



## **CCID Consulting**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Luo Wen (*Chairman*)

Li Jun (*Chief Executive Officer*)

### Non-executive Directors

Song Xianzhu (*Vice Chairman*)

(appointed on 13 December 2012)

Lu Shan

Wang Peng

Hong Jingyi (Resigned on 28 March 2012)

### Independent Non-executive Directors

Guo Xinping

Han Fuling

Li Xuemei

## AUDIT COMMITTEE

Li Xuemei (*Chairman of the Committee*)

Guo Xinping

Han Fuling

## REMUNERATION COMMITTEE

Guo Xinping (*Chairman of the Committee*)

Li Xuemei

Li Jun (*Chief Executive Officer*)

## NOMINATION COMMITTEE

Luo Wen (*Chairman of the Committee*)

Guo Xinping

Li Xuemei

Han Fuling

## SUPERVISORY COMMITTEE

Gong Chenghe (*Chairman of the Committee*)

Zhao Zeming

Zhao Xiuzhen

## COMPLIANCE OFFICER

Luo Wen (*Chairman*)

## COMPANY SECRETARY

Chan Yin Wah

## AUTHORISED REPRESENTATIVES

Luo Wen (*Chairman*)

Chan Yin Wah

## REGISTERED ADDRESS

Room 210, No. 12 Huo Ju Jia Road,  
Chang Ping District, Beijing,  
PRC

## OFFICE AND CORRESPONDENCE ADDRESS

10th Floor, CCID Plaza, 66 Zizhuyuan Road,  
Hai Dian District, Beijing, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 28, Three Pacific Place,  
1 Queen's Road East, Wanchai,  
Hong Kong

## COMPANY'S WEBSITE

[www.ccidconsulting.com](http://www.ccidconsulting.com)

## STOCK CODE

08235

## AUDITORS

Ho & Chung CPA Limited

## HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F, Tesbury Centre,  
28 Queen's Road East, Wanchai, Hong Kong

## PRINCIPAL BANKERS

China Construction Bank Corporation  
Bank of Beijing Co. Ltd.

# CHAIRMAN'S STATEMENT

I am pleased to present the annual report of CCID Consulting Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2012.

## FINANCIAL RESULTS

For the year ended 31 December 2012, the Group recorded a turnover of RMB145,666 thousand and a gross profit of RMB63,625 thousand with the profit for the year of RMB10,358 thousand and the basic earnings per share of RMB1.2 cents.

## FUTURE DEVELOPMENTS

In 2013, the Group will place emphasis on top-level design of product offerings and service mode, strengthen the comprehensive abilities for "Two Strategies, One Consultation", persistently promote businesses related to Strategic Emerging Industries, expedite and enlarge the development of subsidiaries and branches, so as to upgrade the overall competitiveness.

### TO PLACE EMPHASIS ON TOP-LEVEL DESIGN OF PRODUCT OFFERINGS AND SERVICE MODE

With the market situation and the requirements of the clients in mind, the Group will further optimize the product offerings, on the basis of the characteristics of each business section, so as to timely meet the diversified needs of various customers from the government, the industry and enterprises, set up short-term, medium-term and long-term product offerings by selecting the significant issues and hot spots from industry, information sector and communication sector, and strictly control the quality of the product. Meanwhile, the Group will strengthen the optimization and innovation of service mode, coordinate product offerings with service mode, so as to achieve synergy and sharpen competitiveness.

### TO STRENGTHEN THE COMPREHENSIVE ABILITIES FOR "TWO STRATEGIES, ONE CONSULTATION"

In 2013, the Group will further diversify the consultation services, bring into full play of the scale effect, and build up a vertical and fully integrated business model. Specifically, the Group will seek to meet each individual requirement of a customer by designing a top-level strategy, a detailed solution, and finally a complete set of the execution plan, and engage in the vital part of the plan to provide more subsequent value-add services.

### TO PERSISTENTLY PROMOTE THE BUSINESS RELATED TO STRATEGIC EMERGING INDUSTRIES

The Group will closely integrate the national development plannings, to itemize, deepen, go through and substantiate the research areas of Strategic Emerging Industries, including the persistent launch of a series of high-end research and books for the Strategic Emerging Industries, and the organization of high-end forums related to the areas of the Strategic Emerging Industries, so as to further enhance the overall competitiveness of the Group in the researches and consultation services in the areas of Strategic Emerging Industries.

