management and control platform, Fujian Tobacco virtualization and other projects, which made the Company become a private cloud service provider of the tobacco industry for the first time, realizing the business extension of the Company from a Government Services Cloud platform service provider to private cloud service provider for enterprises.

Meanwhile, the Group increased R&D, and actively used Intellectual property right to protect the technological innovation results. During the reporting period, the Group had applied 1 patent, recorded 42 software copyrights. As of 31 December 2015, the Group had applied 10 patents, including 4 authorized patents, recorded 155 software copyrights, and registered 6 domestic brands. Obtaining these intellectual property rights strongly protected core technologies of the Group, and played important role in guaranteeing and promoting to maintain the Group's leading position in domestic market and creating own core competitiveness.

The Group Management and Control

During the reporting period, the Company strengthened the group management and controlled for the affiliated companies, standardized the parent and affiliated companies and improved the Group's overall profitability. Meanwhile, the Company continuously looked for appropriate merger objects. Except for investment and merger forms, the Company also considered promoting denotative expansion through internal incubation, business analysis or strategic cooperation and other methods. During the reporting period, the Company received proceeds of approximately US\$8.3 million (approximately RMB51.4 million) in cash and 2,771,484 shares of Series C-2 preferred stock of Mozido with a value of approximately RMB5.4 million through deemed disposal of PayEase shareholding.

During the reporting period, the Company accelerated to promote excellent operation management, strengthened internal resource integration, deepened business structure optimization and organization capacity building, adjusted the structure of allocation personnel, controlled personnel size, boosted project planning, budget and accounting management, improved fine management of expense, strictly controlled overall expense scale, strengthened overall quality management and operation management and improved overall operating efficiency.





Prospect

In 2016, the Group adapted to the new normal by its own initiative, deeply grasp the tendency of “Internet+” inclusion and reform of the age, fully use the Group’s existing resources and continuously create new advantages of industry competition in the new situation. The Group will actively cultivate new technologies, new products, new forms and new pattern, promote equity incentives, and promote expansion in the “13th Five-Year” plan period to facilitate healthy and sustainable development of the Company.

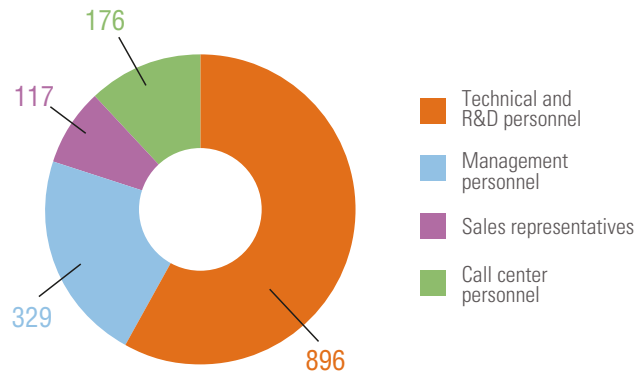
Human Resources

The Company pursues the strategy of using talents to strengthen enterprise, promote multi-level talent training plan, providing human resources guarantee for the Company’s business development. As of 31 December 2015, the Group had 1,518 employees (2014: 1,588 employees), including 896 technology and R&D employees (2014: 950 employees), 329 function management personnel at all levels (2014: 358 employees), 176 Call Center Representatives (2014: 194 employees), 117 sales staff (2014: 86 employees). Expense of the Group’s employees was RMB281.6 million (2014: RMB180.0 million). On one hand, the great rise in employees’ expense came from rising cost of human resources, and on the other hand, the Company accounted two months’ employees’ expense from acquisition of Rito Info in 2014 only.

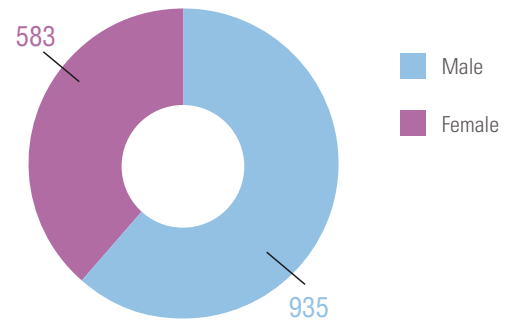
During the reporting period, the Company controlled its increase in personnel, increasing the internal vocational training, providing internal organization mobilization and promotion opportunities rationally used and reserved talents, improving the Company’s employment efficiency. Meanwhile, the Company continued to focus on cultivation of talents, and rely on Capinfo to provide 94 various professional skills and enterprise management training, with nearly 2,000 trained personnel, effectively improved their professional skills and business level. In 2016, the Company will not only continue to strengthen staff training, and also will further improve the compensation system, the construction of the incentive constraint mechanism and promotion channels to improve employees’ well-being and stimulate staff’s work enthusiasm and initiative, comprehensively promoting improvement of work performance.



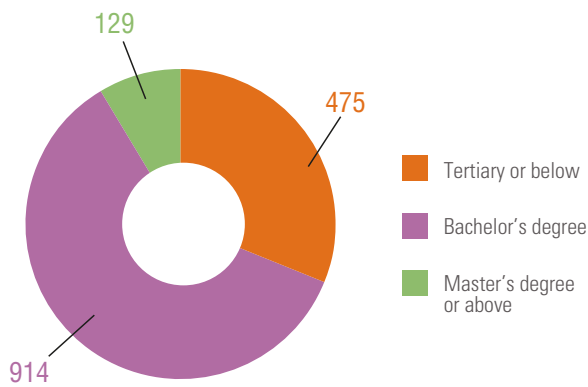
Statistical distribution chart of employees by functions



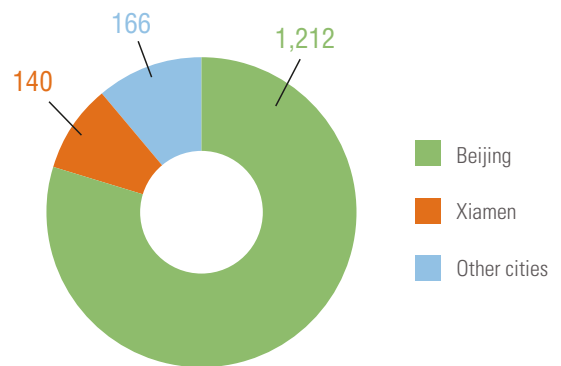
Statistical distribution chart by sex



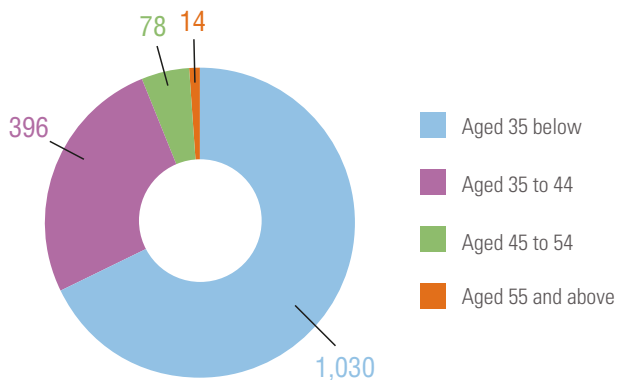
Statistical distribution chart by education



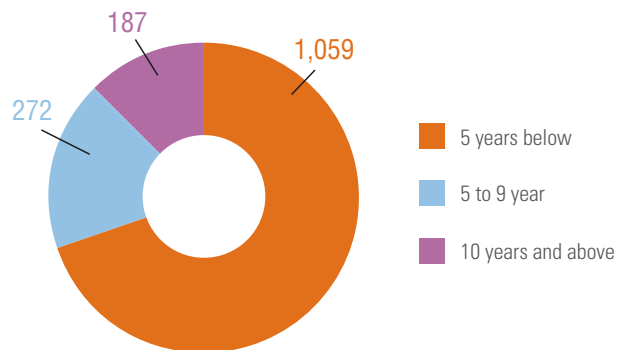
Statistical distribution chart by geographical areas



Statistical distribution chart by age



Statistical distribution chart by service years



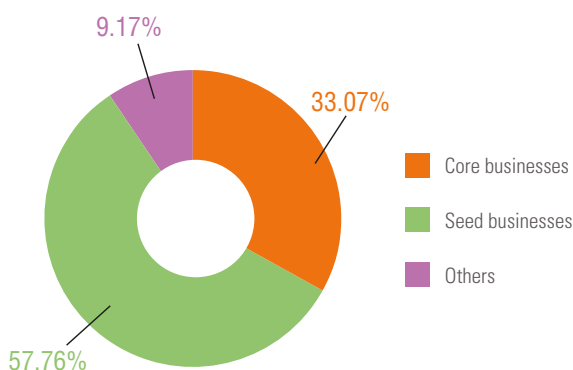
FINANCIAL REVIEW

In 2015, the Group's overall business moved forward on a steady pace. Although the core business was declined by the influence of the government's saving informatization expense, the market business expansion had remarkable achievements. The Group increased the investment in Internet of Things, cloud computing, housing informatization and tobacco informatization and other hotspot fields and R&D of key businesses, laying a solid foundation for sustainable development of the "13th Five-Year" plan period. For the year ended 31 December 2015, the Group recorded revenue of RMB879.5 million, representing an increase of 16.21% as compared with the same period of last year. The Group recorded a gross profit of RMB260.7 million, representing an increase of 10.91% as compared with the same period of last year, and profit attributable to owners of the Company of RMB101.5 million, representing an increase of 51.57% as compared with the same period of last year; net profit after deducting non-recurring items was RMB55.0 million, representing a decrease of 16.52% as compared with the same period of last year.

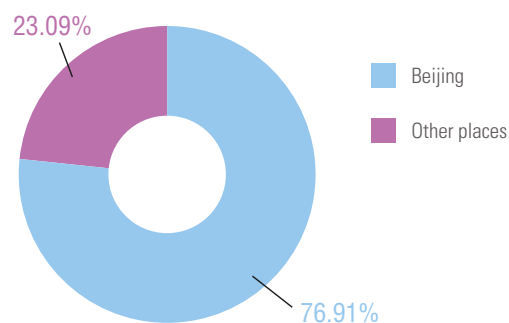
As of 31 December 2015, the core business of the Group accumulated revenue of RMB290.8 million, representing a decrease of 13.71% as compared with the corresponding period of last year, accounting for 33.07% (2014: 44.54%) of the total revenue of the Group; costs of core business was RMB242.9 million, representing an increase of 0.92% as compared with the corresponding period of last year, accounting for 39.25% (2014: 46.13%) of the total costs of the Group. The core businesses of the Group mainly include projects for smart city businesses constructed on the basis of the E-Governance network and the Internet of Things platform established and operated, the smart livelihood businesses such as the Beijing Medical Insurance Information System and the Beijing Social Security Card System as well as the Beijing-China website clusters and community service information system. Core business revenue decline was mainly due to decline in informatization investment resulting from mode adjustment required by government informatization.

As of 31 December 2015, the new business which was a derivative from the core businesses made rapid progress in market expansion, and recorded a revenue of RMB508.0 million, representing an increase of 37.21% over the corresponding period of last year, accounting for 57.76% (2014: 48.92%) of the total revenue of the Group; costs incurred by the new business was RMB340.3 million, representing an increase of 32.77% over the corresponding period of last year, accounting for 54.99% (2014: 49.12%) of the total costs of the Group. New businesses of the Group mainly include E-Governance service, public security,

Composition of income



Geographical distribution of source of income





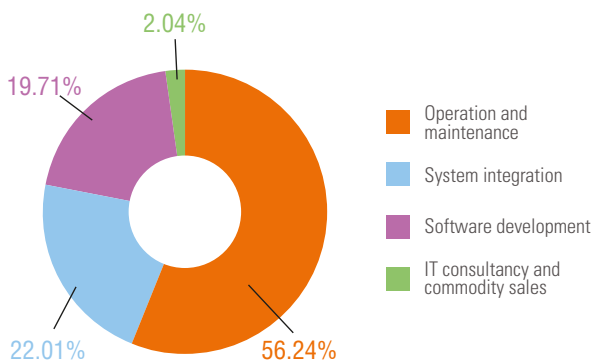
house information business, medical information business, enterprise informatization business, Capinfo cloud platform, etc. Substantial growth in new business revenue was mainly due to revenue generated from value-added services E-Governance, medical insurance and community services.

Other main operating revenue of the Group amounted to RMB80.7 million, representing an increase of 62.82% over the corresponding period of last year, accounting for 9.17% of the total revenue of the Group (2014: 6.54%); costs of other main operating businesses was RMB35.6 million, representing an increase of 43.68% over the corresponding period of last year, accounting for 5.76% of the total costs of the Group (2014: 4.75%), mainly derived from contribution from Rito Info and Beijing Capinfo Hangyuan Technology Co., Ltd.

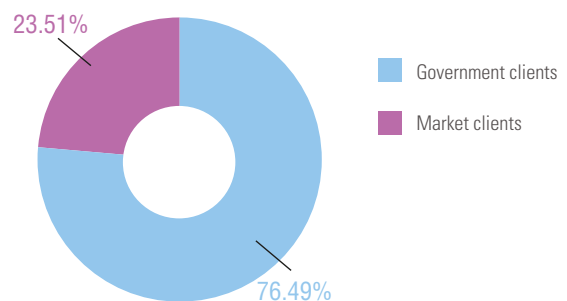
Other income of the Company amounted to RMB31.4 million, representing an increase of 3.10% over the corresponding period of last year, mainly due to income from project research and development and property rent, where income from project research and development was RMB14.1 million, representing an increase of 27.92% over the corresponding period of last year. Digital Beijing Building rental income was RMB11.7 million, representing a decrease of 2.38% over the corresponding period of last year.

Other gains and losses of the Company amounted to RMB48.9 million, representing an increase of 4,306.76% over the corresponding period of last year, mainly due to gains on the disposal of equity interest in PayEase Corp.. During the reporting period, proceeds from the deemed disposal of the equity interest in PayEase Corp. were US\$8.3 million in cash (equivalent to approximately RMB51.4 million) and 2,771,484 shares of Series C-2 preferred stock of Mozido with a value of approximately RMB5.4 million through deemed disposal of PayEase shareholding. Gains on investment in trust financial products were RMB4.4 million, representing an increase of 474.67% over the corresponding period of last year. Asset impairment losses amounted to RMB9.4 million, representing an increase of provision by RMB4.8 million over the corresponding period of last year; changes in fair value of contingent consideration payable amounted to RMB6.5 million, representing an increase of RMB4.3 million over the corresponding period of last year.

Business model



Customer distribution



In respect to the Group's business model, the main businesses were divided into operation and maintenance, system integration, software development, IT consultancy and sale of goods. Of which, revenue from operation and maintenance amounted to RMB494.6 million, representing an increase of 18.18% as compared with the corresponding period of last year and accounting for 56.24% (2014: 55.30%) of the total revenue of the Group; revenue from system integration amounted to RMB193.6 million, representing an increase of 27.37% as compared with the corresponding period of last year and accounting for 22.01% (2014: 20.08%) of the total revenue of the Group; revenue from software development amounted to RMB173.3 million, representing a decrease of 3.69% as compared with the corresponding period of last year and accounting for 19.71% (2014: 23.78%) of the total revenue of the Group; revenue from IT consultancy and sale of goods totaled RMB18.0 million, representing an increase of 182.29% as compared with the corresponding period of last year and accounting for 2.04% (2014: 0.84%) of the total revenue of the Group. In addition, in respect of industries which clients are engaged in, government clients of the Group accounted for the largest share, with 76.49% (2014: 90.63%) of revenue from the service and operation projects of the Group from government clients. In respect of regions of business expansion, our business coverage has expanded from Beijing to 94 cities across the country, such as Shanghai, Guangzhou. However, the revenue of the Group was still derived mainly from Beijing, which accounted for 76.91% (2014: 85.48%) of the total revenue.

Capital Expenditure, Liquidity and Financial Resources

As of 31 December 2015, the Group had total assets of RMB1,629.2 million, representing an increase of 7.87% as compared with the corresponding period of last year. Equity attributable to owners of the Company amounted to RMB916.9 million, representing an increase of 8.37% as compared with the corresponding period of last year. The Group's current ratio, defined as total current assets over total current liabilities, maintained at a relatively reasonable level of over 1.5 times while the net gearing ratio, defined as total borrowings over net assets, stayed at a relatively low level of less than 3%. Both ratios reflected the sufficiency in financial resources of the Group. For the year ended 31 December 2015, the Group had no pledged assets.

The Group's unsecured loan from government of RMB1.8 million was applied for construction of E-commercial platform from Beijing Finance Bureau in 2002, bearing an average annualized interest rate of 3.35%. The short-term borrowings applied from China Merchants Bank was RMB20.0 million, bearing an average annualized interest rate of 5.60%, which had been fully paid at the end of the year. Bank deposits, bank balance and cash of the Group amounted to RMB579.5 million, representing an increase of 22.60% over the corresponding period of last year. The fund was mainly used for investment in large projects of the Company.

Equity Investments

In 2015, the Group's share of results of associates was RMB16.3 million, representing an increase of 11.41% over the corresponding period of last year, which was mainly due to the contribution from Beijing Certificate Authority Co., Ltd. ("BJCA"). At present, the listing process of this company is undergoing in an orderly manner.



Due to the change of accounting policy of BJCA in 2015, the Group restated the 2014 financial information, in which the profit attributable to owners of the Company adjusted to RMB67.0 million from RMB70.4 million, basic earnings per share adjusted to RMB2.31 cents from RMB2.43 cents, total assets adjusted to RMB1,510.4 million from RMB1,528.8 million, and the share of results of associates adjusted to RMB14.6 million from RMB18.0 million. The comparative data used in financial review representing the restated 2014 financial information.

Income Tax

In view of key software enterprises selection under the 2015 national planning having not started so far, enterprise income tax of the Company for 2015 was imposed at a rate of 15%. In 2015, the income tax expense of the Group was RMB0.4 million, representing a decrease of 97.38% as compared with the same period of last year, mainly due to an increase in income tax credit of deferred tax assets and the decrease of income tax expense as enterprise tax rate was adjusted from 10% in the previous year to 15%.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Xu Zhe



CHAIRMAN

Lu Lei (*vice president and secretary
of the Board*)



EXECUTIVE
DIRECTOR

Feng Haocheng



NON-EXECUTIVE
DIRECTORS

Cao Jun



CHAIRMAN

Mr. Xu Zhe, aged 46, was appointed as Non-executive Director since January 2016 and was elected as the Chairman. 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 was appointed as non-executive director of the Company during the period from July 2003 to June 2009. He was chairman of the Company during the period from May 2011 to June 2014 and had a deep understanding about the business and operations of the Company. Mr. Xu is currently the vice-president and director of Beijing State-owned Assets Management Co., Ltd., the controlling shareholder and sponsor shareholder of the Company, and president of Beijing Certificate Authority Co., Ltd. and Beijing Ke Qiao Investment Co., Ltd. (北京科橋投資股份有限公司). 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.

Currently, the Company is actively looking for qualified president. Before new president assuming the office, Mr. Xu is responsible for the comprehensive operation and management of the Company.



NON-EXECUTIVE DIRECTORS

Zhou Weihua



Shan Yuhu



An Lili



INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhou Liye



Gong Zhiqiang



Cheung, Wai Hung Boswell



Li He



EXECUTIVE DIRECTOR

Mr. Lu Lei (vice president and secretary of the Board), aged 36, was appointed as non-executive Director since June 2012 and re-designated to executive Director in June 2015. Mr. Lu joined the Company in June 2014 and is currently vice president, the secretary of the Board, general counsel, authorized representative, and a member of the Strategy Committee. He is responsible for equity management, capital management, information disclosure, maintaining investor's relationship, legal affairs and other related works. Mr. Lu received a bachelor degree in mathematics and applied mathematics from Fudan University in 2003. Before joining the Company, he worked as planning manager of Beida Jade Bird Huayu International Information Technology Training Centre, project manager of Beijing Dayue Consulting Co., Ltd. and senior project manager of technology and modern manufacturing industry investment division of Beijing state-owned Assets Management Co., Ltd, the controlling shareholder and sponsor shareholder of the Company.

NON-EXECUTIVE DIRECTORS

Dr. Feng Haocheng, aged 30, was appointed as non-executive Director since January 2016. Dr. Feng is currently a senior project manager of the technology and modern manufacturing industry investment division of Beijing State-owned Assets Management Co., Ltd. the controlling shareholder and sponsor shareholder of the Company. He worked for China Aerospace Investment Holdings Ltd.. Dr. Feng graduated from Beihang University and majored in freight vehicle design with a doctorate degree in 2012.

Mr. Cao Jun, aged 45, was appointed as non-executive Director since January 2016, and served as non-executive Director during January 2009 to December 2011. Mr. Cao is currently the deputy director of the business management department of Beijing Radio and Television. He worked for the Beijing City Business School, Beijing Municipal Bureau of Media Network, Beijing BAMC Entertainment Group, Beijing Media Network and “Support Tibet Command in Beijing” (北京援藏指揮部). Mr. Cao graduated from University of Political Science & Law in 1992 with a bachelor degree in laws.

Mr. Zhou Weihua, aged 54, a professional senior engineer, was appointed as non-executive Director since June 2015. He is currently the chairman and general manager of Beijing Sino-Sky Radio TV & Communication Technology Co. Ltd., the sponsor shareholder of the Company and had served as the director and deputy chief engineer of the Research Department in Aerial Design of the Radio, Film & TV Design and Research Institute and engaged in development, design and management of antenna of radio and television communications for many years. He graduated from Peking University Guanghua School of Management in July 2005 where he received a management master’s degree.

Mr. Shan Yuhu, aged 54, senior accountant, was appointed as non-executive Director since June 2015. He is currently the general manager and director of Beijing Telecom Investment Co., Ltd., the sponsor shareholder of the Company and had served as the head of Financial Department of the Beijing Telegraph Bureau (北京電報局財務科), head of the Financial Department of the Beijing Long Distance Telephone Bureau (北京長途電話局財務處), the chief accountant of Beijing Suburban Telecommunication Bureau (北京市郊區電信局) and deputy general manager of the Financial Department of China Unicom, Beijing branch. Mr. Shan graduated from China Agricultural University with a bachelor degree in accounting in 2006.

Ms. An Lili, aged 56, was appointed as non-executive Director since June 2015. She is currently the director of China Financial Computerisation Corporation and has been a teacher of the Faculty of Trading at Renmin University of China, the head and deputy inspector of the Statistics and Analysis Department of The People’s Bank of China (中國人民銀行調查統計司). Ms. An graduated from the Chinese Academy of Social Sciences with a master degree in money and banking in 1998.



INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhou Liye, aged 53, senior accountant and a registered accountant, was appointed as independent non-executive Director since June 2012 and is also the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee of the Company. Ms. Zhou is currently a senior partner of Ruihua Certified Public Accountants, and holds concurrent positions as independent director of Shenzhen Edifier Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange and independent director of Huadian Energy Corporation Limited, a company listed on the Shanghai 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 degree in financial management from Hunan College of Finance and Economics in 2000.

Mr. Gong Zhiqiang, aged 44, was appointed as independent non-executive Director since June 2009 and is also the chairman of the Remuneration and Appraisal Committee of the Company and a member of the Audit Committee and Nomination Committee. Mr. Gong is currently a managing partner of Beijing S&P Law Firm and independent director of Beijing Municipal Road and Bridge Group Co., Ltd. (北京市政路橋集團有限公司). 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.

Mr. Cheung, Wai Hung Boswell, aged 46, a non-practicing member of the HKICPA and a Chartered Marketer of the Chartered Institute of Marketing in the United Kingdom. Mr. Cheung was appointed as the independent non-executive director in June 2015, and is member of the Audit Committee and Nomination Committee. Mr. Cheung is currently the Chief Financial Officer of Far East Consortium International Limited (a company listed on the Hong Kong Stock Exchange) and an audit committee member of Agora Hospitality Group Co., Ltd. (a company listed on the Tokyo Stock Exchange). Mr. Cheung once served as the chief operating officer and company secretary of Integrated Waste Solutions Group Holdings Limited (formally known as Fook Woo Group Holdings Limited) (a company listed on the Hong Kong Stock Exchange), senior advisor of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Hong Kong Stock Exchange), an executive director and a non-executive director of Dejin Resources Group Company Limited (formally named as Bright International Group Limited, a company listed on the Hong Kong Stock Exchange), and also held audit posts in Deloitte Touche Tohmatsu and Ernst & Young. Mr. Cheung graduated from the University of Leicester, UK with an MBA degree in 1995, and obtained a master's degree in professional accounting from the Southern Cross University, Australia in 2007.

Mr. Li He, aged 43, approved by the Board to act as independent non-executive director, members of the Audit Committee and the Strategy Committee of the Company in March 2016 (which is subject to the approval of the AGM in May 2016). Mr. Li is currently the deputy general manager of Synopsys, Inc. (China region). He was once an officer of CAD centre in Beijing Institute of Control Engineering. Mr. Li graduated from Tsinghua University and obtained a bachelor's degree in Precision Instrument and Mechanism in 1996, and graduated from China Academy of Space Technology and obtained a master's degree in Computer Application in 1999.

SUPERVISORS

Di Guojun



Liang Xianjun



Lang Jianjun



Wu Weidong



Yu Donghui



Wu Bo



Gong Chengliang



SENIOR
MANAGEMENT

THE HEAD OF SUPERVISORS

Mr. Di Guojun, aged 54, was appointed as supervisor representing Shareholders since June 2012 and was elected as Chairman to the Board of Supervisors. Mr. Di is currently the chief financial controller and general manager of the Operation Planning and Finance Department of BSAM, the controlling shareholder and sponsor shareholder of the Company. 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 BSAM. Mr. Di graduated from Northwest University in 1968 where he received a bachelor degree in tourism economics.



SUPERVISORS

Mr. Liang Xianjun, aged 39, was appointed as Supervisor representing Shareholders since June 2014. Mr. Liang is currently the general manager of the audit division of BSAM, the controlling shareholder and sponsor shareholder of the Company. Mr. Liang previously served as the accountant of Beijing Automotive Research Institute, the financial executive of the capital of finance division of China Oceanwide Holdings Co., Ltd. (中國泛海建設控股股份有限公司) and deputy general manager of Beijing Artists Management Corp., Ltd. He has gained extensive experience in financial management. Mr. Liang graduated from the Accounting Department of Beijing Jiaotong University in 2001 and obtained bachelor degree.

Mr. Lang Jianjun, aged 46, acted as supervisor elected by staff representatives in June 2015 and is currently the manager of the medical insurance business department of the network technology service center of the Company. Prior to joining the Company, Mr. Lang had served for Electronic Technology Intelligence Institution of the Ministry of Information Industry (信息產業部電子科技情報所). Mr. Lang graduated from Xidian University with a master degree in Computer Organisation and Architecture in 1995.

SENIOR MANAGEMENT

Ms. Wu Weidong, aged 47, joined the Company in March 2013. She is currently the Vice-President of the Company and also the deputy secretary of the Party Committee and the secretary of discipline commission and chairman of the labour union, mainly responsible for administration, human resource, career development and training, internal audit, the Party, and supervision of the discipline commission and labour union. Ms. Wu obtained a bachelor degree from Renmin University of China in society in 1991. Before joining the Company, Ms. Wu has been worked as human resources supervisor of the policy law office of Beijing Municipal Bureau of Personnel, minister of the Committee of Party Office of Huali Economy and Culture Development Company Limited (華理經濟文化發展公司) and the general manager of the human resource department of Beijing Science and Technology Park Construction (Group) Co. Ltd..

Mr. Yu Donghui, aged 43, joined the Company in June 1999, is currently the Vice-President of the Company, mainly responsible for medical insurance information, social security card application, E-Government Network and equity investment, planning budget and project management 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 59, joined the Company in August 2000, is currently the Vice-President of the Company, mainly responsible for the general management of Capinfo Institute. 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 Chairman of Beijing Taigu'er Mechanical and Electrical Technology Co., Ltd and the general manager of Beijing Credit Management Company Limited.

Mr. Gong Chengliang, aged 44, joined the Company in April 1999, is currently the vice-president of the Company and also the chairman of Rito Info Technology Co., Ltd., being the controlling subsidiary of the Company, mainly responsible for the co-ordination and management of product research and development, cloud service, housing information, E-community business, IT consulting and Government portal website, 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 and technical director of the technical support center.



The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2015.

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 Group 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.

BUSINESS REVIEW

A discussion on the business development and prospect of the Group during the Year are provided in the "Chairman's Statement" on pages 12 to 13 and "Management Discussion and Analysis" on pages 14 to 27 of this annual report respectively. A description of the major risks factors and uncertainties that the Group may be facing and the financial risk management objectives and policies are provided in note 5 and in note 35 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided on page 3 of "Financial Highlights" of this annual report. In addition, compliance with relevant laws and regulations which have a significant impact on the Group and the relationships with its stakeholders are contained on pages 51 to 79 of "Corporate Governance Report" and pages 80 to 92 of "Investors Relations" of this annual report respectively.

RESULTS AND DIVIDEND APPROPRIATION

The results of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 95 of this annual report.

The Directors do not recommend the payment of any interim dividend (2014: Nil).

The Directors recommend the payment of a final dividend of RMB1.57 cents (2014: RMB1.06 cents) per share totalling RMB45.5 million in respect of year ended 31 December 2015 (2014: RMB30.7 million).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 32 to the consolidated financial statements on page 151 of this annual report.

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2015 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 reporting period are set out in note 15 to the consolidated financial statements on page 136 of this annual report.

INVESTMENT PROPERTY

The investment property owned by the Company is situated at No. 12 Beichen West Road, Chaoyang District, Beijing, which is the office property on the fifth and sixth floor of Block A of Digital Beijing Building, with a gross floor area of approximately 5,386 sqm. The property is currently leased out. Pursuant to the committed tenancy agreement, for the period from 20 December 2015 to 19 April 2017, the leased area will amount to 5,386 sqm, and it will amount to 2,693 sqm from 20 April 2017 to 19 April 2020. Details of the movements of the investment property of the Company during the reporting period are set out in note 16 to the consolidated financial statements on page 137 of this annual report.

SHARE OPTIONS

The Share Option Scheme adopted by the Company lapsed on 17 August 2014. Up to the date of this report, no new share option scheme is implemented by the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company and its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

MEMBERS OF THE BOARD

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

Executive Directors

Mr. Lu Lei (*Vice President and secretary of the Board, re-designated from non-executive director to executive director on 19 June 2015*)

Dr. Wang Xu (*Chairman, resigned on 12 January 2016*)



Non-executive Directors

Mr. Xu Zhe (*Chairman, appointed on 12 January 2016*)
Dr. Feng Haocheng (*appointed on 12 January 2016*)
Mr. Cao Jun (*appointed on 12 January 2016*)
Mr. Zhou Weihua (*appointed on 19 June 2015*)
Mr. Shan Yuhu (*appointed on 19 June 2015*)
Ms. An Lili (*appointed on 19 June 2015*)
Mr. Pan Jiaren (*retired on 19 June 2015*)
Ms. Hu Sha (*retired on 19 June 2015*)
Mr. Wang Zhuo (*retired on 19 June 2015*)
Mr. Wu Shengjiao (*resigned on 12 January 2016*)
Mr. Shi Hongyin (*resigned on 12 January 2016*)

Independent Non-executive Directors

Ms. Zhou Liye
Mr. Gong Zhiqiang
Mr. Cheung, Wai Hung Boswell (*appointed on 19 June 2015*)
Mr. Chen Jing (*retired on 19 June 2015*)
Mr. Zeng Xianggao (*retired on 19 June 2015*)
Dr. Jiao Jie (*appointed on 19 June 2015 and resigned on 18 March 2016*)
Mr. Li He (*the appointment has been approved by the Board on 18 March 2016, but subject to the approval at the annual general meeting to be held on 27 May 2016*)

The Company has received from each of independent non-executive directors of their annual confirmation in relation to their independence in accordance with Rule 3.13 of the Listing Rules, and considered that each of them is independent.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As of 31 December 2015, 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 in Appendix 10 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed, no transactions, arrangements or contracts of significance to which the Company and its parent company, its subsidiaries, or fellow subsidiaries was a party or were parties and in which a Director or supervisor or any entities connected with him/her had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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.

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 2015:

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%

MAJOR SUPPLIERS AND CUSTOMERS

During the reporting period, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases. The aggregate turnover attributable to the Group's five largest customers accounted for approximately 40.81% of the Group's total turnover, among which, the largest customer attributed approximately 21.70% of the Group's total turnover.

None of the Directors, their close 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 suppliers or five largest customers.

COMPETING INTERESTS

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



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.

PERMITTED INDEMNITY PROVISION

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company.

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 Board Secretary and the Company Secretary, the Board's office of the Company is responsible for daily reporting and reviewing of connected transactions. Continuing connected transactions occurred during the reporting period are set out as follows:

Unit: RMB million

No.	Description of transactions	Counterparty	Type	Annual Cap	Transaction amount for the year
1	Provision of network system operation and relevant operation and maintenance services	Capnet Company Limited	Income	12.9	12.2
2	Purchase of hardware	Capnet Company Limited	Expenses	25.0	3.9
3	Purchase of network security system and services	Beijing Certificate Authority Co., Ltd.	Expenses	6.9	2.8
4	Lease of office premises	Beijing IC Design Park Co., Ltd.	Expenses	12.6	10.7

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

(I) Continuing Connected Transactions between Capinfo Technology and Capnet

On 18 January 2013, with the approval at the 8th meeting of the fifth session of the Board of the Company, Capinfo Technology Development Co., Ltd. ("Capinfo Technology") renewed the Network System Services Agreement with Capnet Company Limited ("Capnet"), 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 year of 2013 to 2015 was 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 register, 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 directors who are employees of BSAM, a related party had abstained from voting on the resolution.

(II) Continuing Connected Transactions between the Company and Capnet

With the approval at the 30th meeting of the fifth session of the Board of the Company, the Company entered into a Network System Service Agreement with Capnet as at 15 October 2014, to provide internet equipment leasing and system maintenance service to Capnet, with an agreed term expire on 15 October 2015, the transaction caps approved by the Board for the year 2014 and 2015 was RMB4.4 million and RMB6.6 million, respectively. The transaction was exempt from the approval of independent shareholders, the Company has complied with the reporting and announcement requirements under the Listing Rules, and the announcement was published on the websites of the Stock Exchange and the Company.

Connected relationship: Capnet is a subsidiary with 95% of equity interests controlled by BSAM, the controlling shareholder of the Company.

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 register, virtual space, web design and emails etc. In order to ensure the stability of the system, Capnet leased our internet equipment and engaged the Company to 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 Director Wu Shengjiao (being employees of BSAM, a related party) had abstained from voting on the resolution.

(III) Consolidation

According to relevant regulations under the Listing Rules, transactions between the Company and Capinfo Technology and Capnet shall be calculated on a consolidation basis. As approved at the 30th meeting of the fifth session of the Board held by the Company on 15 October 2014, the transaction caps for 2014 and 2015 after consolidation respectively should be RMB10.7 million and RMB12.9 million.

2. Continuing connected transaction for hardware purchase

On 18 January 2013, with the approval at the 8th meeting of the fifth session of the Board 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 from 2013 to 2015 was 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 fifth session of the Board 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 from 2013 to 2015 respectively was increased to RMB10.0 million, RMB25.0 million and RMB25.0 million 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, the Directors who are 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

As approved at the 23rd meeting of the fifth session of the Board of the Company, the Company and Beijing Certificate Authority Co., Ltd. ("BJCA") entered into the Technical Service Framework Agreement on 27 February 2014 to re-engage BJCA to assist in developing network security system and products and to provide related technical services with a term expire on 31 December 2016. The Board of Directors approved that each annual caps for the year from 2014 to 2016 was RMB6.3 million, RMB6.9 million and RMB7.6 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: The Company and its controlling shareholder BSAM held approximately 34.98% and 36.66% interests in BJCA, 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 Directors who are 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 fourth session of the Board, the Company and Beijing IC Design Park Co., Ltd. ("BIDP") renewed the Office Lease Agreement on 30 March 2012, with a term expire on 31 March 2015 and an aggregate floor area of approximately 2,940 square meters for room 1201-1214 and room 1501-1508 leased at an annual rent of approximately RMB4.8 million.

At the same year, with the approval at the 34th meeting of the fourth session of the Board of the Company, the Company and BIDP entered into the Office Lease Expanding Agreement on 8 May 2012, to lease another approximately 1,293 square meters for room 1009-1014 and room 106 at an annual rent and air-conditioners service charge of approximately RMB2.7 million.

After this, with the approval at the 16th meeting of the fifth session of the Board, the Company and BIDP entered into the Office Lease Expanding Agreement on 1 August 2013 to lease another 980 square meters for room 709-714 at an annual rent and air-conditioners service charge of approximately RMB2.2 million for a term until 31 March 2015.



With the approval at the 37th meeting of the fifth session of the Board, the Company and BIDP entered into two Office Lease Agreements on 22 April 2015, one of which is for leasing room 106, 709-714, 1201-1214, 1501-1508 with an aggregate floor area of approximately 4,230 square meters at an annual rent and air-conditioners service charge of approximately RMB9.6 million for a term until 31 March 2018 and the another agreement is for leasing room 1009-1014 with an aggregate floor area of approximately 983 square meters at an annual rent of approximately RMB2.2 million for a term until 31 March 2016.

Pursuant to which, the Company leases a floor area of approximately 5,213 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, RMB4.0 million and RMB8.6 million for the year of 2013 and 2014, the first quarter of 2015 and the remaining three quarters of 2015, respectively. 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 with convenient transportation, high quality of building and reasonable rent level.

Voting: None of the Directors (including the Independent Non-executive Directors) had any material interest in the above transactions. Moreover, the Directors were of the view that the 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 Auditor's Conclusion on the Continuing Connected Transactions Exempt from Independent Shareholders' Approval

The auditor of the Company has carried out procedures on the continuing connected transactions for the year. The independent auditor is of the conclusion that these transactions:

1. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that transactions were not, in all material respects, in accordance with the pricing policies of the Group.
3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions.
4. with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

CORPORATE GOVERNANCE

The corporate governance policies and practices of the Company are set out in "Corporate Governance Report" on page 51 of this annual report.

By Order of the Board

Mr. Xu Zhe

Chairman

Beijing, the PRC

24 March 2016

INDEPENDENT NON-EXECUTIVE DIRECTORS' REPORT



TO THE BOARD OF THE COMPANY,

As independent non-executive Directors ("IND") of the Company, we have been performing our duties earnestly and diligently in the interests of the Company and all shareholders in 2015. We independently and diligently performed our duties, actively participated in the operation decision making and provided suggestions and strategies strictly in accordance with the relevant laws and regulations and the Articles of Independent Non-Executive Director. We maintained close communication with the management of the Company, and had a better understanding of the operation of the Company to effectively promote the standardized operation of the Company.