## CHAIRMAN'S STATEMENT

### **TO EXPEDITE THE BUSINESS EXPLORATION OF SUBSIDIARIES AND BRANCHES**

The Group will fully utilize various resources to proactively create a good development environment for the holding subsidiaries, and promote the expansion and enhancement of information consultation, enterprise management consulting, government management consulting, investment and financing consultation, and information engineering supervision businesses to establish a fine business synergy with the Group. Meanwhile, in order to meet the needs of the business development of the regional market, the Group will establish the regional companies with an independent legal entity in a timely manner, so as to promote the localization of the exploration and execution of projects.

Despite the challenges ahead, the Board and I have full confidence in the future development. I will continue to lead the Group to proactively overcome all difficulties together with all employees in order to create the greatest value for all shareholders.

### **ACKNOWLEDGEMENT**

I would like to avail myself of this opportunity to thank all directors, the management of the Group and all the employees for their dedication and commitment as well as all clients, bankers and shareholders for their persistent support.

**Luo Wen**

*Chairman*

Beijing, the People's Republic of China

21 March 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

### Ever-innovative Profit-making Models for Consultation Services

With ever-increasing awareness of consultation services, the client has begun to place emphasis on the actual effects of consultation for the enterprise. Gradually, the client has moved on to be concerned with the substantiation and implementation of the scheme. Consequently, the profit-making model of the consultation industry has undergone changes as well. The payment of the project fee in advance mode has shifted to the payment based on the subsequent implementation effects of the consultation. Some consulting companies have even begun to hold the equity of the enterprises in lieu of the consultation fee and obtain more revenue by assisting the enterprises in the process of listing, or financing withdrawal. It has caused most consulting companies in the industry to bind their own value with the value of the enterprises in the process of formulating the consultation scheme and have greater concern with the feasible operation and the practicality of the scheme so as to create greater value for the client.

### Ever-obvious Trend of Localized Consultation Services

The consultation services has originated from the ever-emerging new problems in the course of the enterprise development. These ever-increasing problems have caused the demand of the enterprises for consultation to change from the consulting services for one project alone to the persistent and serial consultation services. The consultation services are heading for the trend of localization. The localized service team getting closer to the clients is able to respond faster to the requirements of the clients and provide tailor made services for the enterprise on a timely basis. On the other hand, following the increase of participants in the consultation industry, the keen competition among the consulting companies is on the rise. The main approach to deal with such competition is to find out the requirements of the clients expeditiously and effectively. The localized team familiarizes with the local market, understands the requirements of the clients and is in a much better position to provide timely and personalized consultation services to the clients.

### Opportunities and Challenges for Information Engineering Supervision Services

During the Twelfth Five-Year Plan period, the development of Strategic Emerging Industries will gradually evolve from the promotion of ideas and business model into a wide range of applications. As a series of major projects of the central and local government will be constructed, large-scale information engineering projects oriented by the government will be approved and started, providing a broader space for the development of information engineering supervision services. Meanwhile, the formulation, amendments and the launch of the standards of a new generation of IT services will provide support in system and policy for the extending of the information engineering supervision services scale and the expending of supervision service types. On the other hand, companies in the industry have been shifting their business gradually from provision of single information engineering supervision services to integrated supervision and consultancy services. At the same time, some companies speeded up market layouting and expansion across the nation. As there are more protective barriers by local government, the expansion the supervision business is faced with pressure and challenges.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Performance Analysis

For the year ended 31 December 2012, the turnover by the business activities of the Group is classified as follows:

	2012		2011	
	RMB'000	%	RMB'000	%
Management and strategy consultancy services	89,155	61%	68,981	54%
Market consultancy services	20,368	14%	22,300	18%
Data information management services	688	1%	2,384	2%
Information engineering supervision services	27,852	19%	28,483	22%
Others	7,603	5%	4,970	4%
Total	145,666	100%	127,118	100%

Compared to those of 2011, turnover increased by 15%, gross profit increased by 8% and net profit decreased by 37%, which was mainly due to increased investment in subsidiaries and branches to expand the urban market, as well as increased labor cost caused by the expansion of business, penetration into high-end consultancy market and introduction of high quality talents.