Details of the performance of IND in 2015 are set out below, which will be presented to the shareholders at the Company's annual general meeting.

I. GENERAL INFORMATION ON IND

As of 31 December 2015, the Company has four INDs, which is in line with the minimum number required under the Listing Rules. Our INDs are respectively equipped with finance, laws, informatization professional background. We have the basic knowledge in respect of the operations of listed companies and possess the necessary working experience and qualification for discharging their duties as IND.

II. DUTY OF THE IND FOR THE YEAR

(I) Information on Attendance of the General Meetings and the Board Meetings

During the reporting period, we attended the successive general meetings and Board meetings in person or by proxy and did not present any objection to the resolutions proposed on such meetings. On the general meetings, we listened closely to opinions and advices raised by the shareholders and focus on matters they cared about when performing duties. On the Board meetings, we carefully considered each resolution, actively discussed relevant matters, made our independent decisions, and provided professional opinions on significant decisions, to comprehensively protect the legal interest of the Company and all shareholders.

(II) Operation of the Committees under the Board

The four specialized committees under the Board, namely Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, regularly or irregularly convened meetings in accordance with their respective Articles during the reporting period, and conducted special discussion or research on resolutions regarding to significant matters before proposal to the Board for consideration, which effectively improved the work efficiency of the Board and further promoted the standardized operation of the Company.

III. CRITICAL MATTERS IN PERFORMING THE DUTY BY IND FOR THE YEAR

(I) Connected Transaction and Information Disclosure

During the reporting period, the Company seriously performed its information disclosure obligation by a timely, legal, true and completed way according to the Information Disclosure Management System and the Management System of Inside Information and Insiders. Meanwhile, the Company carried out its connected transaction works within applicable legal and regulatory requirements. When the resolutions involve connected transactions, connected directors and connected shareholders had abstained from voting in relevant Board meetings or general meetings, and the IND also presented statements and independent opinions, which completely eradicated the possibility of interest transfer by controlling shareholders.

(II) External Guarantees and Appropriation of Funds

During the reporting period, there was no external guarantee and appropriation of funds of the Company by controlling shareholders.

(III) Nomination and Remuneration of Directors

During the reporting period, Nomination Committee considered a resolution regarding to recommending the appointment of candidate of the 6th session of the Board and Mr. Xu Zhe, Mr. Cao Jun and Dr. Feng Haocheng as the non-executive Directors of the Company by way of circulating in writing, and proposed the resolution to the Board and general meeting for consideration. The procedure was in line with relevant provisions of the laws, regulations and the Articles of Association.

The IND proposed the Company to develop new incentive method, so as to fully activate the working enthusiasm of core management and technical personnel to promote the development of the Company.

(IV) Appointment or Replacement of Auditors

During the reporting period, the Audit Committee of the Company approved the re-appointment of Grant Thornton Hong Kong Limited as independent auditor and proposed it to the Board and the general meeting for consideration. The procedure of re-appointment of auditor complied with the relevant provisions of the laws, regulations and the Articles of Association.

(V) Cash dividends and Other Investor Return

The Company has continuously distributed cash dividends since 2008 with accumulative dividends of RMB334.7 million (including tax). The Company pays attention to the investment return on shareholders, and sticks to long-term stable dividends policy.



(VI) Performance of Undertaking Made by the Company and Shareholders

Beijing State-owned Assets Management Co., Ltd., the controlling shareholder of the Company, made a non-competition undertaking when the Company succeeded in listing in December 2001, and it promised not to engage in business which competes or is likely to compete, either directly or indirectly, with our Company's existing business and will not operate business which competes or is likely to compete, either directly or indirectly or with the business the company is engaged in. Since then, the controlling shareholder has been actively performing the undertaking without any breach.

In 2015, the Company was in line with the requirements of the laws, regulations and other standardized documents in terms of its standardized operation and corporate governance, and the Company has made certain achievements in enhancement of overall corporate governance. Looking into the coming year, we wish the Company to further develop fast and steadily, to create more value for our shareholders. Taking this opportunity, we would like to express my sincere gratitude to the Board of the Company, operation management, and people who actively provide cooperation and support when we performed duties.

Independent Non-Executive Directors

Beijing, the PRC
24 March 2016

SUPERVISORS' REPORT



In 2015, 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 of the Companies Law and the provisions of the Articles of Association, oversee the compliant operation of the Company and the performance of duties of the Director and management of the Company, listened to those relating to the Company's operation, supervised the material decision-making process of the Company therefore effectively maintained efficient operation of corporate governance and protected the legitimate interests and rights of the shareholders of the Company and employees. Details of our duty performance in the last year are set out as below:

I. MEETINGS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee signed meeting documents four times in the form of circulation, to take an effective supervision over the Board and the compliance of operation management of the Company. The Supervisory Committee reviewed the Report on the Continuing Connected Transaction for 2014, Report of the Supervisors for 2014, 2014 Independent Auditor's Report and 2015 Interim Independent Review Report, and confirmed the information contained therein. Meanwhile, the Supervisory Committee recommended the candidate of the 6th supervisor of the Supervisory Committee and elected Mr. Di Guojun as supervisor as the chairman of the 6th supervisor of the Supervisory Committee.

II. OPERATION OF THE BOARD OF SUPERVISORS

During the reporting period, the Supervisors of the Company attended the 2014 AGM, and the Supervisors' Report of 2014 proposed was approved at the AGM. Meanwhile, the Supervisors of the Company attended all Board Meetings, and made no objection to each report and contents proposed on the Meeting for consideration.



III. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS

The Board of Supervisors made the following opinions on the supervision of the Year:

(I) 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.

(II) Authenticity of Financial Statements

During the reporting period, the Board of Supervisors carefully examined the 2014 Independent Auditor's Report and 2015 Interim Independent Review Report, 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 of the Board of Supervisors 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 and regulations, the Listing Rules and the Company's internal management system.

(III) Sale of Assets

During the reporting period, the Board of the Company approved to disposal 13.7% equity interest in PayEase, owned by Capinfo (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company with a consideration of approximately US\$8.3 million (equivalent to approximately RMB51.4 million) and 2,771,484 shares of series C-2 preferred stock of Mozido with a value of approximately RMB5.4 million. The Supervisor committee is not aware of any insider dealing activities during the disposal of assets. No act violating the shareholders' interests or resulting in any loss of assets of the Company was identified.

(IV) Implementation of Resolutions Passed at the General Meetings

During the reporting period, 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 management of the Company have diligently discharged their duties in accordance with the resolutions approved by the general meetings. None of the Directors and 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.

(V) Information Disclosure and Connected Transaction

The Company fulfilled its information disclosure obligations in strict compliance with the laws, regulations and the requirements of the Listing Rules, duly implemented the Information Disclosure Management System and the Management System of Inside Information and Insiders of the Company, disclosed information in a timely and fair manner, and ensured that information disclosed was true, accurate and complete.

During the reporting period, the procedures for entering into connected transactions by the Company were in compliance with the laws, regulations and 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 Listing Rules. The Board of Supervisors did not find any act that was detrimental to the interests of the shareholders or the Company.

(VI) Internal Control and Risk Management

During the reporting period, the Company focused on strengthening internal control, established and implemented relatively completed and reasonable internal control policy "Internal Control Manual of the Company", and the internal control system was roughly completed and effective. As the internal control awareness was increasingly enhanced, no significant case or responsible accident occurs during the Year.

Our risk management operated by closely focusing on strategic transition, regulatory requirements, operating objective and the satisfaction of clients, which effectively promoted the optimization and adjustment of business structure, thus each of our risks were effectively controlled and the assets were in good condition.

In the coming year, the Board of Supervisors will further strengthen, establish, enhance and improve performance level according to duties under supervising requirements and relevant provisions of the Articles of Association and with internal control compliance supervision and risk prevention as core work, the Board of Supervisors will take the responsibility of maintaining effective operation of the Company's governance and sound development to carefully perform their supervising duty, enhance the supervising strength and raise the quality of supervision, so as to protect the interest of the Company, shareholders and employees.

By Order of the Board of Supervisors

Mr. Di Guojun

Chairman of the Board of Supervisors

Beijing, the PRC

24 March 2016



CORPORATE GOVERNANCE

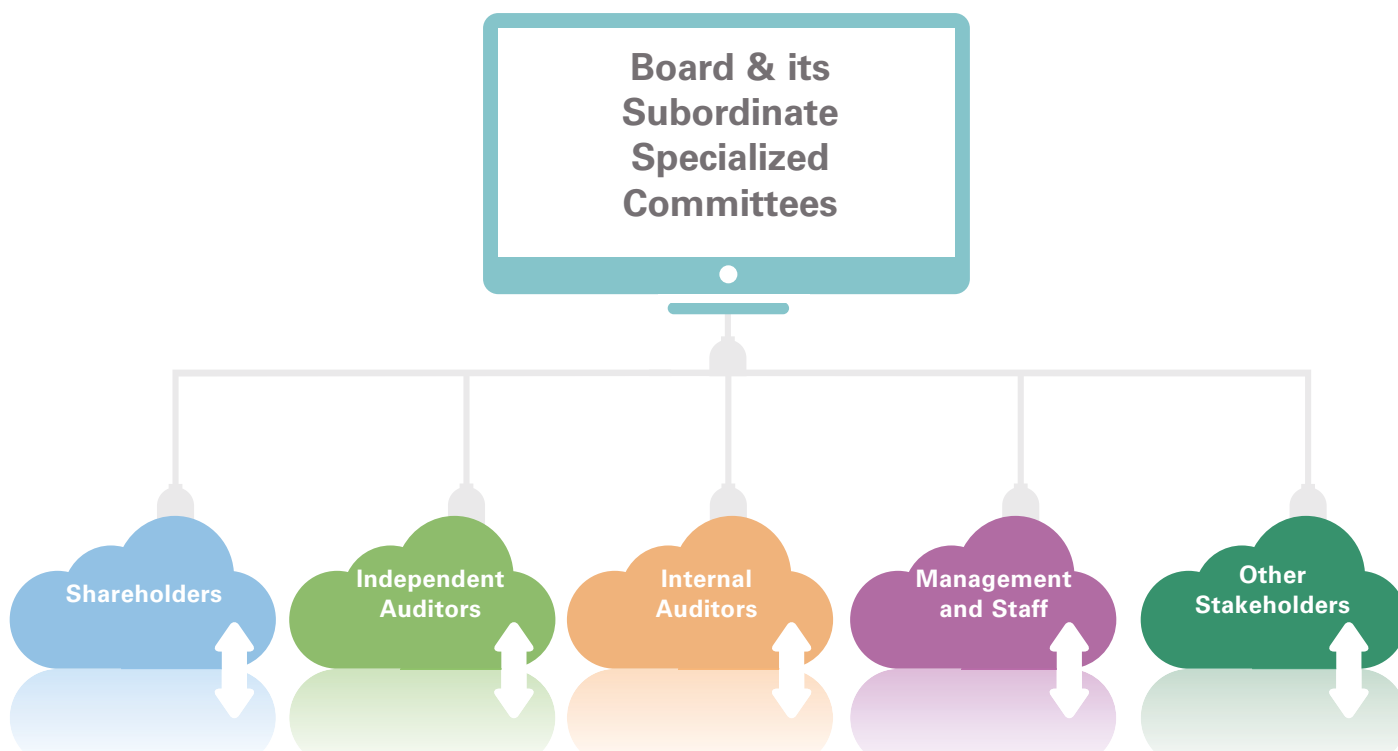
Good corporate governance serves as a foundation for the Company to improve its management. The Company pursues sound corporate governance and believes that good corporate governance is in the interests of the Company, shareholders and stakeholders. The Company considers excellent corporate governance 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 provisions of Listing Rules as well as closely observes trends in regulatory changes in China and abroad. The corporate governance has been enhanced continuously. During the reporting period, the Company has adopted the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules as its own corporate governance code. For the year ended 31 December 2015, the Company has complied with all code provisions under the corporation code, provided the deviation as set out below:

Code Provision A.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Dr. Wang Xu was the chairman and chief executive officer of the Company. The Directors believed that the two positions taking by Dr. Wang Xu was in the best interests of the Group and was conducive to the sustainable and effective management of the Board. On 12 January 2016, Dr. Wang Xu resigned as chairman and chief executive officer of the Company, Mr. Xu Zhe was appointed as chairman of the

Company. At present, the day-to-day management is in charged by each vice president of each business segment of the Company under the leadership of chairman Xu Zhe, which shared the duties of the chief executive officer to a great extent, and ensured the effective operation and monitoring of the Company's existing business. At the same time, the Board will also look for a qualified candidate to assume the position of the chief executive officer as soon as possible.

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 of the Company, the Company constantly developed, improved and effectively implemented work systems and related work processes for the Board and its various specialized committees. The Company has established an 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 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 shareholders' general meetings, the Board and its subordinates specialized committees and the supervisory committee are functioning independently and efficiently according to the Articles of Association and their respective rules and 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 of General Meeting
3	Rules of Procedures of Meetings of the Supervisory Committee
4	Rules of Procedures of Meetings of the Board of Directors
5	Articles of the Audit Committee
6	Articles of the Remuneration and Appraisal Committee
7	Articles of the Nomination Committee
8	Articles of the Strategy 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 Press Release and Promotion
20	Investor Relations Policy

EXCEEDING THE REQUIREMENTS OF CORPORATE GOVERNANCE

No.	Exceeding the requirements of code provisions of Corporate Governance Code of the Listing Rules
1	As of 31 December 2015, nine of the eleven 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 or 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 acted by shareholder representatives and to decide 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 need to be approved by a general meeting as provided in the Listing Rules;
- to consider and approve matters of changing the use of raised fund;
- to consider resolutions proposed by shareholder(s) who represents 3% or above 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 of General Meeting 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 share 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 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 88 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

As at 31 December 2015, the Company's Board of Directors comprises eleven members, including two Executive Directors, five Non-executive Directors and four Independent Non-executive Directors.

The Company's Board of Directors comprises two women and nine men, including two Directors under forty, five Directors between forty and forty-nine, four Directors at and over fifty. The Company's Directors are professionals in finance, law, commerce and information services and management with extensive experience and expertise in various areas. In terms of the composition of the Board, the Company advocates the diversification principle and tries to achieve a balance among the gender, age and expertise of directors. The name list of the members of the Board has been published on the websites of the Stock Exchange and the Company for the information of the shareholders and the investors.

For the year ended 31 December 2015, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

Biographies of the Chairman of the Company and other Directors are set out in the section headed Profiles of Directors, Supervisors and Senior Management on pages 28 to 34 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, pledge of 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 plan for increase or reduction of the Company's registered capital, and proposals for issue of the 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 meeting and report on its work to the general meetings and to implement the resolution passed at the general meetings;

- To appoint or dismiss the president of the Company; to appoint according to the nomination made by the president or dismiss other senior management personnel of the Company (including the financial controller), and to determine their remunerations and system of rewards and punishment;
- 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;
- To review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- Requirements of laws and regulations or Articles of Association and other matters as authorized on the general meeting.

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 above 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 will provide 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 sixth session of the Board of Directors commenced on 19 June 2015. All of the appointments will expire on 18 June 2018 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.

SERVICE CONTRACTS OF THE DIRECTORS

The Company has entered into service contracts with each of the members of the sixth session of the 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, pursuant to the requirements of Code Provision C.1.2 set out in Appendix 14 to the Listing Rules, the Company provides Directors with "Monthly Report to Directors" every month, which contains the latest developments in the business and finance of the Group. The Company also provides books and materials related to compliance and duty performance for Directors to learn so as to ensure that the Directors are provided with continuous professional development to be competent for their jobs. During the reporting period, the Directors provided their training records to the Company regularly.

CONTINUOUS PROFESSIONAL DEVELOPMENT PARTICIPATED BY DIRECTORS

Name	Reading regulatory updates	Attending seminars/conferences relevant to the Directors' duties	Receiving shareholders' visit
Executive Director			
Mr. Lu Lei (vice president & the secretary of the Board)	✓	✓	✓
Non-executive Directors			
Mr. Xu Zhe (Chairman) ¹	N/A	N/A	N/A
Dr. Feng Haocheng ²	N/A	N/A	N/A
Mr. Cao Jun ³	N/A	N/A	N/A
Mr. Zhou Weihua	✓	✓	
Mr. Shan Yuhu	✓	✓	
Ms. An Lili	✓	✓	
Independent Non-executive Directors			
Ms. Zhou Liye	✓	✓	
Mr. Gong Zhiqiang	✓	✓	
Mr. Cheung, Wai Hung Boswell	✓	✓	
Mr. Li He ⁴	N/A	N/A	N/A
Resigned or retired Directors			
Dr. Wang Xu (Chairman & CEO)	✓	✓	✓
Mr. Wu Shengjiao (Non-executive Director)	✓	✓	
Mr. Pan Jiaren (Non-executive Director)	✓	✓	
Ms. Hu Sha (Non-executive Director)	✓	✓	
Mr. Wang Zhuo (Non-executive Director)	✓	✓	
Mr. Shi Hongyin (Non-executive Director)	✓	✓	
Mr. Chen Jing (Independent Non-executive Director)	✓	✓	
Mr. Zeng Xianggao (Independent Non-executive Director)	✓	✓	
Dr. Jiao Jie (Independent Non-executive Director)	✓	✓	

Notes:

- Mr. Xu Zhe was approved at extraordinary general meeting to replace Dr. Wang Xu as Non-executive Director, and recommended to be appointed as chairman by the Directors in January 2016.
- Dr. Feng Haocheng was approved at extraordinary general meeting to replace Mr. Wu Shengjiao as Non-executive Director in January 2016.
- Mr. Cao Jun was approved at extraordinary general meeting to replace Mr. Shi Hongyin as Non-executive Director in January 2016.
- Mr. Li He was approved by the Board to replace Dr. Jiao Jie as Independent non-executive Director in March 2016 and the appointment is subject to approval of AGM in May 2016.



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 is maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties and enhance the effectiveness of decision-making.

DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for supervising the preparation of accounts for the year which shall present a true and fair view of the state of affairs, results of operations and cash flow of the Company during the reporting period. In preparing the consolidated financial statements for the year ended 31 December 2015, the Directors had selected and consistently applied suitable accounting policies; made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated 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 independent auditor's reporting responsibilities on the Group's accounts are set out in the Independent Auditor's Report on pages 93 to 94 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 2015.

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 three on-the-spot meetings, and signed meeting documents seven times in the form of circulation. Details on the convening of meetings 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 72 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 requirements mentioned in Rule 13.44 of the Listing Rules and the relevant requirements of Article 123 of the Articles of Association, any Director shall abstain from voting on any resolutions in which he or his close associate(s) is/are materially interested and shall not be counted in the quorum of the meeting.

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

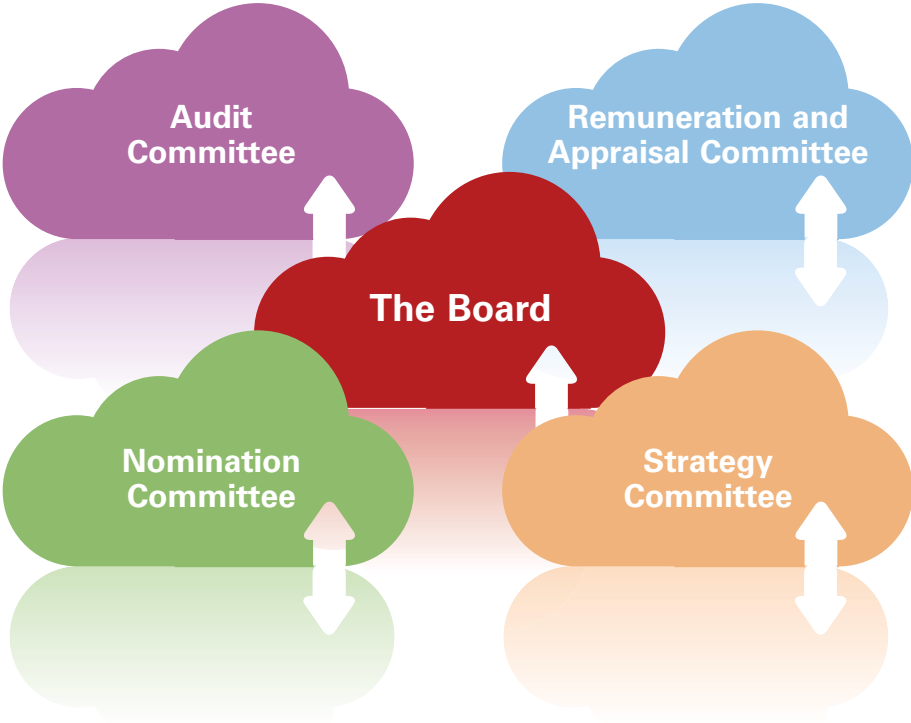
SUPPLY OF AND ACCESS TO INFORMATION OF THE BOARD

- All Directors are entitled to receive advice and services of the secretary of the Board and the secretary of the Company. If any Director 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 receive the communication information of the management of the Company so as to communicate and keep them informed of the operations of the Company in a timely manner;
- 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;
- The minutes of meetings of the Board and its subordinate specialized committees are kept, which record in details the opinion 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 meeting 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 18 June 2018. 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 appointment may be terminated when both the member and the Company agree. Details of the members of the Audit Committee up to the date of this report are set out as below:

Name	Director Type	Position
Ms. Zhou Liye	Independent Non-executive Director	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell ¹	Independent Non-executive Director	Member
Mr. Li He ²	Independent Non-executive Director	Member

Notes:

1. Mr. Cheung, Wai Hung Boswell was approved by the Board of Directors to replace Mr. Zeng Xianggao as the member of Audit Committee in June 2015.
2. Mr. Li He was approved by the Board of Directors to replace Dr. Jiao Jie as Independent Non-executive Director and the member of Audit Committee in March 2016, and the appointment is subject to the approval of the AGM in May 2016 (Dr. Jiao Jie was approved by the Board of Directors to replace Mr. Chen Jing as the member of Audit Committee in June 2015).

The main authorities and duties of the Audit Committee include:

- To make recommendation to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and the terms of engagement of external auditor;
- To develop and implement policies on the engagement of an external auditor to provide non-audit services;
- To monitor the independent auditor's independence and objectivity and the effectiveness of the audit process;
- To meet at least twice a year with the external auditors, review the external auditor's explanatory statement to the management on its audit or review, discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts;
- To monitor the financial, accounting policies and practices of the Company;



- To supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;
- To conduct regular assessment on the performance of the financial and audit departments of the Company and the performance of the responsible staff in charge of these departments;
- To discuss with the management the system of internal control and risk management systems and ensure that the management has discharged its duties to establish an effective internal control and risk management systems;
- 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 two on-the-spot meetings and signed meeting documents three times in the form of circulation. The meeting mainly reviewed the following issues:

- 2014 Independent Auditor's Report and 2015 Interim Independent Review Report of the Group, the Financial and Operation Analysis Report of the Group for the first quarter and third quarter of 2015, and re-appointed Grant Thornton Hong Kong Limited as the independent auditor of the Company;
- Ten copies of Internal Audit Report and eight copies of Audit Follow-up Report of the Group;
- The report on internal audit for the year 2014 and the plan on internal audit for the year 2015; and
- The Internal Control Manual of the Company.

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 convening of meetings of the members of the Audit Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 72 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 18 June 2018. 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 up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Gong Zhiqiang ¹	Independent Non-executive Director	Chairman
Ms. Zhou Liye ²	Independent Non-executive Director	Member
Dr. Feng Haocheng ³	Non-executive Director	Member

Notes:

1. Mr. Gong Zhiqiang was approved by the Board of Directors to replace Mr. Chen Jing and promote from a member to the chairman of the Remuneration and Appraisal Committee in June 2015.
2. Ms. Zhou Liye was approved by the Board of Directors to replace Mr. Chen Jing as the member of the Remuneration and Appraisal Committee in June 2015.
3. Dr. Feng Haocheng was approved by the Board of Directors to replace Mr. Wu Shengjiao as the member of the Remuneration and Appraisal Committee in January 2016. Mr. Wu Shengjiao was approved by the Board to replace Mr. Lu Lei as the member of the Remuneration and Appraisal Committee in June 2015.

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 Director 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 determining 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 meetings of Remuneration and Appraisal Committee:

During the reporting period, the Remuneration and Appraisal Committee signed meeting documents once in the form of circulation. The committee members confirmed the overall implementation of remuneration of the employees of the Company in 2014 according to the performance of the Company and the remuneration level of senior management of peer companies as well as the specific performance, and reviewed the proposal on distribution of bonus of 2014 as well as the basic annual salary scheme to the senior management in 2015, and submitted to the Board for consideration and approval.

Details of the convening of meetings of the members of the Remuneration and Appraisal Committee set out in "Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees" on page 72 of this annual report.

Directors' Remuneration

Unit: RMB'000

Name	Fees	Salaries, allowances and retirement benefit scheme contributions	Audit committee	Remuneration and appraisal committee	Nomination committee	Strategy committee	Total
Executive Director							
Mr. Lu Lei (vice president and secretary of the Board)	-	515.2	-	-	-	-	515.2
Non-executive Directors							
Mr. Xu Zhe (Chairman)	-	-	-	-	-	-	N/A
Dr. Feng Haocheng	-	-	-	-	-	-	N/A
Mr. Cao Jun	-	-	-	-	-	-	N/A
Mr. Zhou Weihua	-	-	-	-	-	-	-
Mr. Shan Yuhu	-	-	-	-	-	-	-
Ms. An Lili	-	-	-	-	-	-	-
Independent Non-executive Directors							
Ms. Zhou Liye ¹	50.0	-	10.0	2.5	-	-	62.5
Mr. Gong Zhiqiang ²	50.0	-	5.0	7.5	2.5	-	65.0
Mr. Cheung, Wai Hung Boswell ³	27.0	-	2.7	-	2.7	-	32.4
Mr. Li He ⁴	-	-	-	-	-	-	N/A
Resigned or retired Directors							
Dr. Wang Xu (Chairman & CEO) ⁵	-	831.0	-	-	-	-	831.0
Mr. Wu Shengjiao (Non-executive Director)	-	-	-	-	-	-	-
Mr. Pan Jiaren (Non-executive Director)	-	-	-	-	-	-	-
Ms. Hu Sha (Non-executive Director)	-	-	-	-	-	-	-
Mr. Wang Zhuo (Non-executive Director)	-	-	-	-	-	-	-
Mr. Shi Hongyin (Non-executive Director)	-	-	-	-	-	-	-
Mr. Chen Jing (Independent Non-executive Director) ⁶	25.0	-	2.5	5.0	2.5	2.5	37.5
Mr. Zeng Xianggao (Independent Non-executive Director) ⁷	25.0	-	2.5	-	2.5	-	30.0
Dr. Jiao Jie (Independent Non-executive Director) ⁸	27.0	-	2.7	-	-	2.7	32.4

Notes:

1. Ms. Zhou Liye was approved by the Board of Directors to replace Mr. Chen Jing as the member of the Remuneration and Appraisal Committee in June 2015.
2. Mr. Gong Zhiqiang was approved by the Board of Directors to replace Mr. Chen Jing and promote from a member to the chairman of the Remuneration and the Appraisal Committee in June 2015.
3. Mr. Cheung, Wai Hung Boswell was approved at the annual general meeting to replace Mr. Zeng Xianggao and act as independent non-executive director in June 2015, and he was also approved by the Board of Directors to act as member of the Audit Committee and Nomination Committee.
4. Mr. Li He was approved by the Board of Directors to replace Dr. Jiao Jie as Independent Non-executive Director, member of the Audit committee and Strategy committee in March 2016, and the appointment is subject to the approval of the AGM in May 2016.
5. Dr. Wang Xu resigned as Chairman, Executive Director, CEO, Chairman of Nomination Committee and Strategy Committee due to work arrangement in January 2016.
6. Mr. Chen Jing resigned as independent non-executive director, Chairman of Remuneration and Appraisal Committee, and member of Audit Committee, Nomination Committee and Strategy Committee on the expiry of the fifth session of the Board in June 2015.
7. Mr. Zeng Xianggao resigned as Independent Non-executive Director and member of Audit Committee, Nomination Committee on the expiration of the fifth session of the Board in June 2015.
8. Dr. Jiao Jie resigned as independent non-executive director, member of Audit Committee and Strategy Committee in March 2016 due to work arrangement, and he was approved at the annual general meeting in June 2015 to replace Mr. Chen Jing to take the aforesaid positions.

Senior Management's Emoluments

The annual emoluments of the senior management of the Company fall within RMB1.5 million, and four of the five highest paid employees are 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 131 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 18 June 2018. 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 up to the date of this report are set out as below:

Name	Director Type	Position
Mr. Xu Zhe*	Non-executive Director (Chairman)	Chairman
Mr. Gong Zhiqiang	Independent Non-executive Director	Member
Mr. Cheung, Wai Hung Boswell	Independent Non-executive Director	Member

Note*: Mr. Xu Zhe was approved by the Board of Directors to replace Dr. Wang Xu to act as Chairman of Nomination Committee in January 2016.

The main authorities and duties of the Nomination Committee include:

- to make recommendations to the Board in relation to the scale and composition of the Board, including the rational number of the Board, gender, age, cultural and educational background and diversity of professional experience of the Board;
- to examine the implementation of diversity policy of the members 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 meetings of Nomination Committee:

During the reporting period, the Nomination Committee signed meeting documents three times in the form of circulation. Mr. Xu Zhe, Mr. Cao Jun, and Dr. Feng Haocheng were recommended by the Nomination Committee as the candidates of the sixth session of the Board after inspections in consideration of their qualifications and experience, and applied for the approval by the Board of Directors and general meeting.

Details of the attendance of the meetings of the Nomination Committee are set out in “Records of Attendance of Meetings of the Board and its Subordinate Specialized Committees” on page 72 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 three members. The term of the Strategy Committee of the Company is three years (the same as that of the Board) and will expire on 18 June 2018. 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: As of the date of this report, list of members of the Strategy Committee are as follow:

Name	Director Type	Position
Mr. Xu Zhe ¹	Non-executive Director (Chairman)	Chairman
Mr. Lu Lei	Executive Director	Member
Mr. Li He ²	Independent Non-executive Director	Member

Notes:

1. Mr. Xu Zhe was approved by the Board to replace Dr. Wang Xu to act as Chairman of Strategy Committee in January 2016.
2. Mr. Li He was approved by the Board to replace Dr. Jiao Jie as Independent Non-executive Director and a member of Strategy committee in March 2016, and the appointment is subject to the approval of the AGM in May 2016 (Dr. Jiao Jie was approved by the Board of Directors to replace Mr. Chen Jing to act as the member of Strategy Committee in June 2015).



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 meetings of Strategy Committee:

During the reporting period, the Strategy Committee signed meeting documents once in the form of circulation. Each member of the committee has reviewed Preliminary Report on Research of Strategic Planning for 13th Five Years in light of the development trend of the national macro-economy and industry, and instructed the management to further detail the target to ensure the achievement of the whole strategy of the Company. Details of the attendance of the members of the Strategy Committee are set out 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 ⁵
Executive Director					
Mr. Lu Lei (vice president and secretary of the Board) ⁶	3/3		1/*		1/*
Non-executive Directors					
Mr. Xu Zhe (Chairman) ⁷	N/A			N/A	N/A
Dr. Feng Haocheng ⁸	N/A		N/A		
Mr. Cao Jun ⁹	N/A				
Mr. Zhou Weihua ¹⁰	1/2				
Mr. Shan Yuhu ¹⁰	1/2				
Ms. An Lili ¹⁰	2/2				
Independent Non-executive Directors					
Ms. Zhou Liye ¹¹	2/3	2/2	0/0		
Mr. Gong Zhiqiang ¹²	2/3	2/2	1/*	2/*	
Mr. Cheung, Wai Hung Boswell ¹³	1/2	1/1		2/*	
Mr. Li He ¹⁴	N/A	N/A			N/A
Resigned or retired Directors					
Dr. Wang Xu (Chairman & CEO) ¹⁵	3/3			3/*	1/*
Mr. Wu Shengjiao (Non-executive Director) ¹⁶	1/3		0/0		
Mr. Pan Jiaren (Non-executive Director) ¹⁷	1/1				
Ms. Hu Sha (Non-executive Director) ¹⁷	1/1				
Mr. Wang Zhuo (Non-executive Director) ¹⁷	0/1				
Mr. Shi Hongyin (Non-executive Director) ¹⁸	2/3				
Mr. Chen Jing (Independent Non-executive Director) ¹⁹	1/1	1/1	1/*	1/*	0/0
Mr. Zeng Xianggao (Independent Non-executive Director) ²⁰	1/1	1/1		1/*	
Dr. Jiao Jie (Independent Non-executive Director) ²¹	1/2	0/1			1/*

Notes:

1. The Board held three on-the-spot meetings and signed meeting documents seven times in the form of circulation.
2. The Audit Committee held two on-the-spot meetings and signed meeting documents three times 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 three times in the form of circulation.
5. The Strategy Committee did not hold any on-the-spot meeting, but signed meeting documents once in the form of circulation.
6. Mr. Lu Lei was approved at the annual general meeting to re-designate from Non-executive Director to Executive Director and he resigned as the member of the Remuneration and Appraisal Committee in June 2015.
7. Mr. Xu Zhe was approved at the extraordinary general meeting to act as Non-executive Director and was elected by the Board of Directors to replace Dr. Wang Xu to act as Chairman, Chairman of Nomination Committee and Strategy Committee in January 2016.
8. Dr. Feng Haocheng was approved at the extraordinary general meeting to replace Mr. Wu Shengjiao to act as Non-executive Director and was approved by the Board to act as a member of Remuneration and Appraisal Committee in January 2016.
9. Mr. Cao Jun was approved at the extraordinary general meeting to replace Mr. Shi Hongyin to act as Non-executive Director in January 2016.
10. Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili were approved at the annual general meeting to replace Mr. Pan Jiaren, Ms. Hu Sha and Mr. Wang Zhuo to act as Non-executive Director respectively in June 2015.
11. Ms. Zhou Liye was approved by the Board of Directors to replace Mr. Chen Jing as member of Remuneration and Appraisal Committee in June 2015.
12. Mr. Gong Zhiqiang was approved by the Board of Directors to replace Mr. Chen Jing and promote from a member to the chairman of the Remuneration and the Appraisal Committee in June 2015.
13. Mr. Cheung, Wai Hung Boswell was approved at the annual general meeting to replace Mr. Zeng Xianggao to act as the independent non-executive Director in June 2015, he was also approved by the Board to act as member of the Audit Committee and Nomination Committee.
14. Mr. Li He was approved by the Board of Directors to replace Dr. Jiao Jie as Independent Non-executive Director, member of the Audit committee and Strategy committee in March 2016, and the appointment is subject to the approval at the AGM in May 2016.
15. Dr. Wang Xu resigned as Chairman, Executive Director, CEO, Chairman of Nomination Committee and Strategy Committee due to work arrangement in January 2016.
16. Mr. Wu Shengjiao resigned as Non-executive Director and member of Remuneration and Appraisal Committee due to work arrangement in January 2016.
17. Mr. Pan Jiaren, Ms. Hu Sha and Mr. Wang Zhuo retired as Non-executive Director on the expiration of the fifth session of the Board in June 2015.
18. Mr. Shi Hongyin resigned as Non-executive Director due to work arrangement in January 2016.
19. Mr. Chen Jing retired as Independent Non-executive Director, Chairman of Remuneration and Appraisal Committee, and member of Audit Committee, Nomination Committee and Strategy Committee on the expiration of the fifth session of the Board in June 2015.
20. Mr. Zeng Xianggao retired as Independent Non-executive Director and member of Audit Committee and Nomination Committee on the expiration of the fifth session of the Board in June 2015.
21. Dr. Jiao Jie resigned as Independent Non-executive Director, member of Audit Committee and Strategy Committee on March 2016 due to work arrangement, and he was approved at the annual general meeting in June 2015 to take the above positions in replacement of Mr. Chen Jing.

COMPANY SECRETARIES

Ms. Koo Ching Fan was appointed as secretary of the Company approved by the Board, together with Mr. Lu Lei, the secretary of the Board, assist the Board of Directors to perform its responsibilities to the shareholders in accordance with the Listing Rules and provide professional advice to the Board regarding corporate governance, so as to maintain smooth information communication among the members of the Board, arrange induction training and professional development for the Directors, ensure the compliance of the procedures of the Board and improve the efficiency of the Board.

Ms. Koo Ching Fan was appointed as 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 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 rich working experience in company secretarial work.

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

BOARD OF SUPERVISORS

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

Name	Supervisor Type	Position
Mr. Di Guojun	Shareholder Representative	Chairman
Mr. Liang Xianjun	Shareholder Representative	Supervisor
Mr. Lang Jianjun*	Staff Representative	Supervisor

Note *: Mr. Lang Jianjun was approved at the employee representative meeting to replace Ms. Xu Xiangyan to act as Staff Representative supervisor in June 2015.

The term of the sixth session of the Board of Supervisors of the Company is three years and will expire on 18 June 2018. 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 sixth session of the Board of Supervisors. Save as disclosed above, none of the supervisors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. Biographies of the above-mentioned existing supervisors are set out in the section under the title of Profiles of Directors, Supervisors and Senior Management on page 28 to page 34 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 meeting;
- 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. So to supervise the matters, including the legality of the procedures of the convening of the meetings of the Board of the Company, the abstention of Directors as connected persons from voting and whether or not the contents of the resolutions of the meeting of the Board conform to the requirements of the laws, regulations 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 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, details of the convening of meetings of the Board of Supervisors set out in "Supervisors' Report" on pages 48 to 50 of this annual report.

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 as well as reading materials and E-learning in relation to laws and regulations, finance and commerce, internal control of risks and corporate governance. Meanwhile, the Company also sends a duplicate of “Monthly Report to Directors” (provided to Directors) to supervisors so as to update them the latest developments in the business and finance of the Group in a timely manner. During the reporting period, the supervisors provided their training records to the Company regularly.

INTERNAL CONTROL SYSTEM

General meeting is the organ of the 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. Authorities perform their respective duties to ensure the stable operation of the Company.

During the reporting period, the Company established a comprehensive and systematic internal control system and made the internal control manual and had them implemented effectively. The Company has established the audit department, which carries out effective internal control supervision, performs independent and objective assessment and provide advices to the internal control.

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. 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 and controlled subsidiaries; further implemented talent strategy; and strengthened the corporate culture with an aim to promote the implementation of its strategic goal. 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 computerized management of the 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 the operational risk by integrating the risk monitoring system; further enhanced the management system for connected transactions, significant 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.

By focusing on development strategy and oriented by risk and aimed at uplifting corporate value, the internal audit department 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 reviewed by Audit Committee. As of 31 December 2015, 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.