### BUSINESS REVIEW

#### Continued Promotion of Business Transformation and Upgrading

Leveraging on the development of the strategic emerging industries, the group enhanced the R&D of the products and persistently adjust the Company's business structure. In 2012, we newly added 12 key product lines of which the signing up rate is over 70%. The reporting of major projects made a breakthrough, and the operational analysis and decision making platform project of the information industry as well as the quality monitoring and early warning platform project of electronic information products were found. Responding to the changes in external market, the Group proactively adjusted and optimized the corporate structure, setting up the organization and structure of "One Parent, Four Subsidiaries and Three Branches", so as to improve its professional service ability and promote regional market development, thus forming a business system of "Serving the Government, Enterprise and Industry".

#### Outstanding Research Achievements in Strategic Emerging Industries Field

The Group continued to promote the publication of a series of books of strategic emerging industries. In 2012, the Group published three books, namely Development and Management Practices of Strategic Emerging Industries in China ("中國戰略性新興產業發展及管理實踐"), Strategies of Investment & Financing and M&A of Strategic Emerging Industries in China ("中國戰略性新興產業投融資與併購戰略") and Development and Practices of Cloud-computing Industries in China ("中國雲計算產業發展及應用實踐"), and the Group has compiled the body content of the books and Internet of Things, Mobile Internet and Integration of IT Application with Industrialization, etc. The Group further improved the short-, medium- and long-term product offerings. The Group launched 15 books on short-term comments, 33 on medium-term researches and 40 on strategic research. The Group explored the channels in strategic emerging industries and developed new businesses through external training, making the contracts obtained from strategic emerging industries over 40%.

### **Great Progress for Innovation of Business Mode**

The Group expanded regional markets and speeded up the transformation of business model from “product-oriented” to “client-oriented”, by promoting interaction between government and enterprises and giving external training. It further diversified consultancy services focusing on clients’ requirements, so as to strengthen the customer royalty in cooperation. With an active service-oriented system by the local government, the Group delivered 80,000 copies of DM of research publication and more than 1,500,000 messages of EMD during the year, covering over 285 cities in China. To implement the “4c” services system headed by product managers, through combining the characteristics of the information engineering and supervision services, further refined the responsibilities of product managers and solidified the cooperative process of the varied work taking by different roles, and adjusted, improved the assessment mechanism for product managers and strongly strengthened market exploration. In 2012, the Group newly developed 26 customers of million-level, with 1 at the stage of execution and coordination and 3 at the stage of acceptance in advance.

### **Enhancement in Team Competitiveness**

The Group improved the professional capacity building up of our team by capitalizing on the R&D innovation funds, “continuation projects”, incentive funds for employees, the construction of the institutions and norms, etc. The availabilities for R&D innovation funds have been continuously enlarged, placing extra emphasis on ordinary staff and encouraging the application by researchers with R&D capacity and practical experience. In 2012, application was made for 16 projects. The Group provided a sturdy platform using “continuation projects”, so as to improve the professional capacity and management level of the backbone and high-quality staff, and lay a sound the foundation for building a high-end consulting team and cultivating the reserve cadres. 48 individuals participated in the continuation projects in 2012. The incentive funds were grouped into three categories, i.e. fund for excellent new employees, fund for excellent employees and fund for excellent managers, so that selection indicators were increasingly quantized and closely correlated with employees’ performance appraisal results and requirements of the positions.

### **Building Learning Organization**

In 2012, the Company organized more than 300 external training, company level training, departmental level training and such like, which covered the issues of leadership, professional competitiveness, establishment of major product lines, and successful cases for the mid-level and high-level management members, key personnel, and new employees. For example, the Group carried out “Sword Action” sales training to train the sales team through such steps as sharing experience in case of key account sales process, training in major product lines and sand table simulation so as to improve the overall quality and the market expanding capacity of the marketing personnel. The training for new employees, titled “Start from Here”, invited the company leaders to explicate on the aspects like the corporate culture, the process of the system, the marketing system, the consultancy system and project simulation, with a view to make innovation in the training model, improving the learning efficiency and promoting the team unity.

### **Ever-improving of the Internal Management System**

The management of the R&D Innovation funds has been intensified, ensuring full supervision on stages of the projects, such as review and approval of application, project establishment, project monitoring and project acceptance. Quality management was in place throughout the process. And the management was required to cover the six stages, i.e. annual plan, production, review & modification, rollout & quality inspection, quality evaluation & product improvement, overall assessment of the product, pursuant to the standards of ISO9001 Quality Management System. The Group has



## MANAGEMENT DISCUSSION AND ANALYSIS

improved six-level accounting system in respect of revenue, costs, profit and payment collection system, which consists of six assessment units, i.e. single project, project manager, business division, research center, business group and the company. The accounting system could provide the all-around, multi-angle and multilevel accounting data for the performance assessment. The group always managed the cooperation in outsourcing in a comprehensive and unified way, and formulated new terms for services, and carried out comprehensive assess on the suppliers, so as to ensure quality of the outsourcing services. The Group promoted the construction of knowledge management system of supervision and the management platform of the supervision projects, and standardized the implementation of supervision, to improve the efficiency and lower the cost.

### Deepening of the Cultivation of Harmonious Culture

To improve the team cohesiveness, the Company has given full play to the labor unions of the Communist Party by organizing relevant activities, taking into account of the characteristics of businesses and on the basis of the cultivation of a harmonious culture. The company organized to take part in the annual essay activity about the grass-roots organization construction and carried out caring activities, such as festival greetings and "heartwarming activities". The Company often organized activities of the interest groups, such as basketball, badminton, tennis and other physical fitness activities; it also organized the "2012 Shangdong Culture Trip of the CCID Consulting", and participated in the badminton match for the ministry office and units in Beijing, winning the champion of single man, the second place of group and the second place of mixed doubles; it continued to participate in the activity of "Enterprises in Villages to Promote Construction of New Rural Areas" ("百企牽手百村,推進新農村建設發展") in Mazigu Village, Dahuashan town, Pinggu District, Beijing; and it held the first CCID Consulting debate contest, to provide the youth with a stage to show themselves and to search for and cultivate talents.

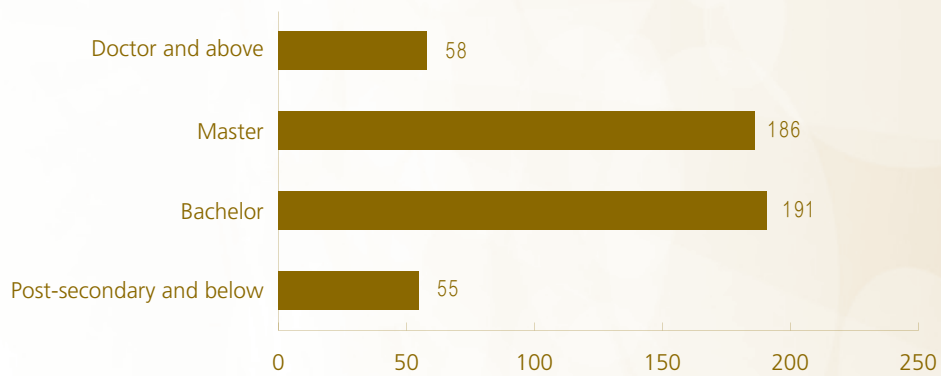
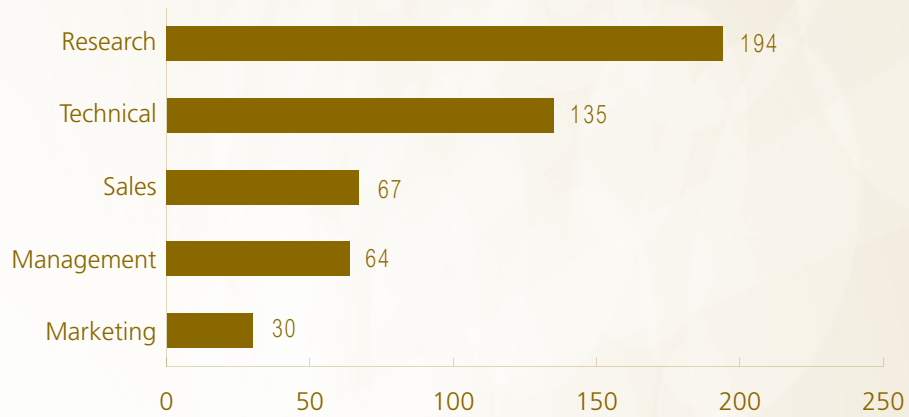
### Marketing and Promotion

As for marketing activities, efforts was tried to transform the content and form of the traditional annual conference. Summit dialogue was held during the "2012 Annual Conference of China's IT Market", in which, six sub-forums including cultural innovation, investment & financing. The sub-forum of investment & financing M&A was set up in the "Annual Conference of 2012 China's Semi-conductor market". Meanwhile, the latest research achievements of the strategic emerging industry of the Company were embedded into the aforementioned conferences, whereby intensifying the advertising of the research achievements. Publicity platforms for strategic emerging industry and investment & financing and M&A were set up during the four annual conferences of IT, semi-conductor, consumer electronics and communication industries in the first half of 2012. The forum themes of the "Wuhan CIOE", "the Summit Forum of Smart City" and the "Summit Forum of Xi'an Big Date Industry" covered every segments of the strategic emerging industry in the second half of 2012.