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 prohibitions on 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 AUDIT

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. 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 of the Company, and fully accomplished the annual audit plan, including 10 copies of Internal Audit Reports, 8 copies of Audit Follow-up Reports and 7 copies of Leaving Post Audit Reports. Thus, the Company has performed its audit supervision and evaluation 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 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 2014	2	1	1
First quarter of 2015	2	2	2
Second quarter of 2015	3	2	0
Third quarter of 2015	3	3	4
Total	10	8	7

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited (“Grant Thornton”) has been providing independent audit services to the Company from 19 December 2014 to replace Deloitte Touche Tohmatsu. Grant Thornton has written to the Audit Committee confirming that they are independent to the Company and that there is no relationship between Grant Thornton and the Company which may affect their independence. During the reporting period, Grant Thornton provided the Company with the following services:

Unit: RMB'000

Services	2015	2014
Audit service	1,120	1,000
Non-audit service	269	302
Total	1,389	1,302

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 2015, in an honest and pragmatic manner and with an active and open attitude, the Company maintained effective communication with the investors, and took continuous efforts in improving investors' recognition of the Company's value, including further enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving the communication platform with investors to strengthen the management of investor relations, hence the Company successfully cultivated a culture to serve the investors and respect the investors. It also built an investment philosophy to achieve maximum Company interest while increasing the wealth of shareholders. As of 31 December 2015, the market capitalization of the Company amounted to HK\$2,173.6 million. The share price of the Company at the year-end rose approximately 27.12% over that recorded at the beginning of the year.

To strengthen the management of the investors relations, in 2015, the Company kept updating investor records including continued to update the special column for investor relations at its website so that the latest information about the Company has been made available to investors in a timely manner; positively searched for information on the capital market, followed up movements of shareholders and timely reported the same to the management level, so as to provide data for planning and arrangement of major activities for investor relations; communicated with investors through calls and emails and other channels; arranged reception of investors and other means to enhance communication with investors.

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 Rule 8.08 of the Listing Rules.

RECEPTION ACTIVITIES BY WAY OF RESEARCH

In 2015, the Company positively enhanced interaction with capital market and received eleven visits of institutional investors, and conducted positive and frank communication with the investors and analysts through various channels such as annual general meeting, company visits and teleconference to update the investors information on the macro-economic environment, the industry prospect and the operation 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 earnestly listened to the advice or 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.

No.	Date of reception	Place of reception	Mode of reception	Type of subjects of reception	Subjects of reception
1	April 2015	Beijing	Teleconference	Institutions	Hong Kong Dongying Financial Group
2	April 2015	Beijing	On-site research	Institutions	Wealth Oasis
3	May 2015	Beijing	On-site research	Institutions	Shanghai BinYuan Capital(上海彬元資本)
4	May 2015	Beijing	On-site research	Institutions	Shenzhen Anji Investment Management Co., Ltd.(深圳市安際投資管理有限公司)
5	May 2015	Beijing	Teleconference	Institutions	Rays Capital Partners Limited
6	May 2015	Beijing	On-site research	Institutions	Zhiwei Investments Limited in Foshan (佛山市智瑋投資有限公司)
7	May 2015	Beijing	On-site research	Institutions	Industrial Securities(興業證券)
8	June 2015	Beijing	Teleconference	Institutions	Galaxy Securities(銀河證券)
9	June 2015	Beijing	Teleconference	Institutions	Shanghai Heqi Investment Consulting Ltd. (上海禾其投資諮詢有限公司)
10	June 2015	Beijing	Teleconference	Institutions	China Universal Asset Management Co., Ltd. (匯添富基金管理有限公司)
11	November 2015	Beijing	On-site research	Institutions	Zhejiang Bohong Investment Consulting Co., Ltd.(浙江博鴻投資顧問有限公司)

INFORMATION DISCLOSURE

The Company firmly believes that information disclosure is not only the responsibility and obligation to protect investors' interest in accordance with the regulatory provisions for the listed companies, but also an important means to improve transparency, enhance the understanding of the Company by the capital market and establish a smooth communication channel. Since its listing, the Company has strictly complied with the information disclosure requirements under the Listing Rules for listed companies and made information disclosure in a timely, just, fair and accurate manner. In 2015, the Company published 43 corporate communications such as announcements and circulars. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, connected transaction, poll results of general meetings.

The Company's website (www.capinfo.com.cn) is one of the important disclosure channel for corporation information, and also an important platform for investors to access information of the Company. In 2015, the Company published the following information through the websites of the Stock Exchange and the Company pursuant to the Listing Rules:

No.	Events	Publish Date
1	Monthly Return on Movements in Securities for December 2014	5 January 2015
2	Disposal of the Group's Equity Interests in PAYEASE CORP. in Consideration of Equity Interests in MOZIDO INC.	8 January 2015
3	Monthly Return on Movements in Securities for January 2015	2 February 2015
4	Disposal of the Group's Equity Interests in PAYEASE CORP. in Consideration of Equity Interests in MOZIDO INC.	17 February 2015
5	Termination of Disclosable and Connected Transaction in Relation to the Proposed Disposal of Equity Interest in Beijing Certificate Authority Co., Ltd.	17 February 2015
6	Monthly Return on Movements in Securities for February	2 March 2015
7	Notice of Board Meeting	13 March 2015
8	Consolidated Results for the Year Ended 31 December 2014	30 March 2015
9	Monthly Return on Movements in Securities for March	8 April 2015
10	Disposal of the Group's equity interests in PAYEASE CORP. in consideration of equity interests in MOZIDO INC.	14 April 2015
11	Renewal of Annual Caps for Continuing Connected Transaction in Relation to the Lease of Office Premises	22 April 2015
12	Proposed Re-election and Election of Directors and Supervisors	22 April 2015
13	2014 Annual Report	29 April 2015
14	Announcement of Annual General Meeting	29 April 2015
15	Proposed Re-election and Election of Directors and Supervisors, Proposed General Mandate of Issuance of H Shares and Notice of Annual General Meeting	29 April 2015
16	Form of Proxy for Annual General Meeting	29 April 2015
17	Reply Slip for Annual General Meeting	29 April 2015
18	Monthly Return on Movements in Securities for April	6 May 2015
19	Disposal of the Group's equity interests in PAYEASE CORP. in consideration of equity interests in MOZIDO INC.	14 May 2015



No.	Events	Publish Date
20	Monthly Return on Movements in Securities for May	2 June 2015
21	Poll Results of Annual General Meeting and Changes of Directors, Supervisor and Chairman/Members of Board Committees	19 June 2015
22	List of Board of Directors and Their Role and Function	19 June 2015
23	Monthly Return on Movements in Securities for June	2 July 2015
24	Monthly Return on Movements in Securities for July	3 August 2015
25	Notice of Board Meeting	18 August 2015
26	Interim Results Announcement for the Six Months Ended 30 June 2015	28 August 2015
27	Monthly Return on Movements in Securities for August	1 September 2015
28	2015 Interim Report	11 September 2015
29	Monthly Return on Movements in Securities for September	8 October 2015
30	Disposal of the Group's equity interests in PAYEASE CORP. in consideration of equity interests in MOZIDO INC.	26 October 2015
31	Monthly Return on Movements in Securities for October	2 November 2015
32	Resignation of Chairman, Executive-directors, CEO, Chairman of Nomination Committee and Chairman of Strategy Committee	11 November 2015
33	Proposed Election of Non-executive Directors and Notice of Extraordinary General Meeting	27 November 2015
34	Form of Proxy of Extraordinary General Meeting	27 November 2015
35	Reply Slip of Extraordinary General Meeting	27 November 2015
36	Notice of Extraordinary General Meeting	27 November 2015
37	Change of Non-executive Directors and Member of the Committee under the Board	27 November 2015
38	Monthly Return on Movements in Securities for November	2 December 2015
39	Supplemental Announcement-Proposed Election of Non-executive Directors and Supplemental Notice of Extraordinary General Meeting	28 December 2015
40	Supplemental Form of Proxy of Extraordinary General Meeting	28 December 2015
41	Supplemental Notice of Extraordinary General Meeting	28 December 2015
42	Supplemental Notice of Proposed Election of Non-executive Directors	28 December 2015
43	Continuing Connected Transaction	31 December 2015

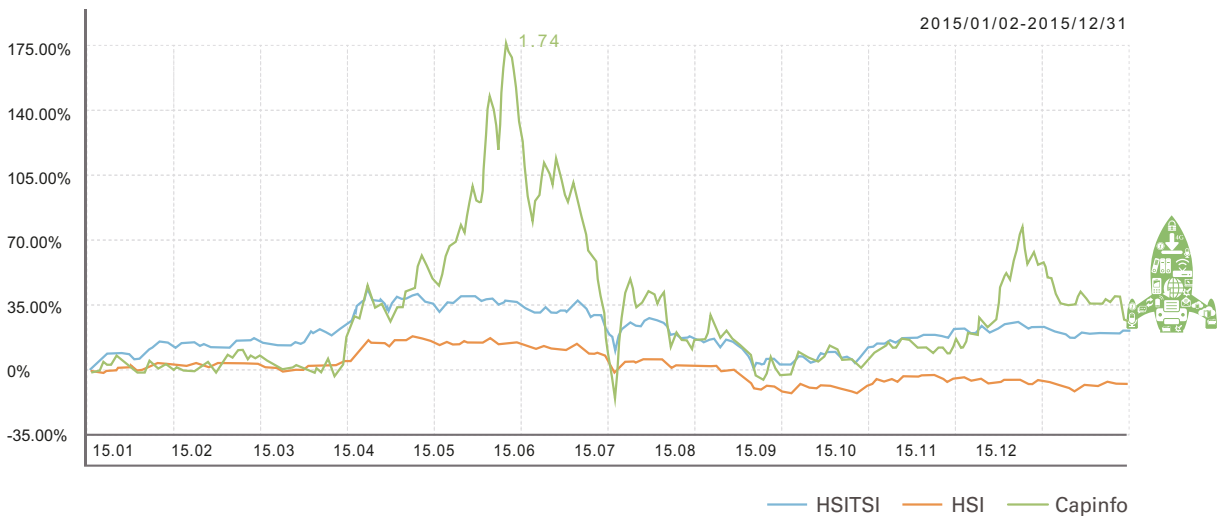
SHARE PRICE PERFORMANCE

As at 21 December 2001, the H shares issued by the Company were listed on the Stock Exchange at the allotment price of HK\$0.48 per share. Since listing, the Company's performance increased stably. According to the data from Wind Information, during the period from the listing date to 31 December 2015, the closing price of the H share of the Company increased from HK\$0.44 that recorded on the first listing date to HK\$0.75, representing an increase of 70.45%. In 2015, the closing price of the shares of the Company increased from HK\$0.59 that recorded at the beginning of the year to HK\$0.75, representing an increase of 27.12%. The market value of the Company amounted approximately HK\$2,173.6 million in aggregate calculated at the closing price of HK\$0.75 as at 31 December 2015.

SHARE PRICE PERFORMANCE FROM LISTING



SHARE PRICE PERFORMANCE OF 2015





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.

PROFIT DISTRIBUTION PLAN IN THE REPORTING PERIOD

The Company always attaches great importance on the reasonable investment return for the investors. Profit distribution plan is determined by the Company based on the financial performance to ensure continuity and stability of the dividend distribution policy. In accordance with the requirements of the Articles of Association, unless otherwise approved by special resolution of shareholders, the Company shall only distribute dividends once a financial year.

- I. During the reporting period, profit attributable to owners of the Company amounted to approximately RMB101.5 million and basic earnings per share amounted to RMB3.50 cents. The Board of the Company proposed a payment of final dividend of RMB1.57 cents (approximately HK\$1.88 cents, tax inclusive), per share for the year 2015, totaling approximately RMB45.5 million (tax inclusive). The 2015 annual general meeting will be held on Friday, 27 May 2016 to consider and approve the proposed payment of final dividend for the year 2015 by the Board.
- II. 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 to the date on which such dividends are declared.
- III. 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).

- IV. 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 at 4:30 p.m. on Friday, 10 June 2016 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, Hong Kong Registrars Limited, and provide relevant supporting documents before 4:30 p.m. on Friday, 10 June 2016 (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong).

- V. 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		Total amount of cash dividend paid RMB million	Net profit attributable to the shareholders of the parent company RMB million	Net profit attributable to the shareholders of the parent company RMB million (restated)	Percentage of net profit attributable to the shareholders of the parent company	Percentage of net profit attributable to the shareholders of the parent company (restated)
			RMB cent	HKS cent					
Final dividend for 2007	20 March 2008	15 July 2008	1.40	1.54	40.6	47.1	N/A	86.13%	N/A
Final dividend for 2008	23 March 2009	16 July 2009	0.52	0.59	15.1	53.2	N/A	28.32%	N/A
Interim dividend for 2010	12 August 2010	5 November 2010	2.05	2.35	59.4	76.8*	N/A	77.35%	N/A
Final dividend for 2010	21 March 2011	9 August 2011	1.15	1.36	33.3	73.7	N/A	45.22%	N/A
Final dividend for 2011	23 March 2012	13 August 2012	1.20	1.48	34.8	77.5	69.1	44.85%	50.36%
Final dividend for 2012	22 March 2013	24 September 2013	1.30	1.61	37.7	85.6	81.4	44.02%	46.31%
Final dividend for 2013	21 March 2014	23 September 2014	1.30	1.65	37.7	82.9	81.4	45.46%	46.29%
Final dividend for 2014	27 March 2015	24 September 2015	1.06	1.34	30.7	70.4	67.0	43.65%	45.83%
Final dividend for 2015	24 March 2016	On or before 30 September 2016	1.57	1.88	45.5	101.5	N/A	44.81%	N/A

Notes:

- * 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.
- ** 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 approximate to that of the H shares.

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 annual general meeting 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:

2014 Annual General Meeting																														
Date of meeting	19 June 2015																													
Place of meeting	Beijing																													
Issues	<table border="1"> <tr> <td rowspan="6" style="vertical-align: middle;">Ordinary resolutions</td> <td>1. the audited consolidated financial statements of the Group and the Directors' and independent auditor's reports for the year ended 31 December 2014</td> </tr> <tr> <td>2. the supervisors' report for the year 2014</td> </tr> <tr> <td>3. the independent directors' report for the year 2014</td> </tr> <tr> <td>4. the re-appointment of Grant Thornton as auditor and to authorize the Board of Directors of the Company to fix their remuneration</td> </tr> <tr> <td>5. declaration of the final dividend of HK1.34 cents (i.e. RMB1.06 cents) per share for the year ended 31 December 2014</td> </tr> <tr> <td>6. election and re-election of the sixth session of the Board</td> <td> <table border="1"> <tr> <td>(1) the re-election of Dr. Wang Xu as executive director</td> </tr> <tr> <td>(2) the re-election of Mr. Lu Lei as executive director</td> </tr> <tr> <td>(3) the re-election of Mr. Wu 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Number of shareholders or authorized representatives present at the meeting	8																													
Total number of representing shares	2,136,632,091																													
Of total share capital	73.73%																													
For	100%																													
Against	Nil																													



ATTENDANCE OF GENERAL MEETINGS OF THE DIRECTORS

Name	2014 extraordinary general meeting
Executive Director	
Mr. Lu Lei (vice president and secretary of the Board)	✓
Non-executive Directors	
Mr. Xu Zhe (Chairman) ¹	N/A
Dr. Feng Haocheng ²	N/A
Mr. Cao Jun ³	N/A
Mr. Zhou Weihua ⁴	✓
Mr. Shan Yuhu ⁴	✓
Ms. An Lili ⁴	✓
Independent Non-executive Directors	
Ms. Zhou Liye	
Mr. Gong Zhiqiang	
Mr. Cheung, Wai Hung Boswell ⁵	N/A
Mr. Li He ⁶	N/A
Resigned or retired Director	
Dr. Wang Xu (<i>Chairman and Chief Executive</i>)	✓
Mr. Wu Shengjiao (<i>Non-executive Director</i>)	✓
Mr. Pan Jiaren (<i>Non-executive Director</i>)	
Ms. Hu Sha (<i>Non-executive Director</i>)	
Mr. Wang Zhuo (<i>Non-executive Director</i>)	
Mr. Shi Hongyin (<i>Non-executive Director</i>)	
Mr. Chen Jing (<i>Independent Non-executive Director</i>)	✓
Mr. Zeng Xianggao (<i>Independent Non-executive Director</i>)	✓
Dr. Jiao Jie (<i>Independent Non-executive Director</i>) ⁷	N/A

Notes:

- The appointment of Mr. Xu Zhe as Non-executive Director was approved at the extraordinary general meeting held in January 2016, and was selected by the Board of Directors to act as Chairman to replace Dr. Wang Xu.
- The appointment of Dr. Feng Haocheng as Non-executive Director was approved at the extraordinary general meeting held in January 2016 to replace Mr. Wu Shengjiao.
- The appointment of Mr. Cao Jun as Non-executive Director was approved at the extraordinary general meeting held in January 2016 to replace Mr. Shi Hongyin.
- Mr. Zhou Weihua, Mr. Shan Yuhu and Ms. An Lili were approved to act as Non-executive Directors at the annual general meeting in June 2015 to replace Mr. Pan Jiaren, Ms. Hu Sha and Mr. Wang Zhuo respectively and they attended the annual general meeting in the capacity of shareholder's representative.
- The appointment of Mr. Cheung, Wai Hung Boswell as Independent Non-executive Director was approved at the annual general meeting held in June 2015 to replace Mr. Zeng Xianggao.
- Mr. Li He was approved by the Board of Directors to replace Dr. Jiao Jie as Independent Non-executive Director in March 2016, and the appointment is subject to the approval of the AGM in May 2016.
- The appointment of Dr. Jiao Jie as Independent Non-executive Director was approved at the annual general meeting held in June 2015 to replace Mr. Chen Jing.

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 annual general meeting will be published at the websites of the Stock Exchange and the Company respectively on the same day after the annual general meeting for the information of the shareholders and investors.

AMENDMENTS TO ARTICLES OF ASSOCIATION

During the reporting period, the Company made no amendments to the provisions of the Articles of Association.

INVESTORS CALENDAR



Notes*:

The reply slip for the annual general 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 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, 6 May 2016.

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.

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 published information of the Company (to the extent it is publicly available) from the Board and the management by sending emails to the E-mail address for Investors Relations: investor@capinfo.com.cn or to Mr. Lu Lei, the vice president and secretary of the Board of the Company by post. Any such letter from the shareholders should be marked with "Shareholders' Communication" on envelope.