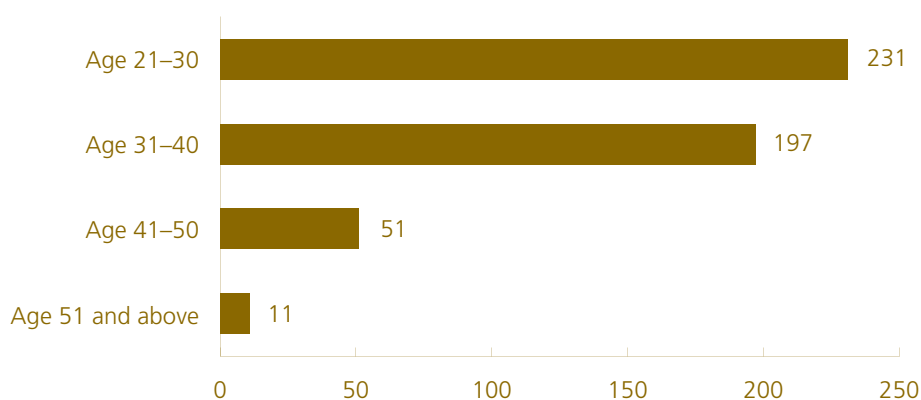
As for brand communication, the Company has implemented the communication strategy of "1+1+1+8" in terms of each product lines, published nearly 1000 articles on product lines, and more than 2800 of its media articles were reprinted in well-known newspapers and websites. In addition, the emerging communication means were used in the website, blog and micro blog of the Company, so as to raise the Company's popularity.

**Human Resources**

The Group had a total of 490 staff members as at 31 December 2012 (2011: 398), the total cost of staff is RMB73,700 thousand (2011: RMB65,735 thousand), categorized as follows:



## MANAGEMENT DISCUSSION AND ANALYSIS



### Liquidity and Financial Resources

As at 31 December 2012, the Group held bank deposits of RMB39,198 thousand, HK\$36,522 and US\$2 respectively. The Company's primary source of funds was the cash flow generated from operating activities and the funds raised from listing in 2002. The management believes that the Company has adequate working capital for the present requirements.

### Capital Structure

The capital structure of the Group for the year ended 31 December 2012 is summarized as below:

	RMB'000	Percentage
Total equity attributable to equity shareholders of the Company	109,838	89%
Non-controlling Interests	14,157	11%
Total	123,995	100%

### Capital Expenditure Commitment and Contingent Liability

As at 31 December 2012, the Group has no capital commitment or contingent liability outstanding, while the Company has a capital commitment of RMB4,000,000.

### Pledge of Assets

As at 31 December 2012, the Group had no pledge of asset.

### Gearing Ratio

As at 31 December 2012, the Group's gearing ratio was approximately 17% (2011: 35%), calculated by dividing total liabilities by total net assets.

### **Major Investment**

On 26 June 2012, the Company and CCID Information Industry (Group) Co., Ltd (“CCID Group”) signed the Contract for the establishment of the Joint Venture Company, to jointly establish Beijing CCID City Strategy Consulting Co., Ltd (“CCID Strategy”), a joint venture company. The Company and CCID Group shall hold 90.1% and 9.9% of the equity of CCID Strategy respectively. The Company and CCID Group shall contribute RMB4,505,000 and RMB495,000 in respect of the registered capital of CCID Strategy respectively. As at 31 December 2012, the Company has contributed a capital of RMB505,000.

### **Major Acquisition and Disposal**

For the year ended 31 December 2012, the Group had no major acquisition and disposal.

### **Future Significant Investment**

Currently, the Group has no major investment plan.

### **Foreign Exchange Risk**

The Group maintains the conservative policy in terms of the foreign exchange risk and the interest rate management with the majority of deposits are in Renminbi. The bank deposits in Hong Kong dollar are exposed to foreign exchange risk when converted to Renminbi. In consideration of the exchange rate between Renminbi and Hong Kong Dollar, the Group is of the opinion that the relevant foreign exchange risk is normal and will regularly convert the deposits in foreign currency to Renminbi.

# BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

Mr. Luo Wen (羅文), aged 48, Executive Director, Chairman of the Board, compliance officer, and the chairman of the nomination committee, is currently President of China Electronic Information Industry Development Research Institute, and Director of Computer and Microelectronics Research and Development Center (China Software Testing Center) of Ministry of Industry and Information Technology. Mr. Luo graduated from Beijing Jiaotong University with a Master Degree in Business Administration. He has been the assistant to Director of the Computer and Microelectronics Development Research Center of Ministry of Information Industry. He has over 10 years of experience in enterprise operation and management. He has been a Director of CCID Information Consulting (the predecessor company of the Company) since 14 March 2001. Mr. Luo was appointed as an Executive Director of the Company with effect from 15 March 2002, and was re-appointed on 25 November 2011.

Mr. Li Jun (李峻), aged 37, Executive Director and Chief Executive Officer, is responsible for overall operation management and the administration of the Company. He is also Chairman of Beijing CCID Shiji Information Engineering Consulting Co., Ltd. and Beijing CCID Jingzhi Investment Consulting Co., Ltd. Mr. Li graduated from Wu Han University, held a doctorate degree in Geographical Information System. With over 10 years of Senior Management experience, Mr. Li was appointed as an Executive Director of the Company with effect from 29 December 2006, and was re-appointed on 25 November 2011.

## NON-EXECUTIVE DIRECTORS

Mr. Song Xianzhu (宋顯珠), aged 51, Non-executive Director and vice Chairman, currently serves as the party secretary of China Centre of Information Industry Development. Mr. Song holds the qualifications of senior engineer and senior administration engineer. He graduated from the Party School of the Central Committee of C.P.C. with a bachelor degree on economic management, and he is also a graduate student from Northwest University. Mr. Song had held the posts of deputy party secretary, chairman of the supervisory board, vice chairman, party secretary of Qinghai Salt Lake Industry Group Company Limited (青海鹽湖工業集團有限公司), deputy director-general of Economic Commission of Qinghai Province, deputy party secretary and deputy director-general of State-owned Assets Supervision and Administration Commission of People's Government of Qinghai Province, deputy director of Department of Raw Material Industry under the Ministry of Industry and Information Technology. Mr. Song was appointed as Non-executive Director with effective from 13 December 2012.

Mr. Lu Shan (盧山), aged 40, Non-Executive Director of the Company, is currently the Vice President of China Electronic Information Industry Development Research Institute, the vice governor (take a temporary post) of the People's Government of NanShan District, Chongqing City, and also an independent director retired on 22 October 2012 of Hytera Communication Co., Ltd. (002583.SZ). Mr. Lu graduated from Northern Jiaotong University, with a doctorate degree in management and engineering. Served as an assistant to the president of CCID Consulting Co., Ltd., CEO of Beijing CCID Information Technology Testing Co., Ltd., Executive Vice President and Editor-in-Chief of China Information World, General Manager and Chairman of Beijing CCID Media Investment Co., Ltd. Mr. Lu was appointed as a Non-executive Director of the Company with effect from 25 November 2009, and was re-appointed on 25 November 2011.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Peng (王鵬), aged 37, Non-executive Director of the Company, is currently the Vice President of China Electronic Information Industry Development Research Institute. Mr. Wang graduated from Wu Han University with a master degree in finance. He has taken up the posts of deputy general manager, the director, deputy general manager and secretary to the board of Beijing CCID Media Investment Company Limited, chief investment and financing officer of the Company and Director of Industrialization Research Center, with over 10 years of experience in the field of investment management. Mr. Wang was appointed as a Non-executive Director of the Company with effect from 25 November 2008, and was re-appointed on 25 November 2011.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Xinping (郭新平), aged 49, Independent Non-executive Director of the Company, is currently the Vice-Chairman of the Board of UFIDA Software Co. Ltd and an independent director of Glodon Company Limited (002410.SZ) and Sound Environmental Resources Company Limited (000826.SZ). Mr. Guo graduated from Zhong Nan Financial University with a bachelor degree and from Hong Kong University of Science and Technology with a master degree. Mr. Guo has worked in the Department of Fiscal and Tax System Reform of Ministry of Finance, taken up the posts of General Manager, and Vice-Chairman cum Chief Finance Officer of UFIDA Software Co. Ltd. With over 20 years of experience in the field of enterprise operation and finance, he was appointed as an Independent Non-executive Director of the Company with effect from 25 May 2002, and was re-appointed on 25 November 2011.