Grant Thornton

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To the members of Capinfo Company Limited

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

We have audited the consolidated financial statements of Capinfo Company Limited (the "Company") and its subsidiaries set out on pages 95 to 171, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road, Wanchai

Hong Kong

24 March 2016

Shaw Chi Kit

Practising Certificate No.: P04834

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	6	879,473	756,810
Cost of sales		(618,760)	(521,745)
Gross profit		260,713	235,065
Other income	6	31,374	30,431
Other gains and losses	8	48,871	1,109
Research and development costs		(75,124)	(41,697)
Marketing and promotional expenses		(84,805)	(82,846)
Administrative expenses		(94,717)	(75,650)
Finance cost for loan wholly repayable within five years		(679)	(227)
Share of results of associates	20	16,272	14,605
Profit before tax		101,905	80,790
Income tax expense	11	(361)	(13,792)
Profit for the year	12	101,544	66,998
Profit and total comprehensive income for the year attributable to			
– Owners of the Company		101,542	66,993
– Non-controlling interests		2	5
		101,544	66,998
Earnings per share for profit attributable to owners of the Company during the year	14		
– Basic		RMB3.50 cents	RMB2.31 cents
– Diluted		RMB3.50 cents	RMB2.30 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000 (Restated)	As at 1 January 2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	15	152,147	187,747	165,451
Investment property	16	49,057	52,831	56,605
Goodwill	17	184,598	184,598	–
Intangible assets	18	32,568	42,792	14,537
Prepaid lease payments	19	32,578	40,217	39,707
Deposits paid on acquisition of property, plant and equipment		1,149	2,121	2,505
Interests in associates	20	75,974	64,529	54,542
Financial assets at fair value through profit or loss	21	6,659	–	–
Available-for-sale investments	22	971	971	1,971
Trade receivables	25	57,040	58,467	89,533
Deferred tax assets	23	18,046	10,458	6,014
		610,787	644,731	430,865
Current assets				
Inventories	24	17,461	28,108	5,342
Prepaid lease payments	19	8,548	7,781	7,051
Trade and other receivables	25	327,928	267,922	197,434
Income tax recoverable		1,098	–	–
Amounts due from customers for contract works	26	59,235	76,159	68,125
Amounts due from related parties	41	24,711	13,011	10,021
Bank deposits	27	80,910	4,593	72,767
Bank balances and cash	27	498,559	468,071	365,372
		1,018,450	865,645	726,112
Current liabilities				
Trade and other payables	28	335,042	265,500	227,724
Contingent consideration payable	30	82,255	–	–
Amounts due to related parties	41	4,463	2,382	1,004
Amounts due to customers for contract works	26	243,515	246,584	107,591
Loan from government	31	1,810	2,720	3,630
Short term bank loan	29	–	20,000	–
Income tax payable		7,125	12,817	133
		674,210	550,003	340,082
Net current assets		344,240	315,642	386,030
Total assets less current liabilities		955,027	960,373	816,895
Non-current liabilities				
Contingent consideration payable	30	37,438	113,161	–
Deferred tax liabilities	23	547	994	–
		37,985	114,155	–
Net assets		917,042	846,218	816,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000 (Restated)	As at 1 January 2014 RMB'000 (Restated)
Capital and reserves				
Share capital	32	289,809	289,809	289,809
Share premium and reserves		627,094	556,272	526,954
Equity attributable to owners of the Company		916,903	846,081	816,763
Non-controlling interests		139	137	132
Total equity		917,042	846,218	816,895

CHAIRMAN

Mr. Xu Zhe

EXECUTIVE DIRECTOR, VICE PRESIDENT
AND SECRETARY OF THE BOARD

Mr. Lu Lei

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company						
	Share capital	Share premium	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014, as previously reported	289,809	254,079	49,902	237,969	831,759	132	831,891
Restatements due to change in accounting policy by the Company's associate (note 3)	-	-	-	(14,996)	(14,996)	-	(14,996)
At 1 January 2014 (restated)	289,809	254,079	49,902	222,973	816,763	132	816,895
Profit and total comprehensive income for the year (restated)	-	-	-	66,993	66,993	5	66,998
Dividend recognised as distribution (note 13)	-	-	-	(37,675)	(37,675)	-	(37,675)
Profit appropriations	-	-	8,761	(8,761)	-	-	-
At 31 December 2014 (restated)	289,809	254,079	58,663	243,530	846,081	137	846,218
At 1 January 2015, as previously reported	289,809	254,079	58,663	261,916	864,467	137	864,604
Restatements due to change in accounting policy by the Company's associate (note 3)	-	-	-	(18,386)	(18,386)	-	(18,386)
At 1 January 2015 (restated)	289,809	254,079	58,663	243,530	846,081	137	846,218
Profit and total comprehensive income for the year	-	-	-	101,542	101,542	2	101,544
Dividend recognised as distribution (note 13)	-	-	-	(30,720)	(30,720)	-	(30,720)
Profit appropriations	-	-	5,580	(5,580)	-	-	-
At 31 December 2015	289,809	254,079	64,243	308,772	916,903	139	917,042

CONSOLIDATED STATEMENT OF CASH FLOWS



For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Operating activities			
Profit for the year		101,544	66,998
Adjustments for:			
Income tax expense		361	13,792
Finance cost		679	227
Interest income from bank deposits		(2,413)	(3,571)
Fair value gain on financial assets at fair value through profit or loss		(5,594)	(758)
Change in fair value of contingent consideration payable		6,532	2,274
Share of results of associates		(16,272)	(14,605)
Depreciation of property, plant and equipment		72,516	44,381
Depreciation of investment property		3,774	3,774
Amortisation of intangible asset		19,195	4,048
Loss/(gain) on disposal of property, plant and equipment		201	(39)
Gain on disposal of available-for-sale investments		(56,862)	(3,108)
Written-off of long outstanding payables		–	(4,084)
Allowance for doubtful debts		9,419	4,606
Operating cash flows before movements in working capital		133,080	113,935
Decrease/(increase) in inventories		10,647	(8,467)
Decrease/(increase) in amounts due from customers for contract works		16,924	(8,034)
Increase in amounts due from related parties		(5,150)	(4,287)
Increase in trade and other receivables		(60,688)	(3,858)
Increase in trade and other payables		69,542	32,201
(Decrease)/increase in amounts due to related parties		(48)	1,322
(Decrease)/increase in amounts due to customers for contract works		(3,069)	138,993
Cash generated from operations		161,238	261,805
Income tax paid		(15,186)	(6,323)
Net cash generated from operating activities		146,052	255,482

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Investing activities			
Interest received		2,413	3,571
Dividend received from an associate		4,827	4,618
Proceeds from disposal of property, plant and equipment		–	73
Cash paid for acquisition of property, plant and equipment		(37,338)	(64,944)
Deposits paid for acquisition of property, plant and equipment		(854)	(295)
Cash paid for development costs		(6,924)	(9,596)
Withdrawal from bank deposits		10,723	69,714
Placement of bank deposits		(87,040)	(1,540)
Cash paid for prepaid lease payments		(438)	(8,290)
Net cash outflow on acquisition of a subsidiary	39	–	(137,501)
Proceeds from disposal of available-for-sale investments		51,441	4,108
Cash paid for acquisition of financial assets at fair value through profit or loss		(193,000)	(91,000)
Cash received from redemption of financial assets at fair value through profit or loss		197,356	95,758
Repayment from related parties		2,170	1,353
Cash advanced to related parties		(6,591)	–
Net cash used in investing activities		(63,255)	(133,971)
Financing activities			
Interest paid		(679)	(227)
Repayment of loan from government		(910)	(910)
Repayment of short term bank loan		(20,000)	–
Proceeds from new bank loan		–	20,000
Dividend paid		(30,720)	(37,675)
Net cash used in financing activities		(52,309)	(18,812)
Net increase in cash and cash equivalents		30,488	102,699
Cash and cash equivalents at the beginning of the year		468,071	365,372
Cash and cash equivalents at the end of the year, represented by bank balances and cash		498,559	468,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



For the year ended 31 December 2015

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 parent and ultimate holding company is 北京市國有資產經營有限責任公司 (Beijing State-owned Assets Management Co., Ltd., or "BSAM"), a state-owned enterprise, also established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The Company and its subsidiaries (hereinafter collectively referred to as 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 and self-developed computer software.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group. The consolidated financial statements on pages 95 to 171 were approved and authorised for issue by the board of directors on 24 March 2016.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of these revised HKFRSs does not have any material impact on the consolidated financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. APPLICATION OF REVISED HKFRSs (CONTINUED)

New and amended HKFRSs issued but not yet effective

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

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 9	Financial Instruments ²
Amendments to HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Available for application, the mandatory effective date is subject to a date to be determined

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the new and amended HKFRSs. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.



2. APPLICATION OF REVISED HKFRSs (CONTINUED)

HKFRS 9 Financial Instruments

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and will replace HKAS 39 in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case, all gains or losses on that liability are to be presented in profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The directors are currently assessing the possible impact of HKFRS 9 on the Group's results and financial position in the first year of application.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors are currently assessing the possible impact of HKFRS 15 on the Group's results and financial position in the first year of application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. RESTATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY BY THE COMPANY'S ASSOCIATE

In preparing the Group's consolidated financial statements for the year ended 31 December 2015, the Group has identified certain restatements required in the comparative financial information presented arising from share of results in Beijing Certificate Authority Co., Ltd. ("BJCA") 北京數字認證股份有限公司, an associate of the Group principally engaged in the provision of services related to digital certificates.

In the prior years, revenue of BJCA arising from the provision of services related to digital certificates was recognised immediately upon relevant digital certificate has been installed and the security keys have delivered and accepted by customers or upon relevant services contract being renewed.

During the year, the management of BJCA conducted an evaluation of the above basis of revenue recognition and determined that after installation of digital certificate together with the delivery of security keys to customers, BJCA also serves as services provider to the individualised security keys, such that the users are then able to access to the security system. BJCA has to provide services to its customers such as unlock, deactivate and certificate search when individual customers login to security system during the life of the digital certificate, therefore the management of BJCA concluded that proper treatment is to recognise the revenue received over the life of digital certificate and therefore the management of BJCA decided to proceed with the restatements.

The impact of the restatements in the consolidated financial statements in respect of the change in revenue recognition policy recognised by BJCA on the Group is as follows:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014

	As previously reported RMB'000	Decrease RMB'000	Restated RMB'000
Share of results of associates	17,995	(3,390)	14,605
Profit before tax	84,180	(3,390)	80,790
Profit and total comprehensive income for the year	70,388	(3,390)	66,998
Profit and total comprehensive income for the year attributable to owners of the Company	70,383	(3,390)	66,993
Earnings per share for profit attributable to owners of the Company during the year			
– Basic	RMB2.43 cents	(RMB0.12 cents)	RMB2.31 cents
– Diluted	RMB2.42 cents	(RMB0.12 cents)	RMB2.30 cents

3. RESTATEMENTS DUE TO CHANGE IN ACCOUNTING POLICY BY THE COMPANY'S ASSOCIATE (CONTINUED)

Consolidated statement of financial position as at 1 January 2014 and 31 December 2014

	As previously reported RMB'000	Decrease RMB'000	Restated RMB'000
As at 1 January 2014			
Interests in associates	69,538	(14,996)	54,542
Total non-current assets	445,861	(14,996)	430,865
Total assets less current liabilities	831,891	(14,996)	816,895
Net assets	831,891	(14,996)	816,895
Share premium and reserves	541,950	(14,996)	526,954
Total equity	831,891	(14,996)	816,895
As at 31 December 2014			
Interests in associates	82,915	(18,386)	64,529
Total non-current assets	663,117	(18,386)	644,731
Total assets less current liabilities	978,759	(18,386)	960,373
Net assets	864,604	(18,386)	846,218
Share premium and reserves	574,658	(18,386)	556,272
Total equity	864,604	(18,386)	846,218

4. 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 ("Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The amendments to Listing Rules relating to financial information with reference to the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. 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.

4.1 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.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of consolidation (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements 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 consolidated 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 consolidation.

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 a financial asset, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

4.3 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.

The results, 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 statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Investments in associates (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Investments in associates (continued)

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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4.4 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.

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

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

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



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 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.

4.6 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property, plant and equipment (continued)

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.

4.7 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.

4.8 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).



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Intangible assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 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.

4.10 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.

4.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use of sale. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 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 recognise 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.

4.13 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.

4.14 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Taxation (continued)

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.

4.15 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.

4.16 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Financial instruments (continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

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 fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss 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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss 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 fair value through profit or loss.

Financial assets at fair value through profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 fair value through profit or loss, 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 fair value through profit or loss, are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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

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

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



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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, loan from government, bank loan and contingent consideration payable 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.

4.17 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.



4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.19 Impairment losses on tangible and intangible assets

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Closing members of the family of a person are those family members who may be expected to influence, or be influenced by, that in their dealings with the entity.



5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.19. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 17.

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 2015, the carrying amount of trade receivables is RMB300,077,000 (net of allowance for doubtful debts of RMB29,406,000) (31 December 2014: the carrying amount of trade receivables is RMB249,755,000, net of allowance for doubtful debts of RMB22,090,000) (note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values of network equipment involves 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 15.

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 6. 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 certain of 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 23. 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.



6. REVENUE AND OTHER INCOME

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

	2015 RMB'000	2014 RMB'000
Revenue		
<i>Income from technology service contracts</i>		
Operation and maintenance service	494,607	418,508
System integration service	193,547	151,960
Software development service	173,323	179,967
Consulting service	5,602	1,917
	867,079	752,352
<i>Sales of goods</i>	12,394	4,458
	879,473	756,810

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

	2015 RMB'000	2014 RMB'000
Other income		
Gross rental income from investment property	11,703	11,988
Interest income from bank deposits	2,413	3,571
Imputed interest income from Build-and-Transfer ("BT") projects	3,087	3,697
Government grants (note)	14,149	11,062
Others	22	113
	31,374	30,431

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. SEGMENT 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") or the person who is authorised to exercise the authority of 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 of the Group as a whole prepared in accordance with the Accounting Standards for Business Enterprise of the PRC, which has no significant differences as compared with the consolidated profit after taxation and the consolidated revenue reported under HKFRSs. 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 the 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 RMB672,740,000 (2014: RMB685,915,000) (note 41(iv)). Other than this, the Group has no customer which contributes more than 10% of the Group's consolidated revenue for both years.

8. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Fair value gain on financial assets at fair value through profit or loss	5,594	758
Gain on disposal of available-for-sale investments (note)	56,862	3,108
Fair value changes of contingent consideration payable (note 30)	(6,532)	(2,274)
(Loss)/gain on disposal of property, plant and equipment	(201)	39
Allowance for doubtful debts (note 25)	(9,419)	(4,606)
Written-off of long outstanding payables	–	4,084
Exchange gain, net	2,567	–
	48,871	1,109



8. OTHER GAINS AND LOSSES (CONTINUED)

Note:

On 23 October 2014, the Company was informed by PayEase Corp. ("PayEase") (an available-for-sale investee with nil carrying value) that on 21 October 2014 (United States time) a merger agreement was entered into among PayEase and Mozido Inc. ("Mozido"), an independent third party, two of Mozido's subsidiaries ("First Subsidiary" and "Second Subsidiary"), and other parties including the escrow agent, the payments administrator and a person representing the security holders in PayEase for the purpose of the merger agreement. The Group is not a party to the merger agreement.

Pursuant to the merger agreement, Mozido has conditionally agreed to cause its First Subsidiary to merge with and into PayEase and, promptly after, PayEase to merge with and into Second Subsidiary, with Second Subsidiary surviving as a wholly-owned subsidiary of Mozido. It has been agreed between PayEase and Mozido that (subject to certain closing adjustments) the aggregate consideration for the mergers is US\$750 million, which will be satisfied by (i) US\$135 million in the form of cash, less third party expenses, PayEase Group's debt, amounts set aside for expenses to be incurred by the person representing the security holders in PayEase for the purposes of the merger agreement, and working capital deficit; (ii) the allotment and issue of approximately 8,977,361 shares of Series C-1 preferred stock of Mozido ("C-1 Stock") at an issuance price of US\$12.81 per share (approximately RMB78.29); and (iii) the allotment and issue of approximately 39,032,006 shares of Series C-2 preferred stock of Mozido ("C-2 Stock") at an issuance price of US\$12.81 per share (approximately RMB78.29).

On 6 January 2015 (Hong Kong time), the Group received from PayEase supporting documents evidencing that First Subsidiary was merged with and into PayEase on 31 December 2014 and then PayEase was merged with and into Second Subsidiary on 2 January 2015.

As informed by PayEase, based on the Group's shareholding in PayEase, subject to any escrow arrangements, the expected consideration receivable by the Group following the execution and return of certain documents will be amounted to approximately US\$14.8 million in form of cash; 1,254,164 shares of C-1 Stock; and 5,452,886 shares of C-2 Stock. The expected consideration is subject to closing adjustments.

During the current year, the Group recognised gain on the deemed disposal of PayEase amounting to RMB56,862,000 (2014: Nil). The gain comprised of cash received of RMB51,441,000 and 2,771,484 shares of C-2 Stock valued at RMB5,421,000 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. OTHER GAINS AND LOSSES (CONTINUED)

Note: (continued)

As the Group is not a party to the merger agreement, in the opinion of the management, the stock price of US\$12.81 (approximately RMB78.29) per share does not represent the fair value of the C-1 Stock and C-2 Stock (which are of different terms) and therefore the fair value of C-2 Stock has been determined by reference to the valuation of professional valuer on a combination of market approach and Black-Scholes option pricing model, details of which are set out in note 35.

The Group did not recognise the remaining cash portion and C-1 Stock and C-2 Stock withheld under escrow agent and subject to escrow arrangements and closing adjustments as the ultimate realisation of the amount of cash portion and number of C-1 Stock and C-2 Stock are unable to ascertain and the economic inflow is uncertain as at the date of the report.

Details are set out in the Company's announcements dated 18 November 2014, 8 January 2015, 17 February 2015, 14 April 2015, 14 May 2015 and a circular dated 26 October 2015.

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

	2015 RMB'000	2014 RMB'000
Fees		
– independent non-executive directors	260	255
Other emoluments for executive and non-executive directors		
– basic salaries and allowances	1,262	1,173
– retirement benefit scheme contributions	84	94
	1,346	1,267
Other emoluments for supervisors		
– basic salaries and allowances	567	264
– retirement benefit scheme contributions	84	56
	651	320
	2,257	1,842



9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The emoluments paid or payable to each of the 20 (2014: 17) directors, chief executive and supervisors were as follows:

2015

	Other emoluments			Total RMB'000
	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Directors				
Executive Director				
Mr. Lu Lei (Vice President and Secretary, re-designated from Non-executive Director to Executive Director on 19 June 2015)	-	471	44	515
Dr. Wang Xu (Chairman & CEO, resigned on 12 January 2016)	-	791	40	831
Non-executive Directors				
Mr. Zhou Weihua* (appointed on 19 June 2015)	-	-	-	-
Mr. Shan Yuhu* (appointed on 19 June 2015)	-	-	-	-
Ms. An Lili* (appointed on 19 June 2015)	-	-	-	-
Mr. Pan Jiaren* (resigned on 19 June 2015)	-	-	-	-
Ms. Hu Sha* (resigned on 19 June 2015)	-	-	-	-
Mr. Wang Zhuo* (resigned on 19 June 2015)	-	-	-	-
Mr. Shi Hongyin* (resigned on 12 January 2016)	-	-	-	-
Mr. Wu Shengjiao* (resigned on 12 January 2016)	-	-	-	-
Independent Non-executive Directors				
Ms. Zhou Liye	63	-	-	63
Mr. Gong Zhiqiang	65	-	-	65
Dr. Jiao Jie (appointed on 19 June 2015 and resigned on 18 March 2016)	32	-	-	32
Mr. Cheung, Wai Hung Boswell (appointed on 19 June 2015)	32	-	-	32
Mr. Chen Jing (resigned on 19 June 2015)	38	-	-	38
Mr. Zeng Xianggao (resigned on 19 June 2015)	30	-	-	30
Supervisors				
Mr. Di Guojun*	-	-	-	-
Mr. Liang Xianjun*	-	-	-	-
Mr. Lang Jianjun (appointed on 19 June 2015)	-	234	40	274
Ms. Xu Xiangyan (resigned on 19 June 2015)	-	333	44	377
	260	1,829	168	2,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS (CONTINUED)

2014

	Fees RMB'000	Other emoluments		Total RMB'000
		Basic salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Directors				
Executive Director				
Dr. Wang Xu (Chairman & CEO)	–	963	57	1,020
Non-executive Directors				
Mr. Lu Lei	–	210	37	247
Mr. Pan Jiaren*	–	–	–	–
Mr. Shi Hongyin*	–	–	–	–
Ms. Hu Sha*	–	–	–	–
Mr. Wang Zhuo*	–	–	–	–
Mr. Wu Shengjiao* (appointed on 20 June 2014)	–	–	–	–
Mr. Xu Zhe* (resigned on 5 June 2014)	–	–	–	–
Ms. Zhang Kaihua* (resigned on 5 June 2014)	–	–	–	–
Independent Non-executive Directors				
Mr. Chen Jing	75	–	–	75
Mr. Zeng Xianggao	60	–	–	60
Mr. Gong Zhiqiang	60	–	–	60
Ms. Zhou Liye	60	–	–	60
Supervisors				
Mr. Di Guojun*	–	–	–	–
Ms. Xu Xiangyan	–	264	56	320
Mr. Liang Xianjun* (appointed on 20 June 2014)	–	–	–	–
Mr. Xiao Jun* (resigned on 20 June 2014)	–	–	–	–
	255	1,437	150	1,842

* 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.