Ms. Li Xuemei (李雪梅), aged 45, Independent Non-executive Director, is currently Deputy Executive President of Transport and Statistics Research Institute of Beijing Jiaotong University and also a member of The Chinese Input-output Association and a director of China Association of International Business Negotiation. Ms. Li graduated from Beijing Jiaotong University with a doctorate degree in management. Ms. Li has worked in Harbin Chinese Medicine No.2 Factory, Tianjin University and Beijing Jiaotong University and hosted various subject matters and project studies of Ministry of Technology, Ministry of Railways, Beijing Municipal Science and Technology Commission, Beijing Municipal Commission of Education and National Natural Science Foundation of China and such like. Ms. Li was appointed as an Independent Non-executive Director of the Company with effect from 25 November 2011.

Mr. Han Fuling (韓復齡), aged 49, Independent Non-executive Director of the Company, is currently Professor of Faculty of Finance, Department Head of Applied Finance, and President of Financial Securities Research Institute of Central University of Finance and Economics. He is also an independent director of Hwasu Corporation (000509.SZ) and Henan Lotus Flower Gourmet Powder Company Limited (600186.SH). Mr. Han graduated from Faculty of Management of University of Science and Technology Beijing with a master degree in management, and Faculty of Economics of Silesian University of Technology in Poland with a doctorate degree in economics. Mr. Han has worked in University of Science and Technology Beijing, China Securities Market Research Design Center, and Central University of Finance and Economics. Mr. Han was appointed as an Independent Non-executive Director of the Company with effect from 17 March 2005, and was re-appointed on 25 November 2011.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORS

Mr. Gong Chenghe (宮承和), aged 58, Chairman of Supervisor Committee of the Company, is currently the Deputy Secretary of Party Committee and Secretary of Discipline Committee of China Electronic Information Industry Development Research Institute. Mr. Gong graduated from The Economic Management of Correspondence College in Central Party School of the Communist Party of China with a bachelor degree. He held a number of positions such as Deputy Director and Office Manager of Planning Technology Division and Office Manager of Computer and Microelectronics Development Research Center of Ministry of Information Industry. Mr. Gong has over 22 years of experience in the field of enterprise and science research management. He was appointed as Supervisor of the Company with effect from 15 March 2002, and was re-appointed on 25 November 2011.

Mr. Zhao Zeming (趙澤明), aged 54, Supervisor of the Company, is currently the Director of Finance Department of China Electronic Information Industry Development Research Institute. Mr. Zhao graduated from Renmin University of China with a bachelor degree in election and industrial and financial accounting. Served as Accountant of Finance Department and Infrastructure Department of the General Office of Ministry of Electronic Industry; Accountant, Senior Accountant and Deputy Director of China Electronics Engineering Construction Development; Office Manager and Accountant of Jiangmen Electronics Engineering Company and Jiangmen Electronics Engineering Company; Director of Finance Department of Electronic Information Center of Ministry of Information Industry; Director of Audit Department, Finance Department and Enterprise Management Department, Personnel Department of China Electronic Information Industry Development Research Institute. Mr. Zhao was appointed as Supervisor of the Company with effect from 20 November 2009, and was re-appointed on 25 November 2011.

Ms. Zhao Xiuzhen (趙秀珍), aged 40, Staff Supervisor, is currently the Office Manager of the President Office of the Company. Ms. Zhao graduated from Peoples' University of China, with a master degree of public administration. Ms. Zhao joined the Company in 1999, with over 10 years of experience in administration. Ms. Zhao was appointed as Supervisor of the Company with effect from 25 November 2008, and was re-appointed in the congress of staff on 25 November 2011.

### SENIOR MANAGEMENT

Mr. Zhang Tao (張濤), aged 37, is currently the Executive General Manager of the Company and is appointed on 21 March 2013. Mr. Zhang graduated from Beijing University of Industry and Commerce with a master degree in enterprise administration. Since April 2002, Mr. Zhang has held a number of positions including general manager of computer and software consultation business division; general manager, chief research officer and assistant to the General Manager and Deputy General Manager of communication and network consultation business division. Mr. Zhang has nearly 10 years of hands-on experience in industry and market consultation.