Dr. Wang Xu was also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

No directors have waived any emoluments during both years of 2015 and 2014.

10. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included one (2014: one) director of the Company, whose emoluments are included in note 9 above. The emoluments of the remaining four (2014: four) highest paid individuals are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries and allowances	3,115	3,474
Retirement benefit scheme contributions	176	225
	3,291	3,699

The above employees' emoluments were within the following bands:

	Number of individuals	
	2015	2014
Nil to Hong Kong Dollar ("HK\$") 1,000,000	2	–
Hong Kong Dollar ("HK\$") 1,000,001 to 1,500,000	2	4

During the year ended 31 December 2015 and 2014, 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

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax		
– Current year	7,993	12,346
– Under provision	403	5,730
Deferred tax credit (note 23)		
– Current year	(3,153)	(4,284)
– Effect of change in tax rate	(4,882)	–
Income tax expense	361	13,792

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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 years 2013 and 2014.

The Company was recognised as a High Technology Enterprise (“HTE”) in 2011, further accredited as HTE in 2014 and subject to the PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on Enterprise Income Tax (“EIT”).

The Company’s subsidiary, Capinfo Technology Development Co., Ltd. (“Capinfo Technology”) subjects to PRC income tax at 15% for years 2013 and 2014. In 2014, Capinfo Technology was further accredited as HTE and subject to PRC income tax at 15% for three years from 2015 to 2017 in accordance with the Law of the PRC on EIT.

In accordance with the tax legislations applicable to the enterprises which newly engaged in the development of software in the PRC, the Company’s subsidiary Rito Info Technology Co., Ltd. (“Rito Info”) 廈門融通信息技術有限責任公司 is entitled to exemptions from the PRC on EIT for the first two years commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC on EIT for the following three years (“Tax Preferential Period”). According to the EIT, the first year income tax exemption commenced for year 2011 and enjoyed the second year income tax exemption for the year 2012. Rito Info is entitled to a concession tax rate of 12.5% from Years 2013 to 2015.

Rito Info was recognised as a HTE in 2012 and further accredited in 2015, in accordance with the Law of the PRC on EIT, which was accredited to the PRC income tax at 15% for three years after the Tax Preferential Period.

11. INCOME TAX EXPENSE (CONTINUED)

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 per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Profit before tax	101,905	80,790
Tax at statutory income tax rate of 25% (2014: 25%)	25,476	20,197
Tax effect of the various low tax rate incentives	(8,948)	(11,478)
Tax effect of share of results of associates	(4,068)	(3,651)
Tax effect of expenses that are not deductible for tax purpose	3,801	970
Tax effect of income not subject to tax	(12,069)	(49)
Tax effect of deductible temporary differences not recognised	773	376
Utilisation of tax losses previously not recognised	(125)	(10)
Tax effect of tax losses not recognised	–	1,707
Tax effect of changes in tax rate of deferred tax assets recognised	(4,882)	–
Under provision in respect of prior years	403	5,730
Tax expense for the year	361	13,792

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12. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000 (Restated)
Profit for the year has been arrived at after charging the following items:		
Directors', chief executive's and supervisors' remuneration (note 9)	2,257	1,842
Other staff costs	252,101	159,283
Other staff's retirement benefit scheme contributions	27,205	18,883
	281,563	180,008
Less: Staff costs included in		
– research and development costs	(51,470)	(31,475)
– cost of sales	(101,718)	(63,865)
	128,375	84,668
Depreciation of property, plant and equipment (note 15)	72,516	44,381
Depreciation of investment property (note 16)	3,774	3,774
Total depreciation	76,290	48,155
Less: Depreciation included in		
– research and development costs	(3,737)	(1,755)
– cost of sales	(40,806)	(32,242)
	31,747	14,158
Amortisation of intangible assets (note 18)	19,195	4,048
Operating lease rentals in respect of		
– cable network (note 37)	45,575	45,587
– office premises (note 37)	38,568	33,286
	84,143	78,873
Less: Operating lease rentals included in		
– research and development costs	(4,609)	(2,133)
– cost of sales	(59,724)	(52,549)
	19,810	24,191
Auditors' remuneration	1,817	1,383
Direct operating expenses arising from investment property that generated rental income	3,617	2,311
Cost of inventories recognised as expenses	168,461	162,870
Share of tax of associates (included in share of results of associates)	2,528	2,708



13. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Dividends recognised as distribution during the year:		
2013 Final – RMB1.30 cents per share	–	37,675
2014 Final – RMB1.06 cents per share	30,720	–
	30,720	37,675

Subsequent to the end of the reporting period, a final dividend of RMB1.57 cents pre-tax per share in respect of the year ended 31 December 2015 (2014: final dividend of RMB1.06 cents pre-tax per share in respect of the year ended 31 December 2014) in total of approximately RMB45,500,000 (2014: RMB30,720,000) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	101,542	66,993

	2015	2014
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	2,898,086,091	2,898,086,091
Effect of dilutive potential ordinary shares	–	8,963,158
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,898,086,091	2,907,049,249

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as there are no potential ordinary shares outstanding during the year.

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15. 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 2014	151,056	635,207	12,799	30,090	31,733	860,885
Additions	10,187	14,060	981	6,757	33,638	65,623
Transfer	–	4,626	–	16,032	(20,658)	–
Eliminated on disposals/written-off	(10,061)	(56,461)	(809)	–	–	(67,331)
Acquired on acquisition of a subsidiary (note 39)	779	8	301	–	–	1,088
At 31 December 2014 and 1 January 2015	151,961	597,440	13,272	52,879	44,713	860,265
Additions	8,767	15,615	136	14,646	–	39,164
Transfer	121	42,241	–	304	(44,713)	(2,047)
Eliminated on disposal/written-off	(4,580)	(14,476)	(247)	–	–	(19,303)
At 31 December 2015	156,269	640,820	13,161	67,829	–	878,079
Accumulated depreciation						
At 1 January 2014	134,061	533,584	9,313	18,476	–	695,434
Provided for the year (note 12)	11,518	26,865	1,305	4,693	–	44,381
Eliminated on disposal/written-off	(10,056)	(56,433)	(808)	–	–	(67,297)
At 31 December 2014 and 1 January 2015	135,523	504,016	9,810	23,169	–	672,518
Provided for the year (note 12)	11,841	41,456	1,304	17,915	–	72,516
Eliminated on disposals/written-off	(4,506)	(14,365)	(231)	–	–	(19,102)
At 31 December 2015	142,858	531,107	10,883	41,084	–	725,932
Carrying amount						
At 31 December 2015	13,411	109,713	2,278	26,745	–	152,147
At 31 December 2014	16,438	93,424	3,462	29,710	44,713	187,747

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



16. INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	74,320
Accumulated depreciation	
At 1 January 2014	17,715
Provided for the year (note 12)	3,774
At 31 December 2014 and 1 January 2015	21,489
Provided for the year (note 12)	3,774
At 31 December 2015	25,263
Carrying amount	
At 31 December 2015	49,057
At 31 December 2014	52,831

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

The fair value of the Group's investment property at 31 December 2015 was RMB161,000,000 (2014: RMB158,000,000). The fair value has been arrived at based on a valuation carried out by DTZ Cushman & Wakefield, 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 Group 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.

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16. INVESTMENT PROPERTY (CONTINUED)

Details of the Group's investment property and information of the fair value hierarchy as at 31 December 2015 are as follows:

	Carrying amount		Level 3	
	as at 31 December 2015 RMB'000	fair value as at 31 December 2015 RMB'000	as at 31 December 2014 RMB'000	fair value as at 31 December 2014 RMB'000
Commercial property units located in the PRC	49,057	161,000	52,831	158,000

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

At 31 December 2015, the ownership title certificate of the property had not been issued to the Group.

17. GOODWILL

The main changes in the carrying amounts of goodwill result from the acquisition of Rito Info in 2014. The net carrying amount of goodwill can be analysed as follows:

	2015 RMB'000	2014 RMB'000
At beginning of the year	184,598	–
Acquisition of a subsidiary (note 39)	–	184,598
At end of the year	184,598	184,598

The carrying amount of goodwill, net of any impairment loss, is allocated to Rito Info.

The recoverable amount for the cash generating unit was determined based on value in use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the product lines of the cash generating unit.

The key assumptions used for value in use calculations were as follows:

	2015	2014
Average growth rate	7.13%	7.39%
Discount rate	12.50%	12.24%

The annual revenue growth rate used is consistent with the forecasts of the market. The discount rate used is pre-tax and reflects specific risks relating to the operating segment.



18. INTANGIBLE ASSETS

	Capitalised development cost (note (i)) RMB'000	Customer base (note (ii)) RMB'000	Total RMB'000
At 1 January 2014	12,718	1,819	14,537
Additions from internal developments	9,596	–	9,596
Acquired on acquisition of a subsidiary (note 39)	22,707	–	22,707
Amortisation expenses (note 12)	(3,272)	(776)	(4,048)
At 31 December 2014 and 1 January 2015	41,749	1,043	42,792
Additions from internal developments	8,971	–	8,971
Amortisation expenses (note 12)	(18,419)	(776)	(19,195)
At 31 December 2015	32,301	267	32,568

Notes:

- (i) Capitalised development cost represents the cost in relation to the cloud computing and self developed computer software and computer software through business combination. 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. 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:

	2015 RMB'000	2014 RMB'000
Current portion	8,548	7,781
Non-current portion	32,578	40,217
	41,126	47,998

Prepaid lease payments represent prepayments made by the Group for the rental of premises for a period from 1 to 8 years (2014: from 1 to 9 years) for installation of wireless equipment for the government network projects.

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20. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000 (Restated)
Cost of unlisted investments in associates	24,314	24,314
Share of post-acquisition profit, net of dividends received	51,660	40,215
	75,974	64,529

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 interest and voting power held by the Group		Principal activities
		2015	2014	
BJCA (北京數字認證股份有限公司)	The 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 HKFRSs.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Details of transaction:

BJCA provided software development and related technical services to the Group during the year, details of which are set out in note 41(ii).

BJCA

	2015 RMB'000	2014 RMB'000 (Restated)
Current assets	409,391	356,575
Non-current assets	37,693	32,413
Current liabilities	223,538	201,260
Non-current liabilities	12,609	12,629
Net assets	210,937	175,099
Revenue	373,172	309,826
Profit from continuing operations	54,415	52,029
Profit for the year	47,188	44,288
Other comprehensive income for the year	–	–
Total comprehensive income for the year	47,188	44,288
Total comprehensive income attributable to owners of the Company	47,769	44,288
Total comprehensive income attributable to non-controlling interests	(581)	–
Total comprehensive income of BJCA	47,188	44,288
Dividend received from the associate during the year	4,827	4,618

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

	2015 RMB'000	2014 RMB'000 (Restated)
Equity attributable to owners of the Company	209,068	175,099
Non-controlling interests	1,869	–
Net assets of BJCA	210,937	175,099
Proportion of the Group's ownership interest in BJCA	34.98%	34.98%
Carrying amount of the Group's interest in BJCA	73,132	61,249

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For the year ended 31 December 2015

20. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associate that are not individually material

	2015 RMB'000	2014 RMB'000
The Group's share of loss for the year	(438)	(887)
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	(438)	(887)
Aggregate carrying amount of the Group's interest in an associate	2,842	3,280
Dividend received from the associate during the year	–	–

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Unlisted investments:		
Non-current		
Designated as at fair value through profit or loss – Equity securities	6,659	–

The above unlisted investment represents C-2 Stock held by the Group. The fair value measurements information of the above unlisted investment is set out in note 35.



22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at cost	971	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.

Name of investee	Place of incorporation/ establishment	Proportion of nominal value of registered/issued capital held by the Group		Principal activities
		2015	2014	
Capinfo Soft Co., Ltd. (遼寧眾信同行軟件開發有限公司)	The PRC	19%	19%	Development, sales and management consultation of operation systems and related businesses
PayEase	United States	Nil	13.7%*	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 customer loyalty solutions
Ziguang Information Industry Investment Co., Ltd.	The PRC	23%	23%	Provision of development, sales and management consultation of operation systems and related businesses

* The Group's shareholding in PayEase was diluted to 13.7% after taking into account all outstanding shares of common stock and preferred stock and assuming exercise and conversion in full of the outstanding options.

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23. DEFERRED TAXATION

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

	Payroll and welfare payable and accrued expense RMB'000	Temporary differences on trade and other receivables RMB'000	Temporary difference of intangible assets RMB'000	Total RMB'000
At 1 January 2014	6,014	–	–	6,014
Acquired on acquisition of a subsidiary (note 39)	48	69	(951)	(834)
(Debited)/credited to profit or loss for the year (note 11)	2,157	2,170	(43)	4,284
At 31 December 2014 and 1 January 2015	8,219	2,239	(994)	9,464
Effect on change in tax rate (note 11)	4,079	803	–	4,882
Credited to profit or loss for the year (note 11)	1,048	1,658	447	3,153
At 31 December 2015	13,346	4,700	(547)	17,499

The analysis of deferred income tax is as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets – to be recovered after more than 12 months	18,046	10,458
Deferred income tax liabilities – to be recovered after more than 12 months	(547)	(994)
	17,499	9,464

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

	2015 RMB'000	2014 RMB'000
Tax losses	15,868	16,450
Deductible temporary differences on allowance for the inventories and receivables	22,262	33,381
	38,130	49,831



23. DEFERRED TAXATION (CONTINUED)

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:

	2015 RMB'000	2014 RMB'000
2015	–	134
2017	158	570
2018	8,916	8,916
2019	6,794	6,830
Total	15,868	16,450

24. INVENTORIES

The inventories comprise of consumables, spare parts and work in progress of computer software products at the end of the year.

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25. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Total trade receivables	329,483	271,845
Less: Allowance for doubtful debts	(29,406)	(22,090)
	300,077	249,755
Less: Non-current portion which is shown in non-current assets	(57,040)	(58,467)
	243,037	191,288
Other receivables and prepayments	19,977	22,594
Deposits for technology service contracts	65,667	54,732
Less: Allowance for doubtful debts	(753)	(692)
	84,891	76,634
Trade and other receivables shown in current assets	327,928	267,922

The Group allows an average credit period of 180 days to its trade customers except for certain BT projects. The trade receivables from the BT projects are unsecured, which are repayable by instalments 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.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2015 RMB'000	2014 RMB'000
Age		
0 to 6 months	175,058	127,088
7 to 12 months	26,245	95,898
Over 1 year	98,774	26,769
	300,077	249,755
Less: Non-current portion	(57,040)	(58,467)
	243,037	191,288

Movements in the allowance for the doubtful debts on trade and other receivables:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	22,782	17,903
Acquired on acquisition of a subsidiary (note 39)	–	553
Impairment losses recognised during the year (note 8)	9,419	4,606
Written-off as uncollectible	(2,042)	(280)
Balance at end of the year	30,159	22,782

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 RMB26,408,000 (2014: RMB19,432,000).

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26. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2015 RMB'000	2014 RMB'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred to date	540,380	330,158
Recognised profits less recognised losses	162,079	82,541
	702,459	412,699
Less: Progress billings	(886,739)	(583,124)
	(184,280)	(170,425)
Recognised and included in the consolidated statement of financial position:		
Amounts due from customers for contract works	59,235	76,159
Amounts due to customers for contract works	(243,515)	(246,584)
	(184,280)	(170,425)

27. BANK BALANCES AND CASH/BANK DEPOSITS

Bank balances and cash

Bank balances carry interest at a market interest rate of 0.35% (2014: 0.35%) per annum.

Bank deposits

Bank deposits carry fixed interest rates which range from 0.35% to 3.25% (2014: 0.35% to 2.55%) per annum with maturity periods between three and six months.

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28. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	128,278	123,237
Bills payable	1,164	–
Deferred income arising from government grants (note)	25,069	9,320
Other payables	46,630	94,642
Accrued expenses	76,638	12,445
Payroll and welfare payables	52,720	25,508
Advance from customers	4,543	348
	335,042	265,500

Note:

The balance arises as a result of the benefit received from the government. The Group received government grants of RMB29,898,000 (2014: RMB12,673,000) during the current year for certain technology research activities and recognised RMB14,149,000 (2014: RMB11,062,000) in other income in the current year.

The following is an aging analysis of trade payables at the end of the year, which is presented based on the date of material or service received or the billing date of contract works:

	2015 RMB'000	2014 RMB'000
Age		
1 year	75,420	53,663
1 to 2 years	14,949	42,918
2 to 3 years	24,456	17,299
Over 3 years	13,453	9,357
	128,278	123,237

The average credit period on purchase of goods is 15 days (2014: 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 RMB3,356,000 (2014: RMB3,774,000) 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.

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29. SHORT TERM BANK LOAN

	2015 RMB'000	2014 RMB'000
Bank loan, unsecured	–	20,000

As at 31 December 2014, the loan was unsecured interest bearing at an interest rate of 5.60% per annum and repaid during the year ended 31 December 2015.

30. CONTINGENT CONSIDERATION PAYABLE

	2015 RMB'000	2014 RMB'000
At beginning of the year	113,161	–
Acquisition of a subsidiary	–	110,887
Fair value change of contingent consideration payable (note 8)	6,532	2,274
At end of the year	119,693	113,161
Amount due within one year included under current liabilities	(82,255)	–
Amount due after one year included under non-current liabilities	37,438	113,161

On 12 November 2014, the Group acquired 100% issued capital of Rito Info, depending on the upcoming financial performance of Rito Info, the cash consideration for this acquisition will be RMB305,000,000 (subject to adjustments). As at 31 December 2015, the potential balance payable of undiscounted amount of all future payments that the Group could be required to pay under this arrangement is RMB135,777,000 (2014: RMB144,378,000). The fair value of the amount payable was recognised as contingent consideration payable and measured at fair value as at 31 December 2015 and 31 December 2014.

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31. LOAN FROM GOVERNMENT

	2015 RMB'000	2014 RMB'000
Carrying amount repayable on demand and shown under current liabilities (note 41(iv))	1,810	2,720

The loan was granted by the Finance Bureau of Beijing, denominated in Renminbi, unsecured and bears interest at an interest rate of 3.35% (2014: 3.35%) per annum and repayable on demand.

32. SHARE CAPITAL

	Number of shares		Registered, issued and fully paid RMB'000
	Domestic shares	H shares	
Balance of share capital of RMB0.10 each per share at 1 January 2014, 31 December 2014 and 31 December 2015	2,123,588,091	774,498,000	289,809

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33. 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 the 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.

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 2014 are as follows:



33. SHARE OPTIONS (CONTINUED)

Share option scheme (continued)

	Outstanding at 1.1.2014	Lapsed during the year	Outstanding at 31.12.2014
Directors	2,932,000	(2,932,000)	–
Supervisors	459,000	(459,000)	–
Senior management	3,850,000	(3,850,000)	–
Senior advisors	17,266,000	(17,266,000)	–
Advisors	1,466,000	(1,466,000)	–
Other employees	12,297,000	(12,297,000)	–
	38,270,000	(38,270,000)	–
Exercisable	38,270,000		–

All options were lapsed as at 31 December 2014.

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

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.

34. 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.

Distributable reserve

At 31 December 2015, the amount of reserve available for distribution to owners of the Company was RMB123,319,000 (note 43(ii)) (2014: RMB146,016,000).

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For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	906,028	795,180
Financial assets at fair value through profit or loss	6,659	–
Available-for-sale investments, measured at cost	971	971
	913,658	796,151
Financial liabilities		
Amortised cost	298,517	263,820
Financial liabilities at fair value through profit or loss	119,693	113,161
	418,210	376,981

Financial risk management objectives and policies

The Group's major financial instruments include bank deposits, bank balances and cash, trade and other receivables, available-for-sale investments, financial assets at fair value through profit or loss, amounts due from/to related parties, trade and other payables, loan from government, short term bank loan and contingent consideration payable. 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.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits (see note 27). The Group's cash flow interest rate risk related primarily to its bank balances, short term bank loan and loan from government (see notes 27, 29 and 31). 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 analysis below have been determined based on the exposure to variables interest rates for the Group's bank balances, short term bank loan and loan from government at the end of reporting period. The analysis is prepared assuming the amount of bank balances, short term bank loan and loan from government outstanding at the end of reporting period were outstanding for the whole year. A 10 basis point (2014: 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 RMB556,000 for the year ended 31 December 2015 (2014: RMB446,000).



35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

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 RMB156,161,000 (2014: RMB150,611,000) and represented 52% (2014: 60%) of the total trade receivables as at 31 December 2015.

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.

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.

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For the year ended 31 December 2015

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity tables

	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2015 RMB'000
As at 31 December 2015				
Trade and other payables	239,386	52,858	292,244	292,244
Amounts due to related parties	4,463	–	4,463	4,463
Loan from government	1,810	–	1,810	1,810
Contingent consideration payable	88,510	47,267	135,777	119,693
	334,169	100,125	434,294	418,210

	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2014 RMB'000
As at 31 December 2014				
Trade and other payables	235,412	3,306	238,718	238,718
Amounts due to related parties	2,382	–	2,382	2,382
Loan from government	2,720	–	2,720	2,720
Contingent consideration payable	–	144,378	144,378	113,161
Short term bank loan	21,015	–	21,015	20,000
	261,529	147,684	409,213	376,981

Fair value

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: Fair value measured only using Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement dates.
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet with Level 1, and not using unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: Fair value measured using significant unobservable inputs.



35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair value (continued)

The level in the fair value hierarchy within which the recurring fair value measurement of financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2015				
Financial assets				
Financial assets at fair value through profit or loss (note 21)	–	–	6,659	6,659
Financial liabilities				
Contingent consideration payable (note 30)	–	–	119,693	119,693

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2014				
Financial liabilities				
Contingent consideration payable (note 30)	–	–	113,161	113,161

During the year ended 31 December 2015 and 2014, there were no transfers between Level 1, 2 and 3.

Information about Level 3 financial assets' fair value measurements

The reconciliation of the carrying amounts of the Group's financial assets at fair value through profit or loss classified within Level 3 of the fair value hierarchy is as follows:

	Financial assets at fair value through profit or loss RMB'000
Fair value at 1 January 2015	–
C-2 Stock received from deemed disposal of equity interests in PayEase	5,421
Changes in fair value	1,238
Fair value at 31 December 2015	6,659

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 financial assets' fair value measurements (continued)

The fair value of unlisted financial assets at fair value through profit or loss is determined by using the combination of market approach and the Black-Scholes option pricing model. The valuation techniques and significant unobservable inputs of the unlisted financial assets at fair value through profit or loss are as follows:

Valuation techniques	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Market approach	Revenue multiplier of 3.98 times	The higher of the multiplier, the higher of the fair value, and vice versa
	Discount for 25% for lack of marketability	The higher of the discount rate, the lower of the fair value, and vice versa
Black-Scholes option pricing model	Volatility of 24.74% to 27.83%	The higher of the volatility, the higher of the fair value, and vice versa
	Risk free rates of 0.57% to 1.40%	The higher of the risk free rate, the higher of the fair value, and vice versa

Information about Level 3 financial liabilities' fair value measurements

The reconciliation of the carrying amounts of the Group's contingent consideration payable classified within Level 3 of the fair value hierarchy is as follows:

	Contingent consideration payable RMB'000
Fair value at 1 January 2014	–
Acquisition of a subsidiary (note 39)	110,887
Fair value loss recognised in the profit or loss (note 30)	2,274
Fair value at 31 December 2014 and 1 January 2015	113,161
Fair value loss recognised in the profit or loss (note 30)	6,532
Fair value at 31 December 2015	119,693



35. FINANCIAL INSTRUMENTS (CONTINUED)

Information about Level 3 financial liabilities' fair value measurements (continued)

The fair value of contingent consideration payable is determined by using the discounted cash flow. The valuation technique and significant unobservable inputs of the fair value of contingent consideration payable are as follows:

Valuation technique	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Discounted cash flow	Projected profit after tax of Rito Info for the year ending 31 December 2016 of RMB31,317,000 (2014: years ending 31 December 2015 and 2016 of RMB31,604,000 and RMB36,228,000 respectively)	The higher of the projected profit after tax, the higher of the fair value, and vice versa
	Discount rate of 12.50% (2014: 12.24%)	The higher of the discount rate, the lower of the fair value, and vice versa

The directors consider that the fair value of other financial assets and financial liabilities in the consolidated financial statements is approximately equal to the carrying amount.

36. 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 notes 29 and 31, and equity attributable to owners of the Company, comprising issued share capital, and share premium and reserves as detailed in notes 32 and 34.

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For the year ended 31 December 2015

37. OPERATING LEASES

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments recognised as an expense during the year		
– Cable network (note 12)	45,575	45,587
– Office premises (note 12)	38,568	33,286

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:

	2015 RMB'000	2014 RMB'000
Office premises		
– Within one year	34,778	21,670
– In the second to fifth year, inclusive	66,303	28,943
– Over fifth year	146	–
	101,227	50,613

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 (2014: 1 to 5 years).

The Group as lessor

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

	2015 RMB'000	2014 RMB'000
Within one year	–	11,218

At 31 December 2014, the property held has committed tenants for a term of 1.5 years.



38. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
– Contracted but not provided for	679	14,502
– Authorised but not contracted for	5,799	62,424

39. ACQUISITION OF A SUBSIDIARY

On 12 November 2014, the Group acquired 100% equity interest in Rito Info from certain third parties individuals. Rito Info is engaged in the sales of self-developed computer software and the provision of related technical and consultancy services. Rito Info was acquired so as to strengthening the Group's leading position in information technology service field.

Consideration transferred

	RMB'000
Cash	155,550
Contingent consideration payables (note)	110,887
Total consideration	266,437

Note:

Depending on the upcoming financial performance of Rito Info for the respective years ended/ending 31 December 2014, 2015 and 2016, the contingent consideration payable to the vendors will be RMB144,378,000, which will be payable between 30 June 2016 and 31 August 2018.

The RMB110,887,000 fair value of the contingent consideration payable initially recognised represents the present value of balance payable to vendor discounted at 12.24%.

Acquisition-related costs amounting to RMB1,392,000 have been excluded from the consolidation transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

39. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Identifiable assets and liabilities recognised at the date of acquisition

	Carrying value RMB'000	Fair value adjustments RMB'000	Fair values RMB'000
Property, plants and equipment (note 15)	1,088	–	1,088
Intangible asset (note 18)	10,954	11,753	22,707
Deferred tax assets (note 23)	635	(518)	117
Inventories	14,299	–	14,299
Trade and other receivables	33,120	–	33,120
Financial assets at fair value through profit or loss	4,000	–	4,000
Bank balances and cash	18,049	–	18,049
Trade and other payables	(9,659)	–	(9,659)
Deferred tax liabilities (note 23)	–	(951)	(951)
Income tax payables	(931)	–	(931)
Total identifiable net assets	71,555	10,284	81,839
Goodwill			184,598
			266,437

The receivables acquired (which principally comprised of trade receivables) in these transactions with a fair value of RMB33,120,000 had gross contractual amounts of RMB33,673,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected are RMB553,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	266,437
Less: Recognised amount of identifiable net assets acquired (100%)	(81,839)
Goodwill arising on acquisition	184,598

Goodwill arose in the acquisition of Rito Info as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Rito Info. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.



39. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	155,550
Less: Cash and cash equivalents acquired	(18,049)
	137,501

Impact of acquisition on the results of the Group

Included in the profit of the Group for the year ended 31 December 2014 was a profit of RMB18,596,000 attributable to Rito Info. Revenue for the year ended 31 December 2014 includes RMB43,316,000 attributable to Rito Info.

Had the acquisition of Rito Info been effected at 1 January 2014, the total amount of revenue of the Group from operations for the year ended 31 December 2014 would have been RMB786,290,000, and the amount of the profit of the Group from operations for the year ended 31 December 2014 would have been RMB71,507,000. 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 1 January 2014, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Rito Info been acquired at 1 January 2014, 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.

40. 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 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 of RMB27,373,000 (2014: RMB19,033,000) represents contributions paid or payable under the retirement benefit scheme.

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41. RELATED PARTY DISCLOSURES

(i) Transactions with fellow subsidiaries

Related party	Nature of transactions	Notes	2015 RMB'000	2014 RMB'000
Fellow subsidiaries				
Capnet Company Limited ("Capnet")	Income earned by the Group for providing the network system and related maintenance services	(a)	12,191	10,108
	Providing hardware and related service to the Group	(b)	3,864	2,109
Beijing IC Design Park Co., Ltd. ("BIDP")	Rental expenses for office premises	(c)	10,746	9,709
Beijing Petroleum Exchange Co., Ltd. ("Beijing Petroleum Exchange")	Income earned by the Group for providing hardware, software and related equipment management service	(d)	66	6,963
Beijing Guotong Xintai Investment Management Company Limited ("Guotong Xintai")	Income from system integration service, for construction of necessary technology infrastructure and application system of a hospital	(e)	4,356	16,345

Notes:

- (a) On 20 December 2006, 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. On 15 October 2014, the Company and Capnet entered into a network service agreement for the provision of network equipment lease and services to Capnet for a year term from 15 October 2014. On 31 December 2015, the Company and Capnet and Capinfo Technology and Capnet renewed a comprehensive services agreement and a network service agreement respectively for a term of three years from 1 January 2016. The service income of RMB12,191,000 (2014: RMB10,108,000) was recognised for the year.
- (b) 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. On 31 December 2015, Capinfo Technology and Capnet renewed a procurement framework agreement for a term of three years from 1 January 2016. The relevant purchase of RMB3,864,000 (2014: RMB2,109,000) was made for the year.

41. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Transactions with fellow subsidiaries (continued)

Notes: (continued)

(c) 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 RMB331,000 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 RMB216,000 for the period from 8 May 2012 to 31 March 2015.

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 a monthly rent of approximately RMB177,000 for the period from 1 August 2013 to 31 March 2015.

On 22 April 2015, the Company entered into lease agreements with BIDP, pursuant to which the Company leases from BIDP certain office premises at a monthly rent of approximately RMB179,000 and RMB772,000 for the period from 1 April 2015 to 31 March 2016 and from 1 April 2015 to 31 March 2018 respectively.

The rental expenses of RMB10,746,000 (2014: RMB9,709,000) has been recognised during the year.

(d) On 23 December 2013, the Company and Beijing Petroleum Exchange entered into contract under which the Company will provide hardware, software and related equipment management service to Beijing Petroleum Exchange. The service income of RMB66,000 (2014: RMB6,963,000) was recognised during the year.

(e) On 23 May 2013, the Company and Guotong Xintai entered into an agreement that the Company will provide services related to the construction project of Beijing Aiyuhua Hospital for Children and Women ("Aiyuhua Hospital"), including the construction of the necessary information technology infrastructure and application system before the commencement of the trial operation of Aiyuhua Hospital. The contract amount was RMB33,787,000, and the income of RMB4,356,000 (2014: RMB16,345,000) was recognised during the year.

(ii) Transactions with an associate

An associate	Nature of transactions	2015 RMB'000	2014 RMB'000
BJCA	Software development and providing related technical services to the Group	2,768	1,880

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41. RELATED PARTY DISCLOSURES (CONTINUED)

(iii) Amounts due from related parties and amounts due to related parties

	2015 RMB'000	2014 RMB'000
Amounts due from related parties:		
Trading in nature:		
Fellow subsidiaries	14,107	9,010
Associates	53	–
	14,160	9,010
Non-trading in nature:		
Fellow subsidiaries	8,808	3,808
Associates	1,743	193
	10,551	4,001
	24,711	13,011
Amounts due to related parties:		
Trading in nature:		
Fellow subsidiaries	1,221	815
Associates	1,057	1,511
	2,278	2,326
Non-trading in nature:		
Fellow subsidiaries	13	54
Associates	2,172	2
	2,185	56
	4,463	2,382

The amounts are unsecured, non-interest bearing and repayable within one year.

The Group allows the same credit period to related parties as other trade customers. As of 31 December 2015, the amounts due from related parties of RMB4,678,000 aged over 180 days but within one year (2014: RMB8,641,000). Other amounts due from related parties are repayable on demand.

As of 31 December 2015, the amounts due to related parties of RMB869,000 aged within 90 days (2014: RMB191,000). Other amounts due to related parties are repayable on demand.



41. RELATED PARTY DISCLOSURES (CONTINUED)

(iv) 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 significantly 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 RMB672,740,000 (2014: RMB685,915,000) (note 7) to other government-related entities and the PRC government. The directors of the Company consider they are independent third parties so far as the Group's business transactions with them are concerned.

As of 31 December 2015, the loan from government of RMB1,810,000 (2014: RMB2,720,000) (note 31) was borrowed from the Finance Bureau of Beijing which is unsecured, repayable on demand and bears interest at annual interest rate of 3.35% (2014: 3.35%), and the Group has incurred interest expenses of approximately RMB77,000 (2014: RMB122,000) during 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 of the Company are of the opinion that separate disclosure would not be meaningful.

Except for trade and other receivables of approximately RMB135,728,000 (2014: RMB107,554,000), amounts due from customers for contract works of approximately RMB28,725,000 (2014: RMB1,601,000), amounts due to customers for contract works of approximately RMB200,725,000 (2014: RMB200,191,000) as at 31 December 2015, those transactions as disclosed above, and certain balances disclosed in respective notes to the consolidated financial statements, the directors of the Company are of the opinion that transactions and balances with these related parties are not significant to the Group's operations.

(v) Compensation of key management personnel

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

	2015 RMB'000	2014 RMB'000
Short-term benefits	10,536	8,008
Post-employment benefits	797	684
	11,333	8,692

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

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42. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Form of business structure	Place of registration/ incorporation and operation	Nominal value of registered/ paid up capital	Proportion of nominal value of registered capital held by the Company		Principal activities
				2015	2014	
Directly held						
Capinfo (Hong Kong) Co., Ltd.	Private limited company	Hong Kong	HK\$2	100%	100%	Investment holding
Capinfo Technology (首都信息科技發展有限公司)	Private limited company	The PRC	RMB50,000,000	100%	100%	Developing software; providing technical service; sale of hardware and software
Beijing Parking Management Centre Co., Ltd. (北京市停車管理中心有限公司)	Private limited company	The PRC	RMB20,000,000	100%	100%	Building and operating the parking management system in Beijing
Shanghai Hengyue Computer Technology Co., Ltd. (上海橫越計算機科技有限公司)	Private limited company	The PRC	RMB500,000	100%	100%	Developing software, and providing system maintenance service
Rito Info (廈門融通信息技術有限責任公司) (note(ii))	Private limited company	The PRC	RMB20,000,000	100%	100%	Sales of self-developed computer software and the provision of related technical and consultancy services
Beijing Capinfo Hangyuan Technology Co., Ltd. (北京首信航源科技有限公司)	Private limited company	The PRC	RMB1,000,000	80%	80%	Developing and sales of software and providing related technical services

Note:

(i) This subsidiary was acquired on 12 November 2014 (note 39).

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

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

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

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	150,138	186,018
Investment property	49,057	52,831
Prepaid lease payments	32,578	40,217
Deposits paid on acquisition of property, plant and equipment	1,149	2,121
Intangible assets	19,195	20,445
Investments in subsidiaries	339,917	339,917
Investments in associates	24,314	24,314
Available-for-sale investments	950	950
Trade receivables	57,040	58,467
Deferred tax assets	16,057	9,763
	690,395	735,043
Current assets		
Inventories	9,789	21,377
Prepaid lease payments	8,548	7,781
Trade and other receivables	228,136	201,300
Amounts due from customers for contract works	45,022	63,545
Amounts due from related parties	30,685	12,426
Amounts due from subsidiaries	5,816	14,228
Tax recoverable	1,098	–
Bank deposits	41,187	3,615
Bank balances and cash	320,574	352,923
	690,855	677,195
Total assets	1,381,250	1,412,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

	2015 RMB'000	2014 RMB'000
Current liabilities		
Trade and other payables	273,819	232,682
Contingent consideration payables	82,255	–
Amounts due to customers for contract works	180,938	217,397
Amounts due to related parties	4,390	2,199
Amounts due to subsidiaries	80,803	75,154
Loan from government	1,810	2,720
Short term bank loan	–	20,000
Income tax payable	–	8,806
Total liabilities	624,015	558,958
Net current assets	66,840	118,237
Total assets less current liabilities	757,235	853,280
Non-current liabilities		
Contingent consideration payables	37,438	113,161
Net assets	719,797	740,119
Capital and reserves		
Share capital	289,809	289,809
Share premium and reserves	429,988	450,310
Total equity	719,797	740,119

CHAIRMAN

Mr. Xu Zhe

EXECUTIVE DIRECTOR, VICE PRESIDENT
AND SECRETARY OF THE BOARD

Mr. Lu Lei

43. 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 2014	289,809	254,079	43,818	149,819	737,525
Profit and total comprehensive income for the year	–	–	–	40,269	40,269
Dividend recognised as distribution	–	–	–	(37,675)	(37,675)
Profit appropriations	–	–	6,397	(6,397)	–
At 31 December 2014 and 1 January 2015	289,809	254,079	50,215	146,016	740,119
Profit and total comprehensive income for the year	–	–	–	10,398	10,398
Dividend recognised as distribution	–	–	–	(30,720)	(30,720)
Profit appropriations	–	–	2,375	(2,375)	–
At 31 December 2015	289,809	254,079	52,590	123,319	719,797

FEEDBACK ON 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
		Poor	Fair	Excellent	
The whole Annual Report	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Chairman's Statement	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Management Discussion and Analysis	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Directors' Report	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Independent Non-executive Directors' Report	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Supervisors' Report	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Corporate Governance Report	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Investors Relations	1 2 3 4 5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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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