Ms. Maggie Wang (王靖), aged 36, is currently Deputy General Manager of the Company. She graduated from the University of International Business and Economics, with a bachelor degree in English for International Trade. Since December, 2002, Ms Wang held a number of positions including office manager of the president office of the Company, department head of human resources, as well as general manager of foreign business development department and enterprise planning department of the Company. Ms. Wang has over 10 years of experience in marketing.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Sanyi (王三義), aged 46, is currently Deputy General Manager of the Company, and General Manager of Shenzhen Branch. Mr. Wang graduated from Xi'an Jiaotong University, with a doctorate degree in management and MBA. Mr. Wang joined the Company in September 2007, served as the deputy general manager of enterprise strategic consultation center, chief business executive and an assistant to the president of enterprise strategy and Internet consultation business, with over 10 years of consultation experiences in strategic management, human resources management, marketing consultation, investment and growth enterprises and such like.

Mr. Li Ke (李珂), aged 36, is currently Deputy General Manager of the Company. Mr. Li graduated from Beijing Institute of Technology with a bachelor degree. Mr. Li joined the Company in April 2003. He has served as general manager of semi-conductor industry research center, and chief business officer of semi-conductor and consumer electronics, with over 10 years of experience in the industry research of semi-conductor, photo-electricity and Internet of Things.

Mr. He Jianying (赫建營), aged 33, is currently Deputy General Manager of the Company. Mr. He graduated from "Beihang University" with a doctorate degree in computer software and theory. Mr. He joined the Company in July 2008. He has served as general manager of software and information service industry research center, chief business officer of software and communication, with over 4 years of experience in computer software and communication.

Mr. Guan Dongsheng (管東升), aged 37, is currently the deputy director of Chinese Software Evaluation Center, Chief Executive Officer of Beijing CCID Information Engineering Supervision Co., Ltd., Vice President of Supervisor of Information Systems Association, and managerial expert of IPMP. Mr. Guan graduated from Dalian University of Technology, with a master degree in software engineering. Mr. Guan joined the Company in January 2006, served as general manager of supervision business division, assistant to the Director, deputy general manager of Beijing CCID Information Engineering Supervision Co., Ltd. and Chief Executive Officer of Beijing CCID Information Engineering Supervision Co., Ltd., with more than 10 years of project management experience in government affairs information, city information, telecommunications engineering and engineering concerned secret.

Ms. Wen Fang (文芳), aged 33 is currently General Manager of Beijing CCID Strategic Management Consulting Co., Ltd. Ms. Wen graduated from the Beijing Jiaotong University with a master degree in economics. Ms. Wen joined the Company in July 2004, served as general manager of the computer industry research center, chief business executive of computer and software industry, with more than 8 years of experience in the computer industry, IT application, IT enterprise development strategy, and industrial development planning.

Mr. Lu Kun (路琨), aged 34, is currently the General Manager of Beijing CCID Shiji Information Engineering Company Limited. Mr. Lu graduated from Tianjin University with a doctorate degree in Management. Mr. Lu joined the Company in February 2007. He has served as general manager of the energy industry research center, and chief business executive for energy and information, with more than 7 years of experience in enterprise information, city information and electronic government affairs.

Mr. Sun Huifeng (孫會峰), aged 34, is currently General Manager of Beijing CCID Strategic Management Consulting Co., Ltd. Mr. Sun graduated from Huazhong University of Science & Technology with a master degree. Mr. Sun joined the Company in July 2008. He has served as general manager and chief business officer of IT system industry research center, with over 7 years of experience in IT application for the industry, construction of information center, cloud computing and industry planning.



## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Hua (王華), aged 37, is currently Financial Controller of the Company (appointed on 21 March 2013). Mr. Wang graduated from City University of Macau obtained a master degree. Mr. Wang worked in China Electronic Information Industry Development Research Institute in 2000, held several positions of finance manager, finance director, assistant of director of finance department and Chief Finance Officer, he joined the Company in March 2013 with more than 12 years of experience in financial areas.

Mr. Bai Jiesong (白杰松), aged 37, resigned Financial Controller of the Company on 21 March 2013. Mr. Bai graduated from Beijing University of Technology with a master degree. Mr. Bai, having worked in China Electronic Information Industry Development Research Institute, joined the Company in October 2006. Mr. Bai held several positions such as general manager and chief finance officer of finance department. He has over 10 years of experience in finance.

Mr. Fu Changwen (付長文), aged 32, is currently Secretary of the Board of the Company and General Manager of Beijing CCID Jingzhi Investment Consulting Co., Ltd.. Mr. Fu graduated from Renmin University of China with a master degree in economics. Mr. Fu joined the Company in July 2004. He has served in the investment consultation business department, strategy and investment consultation business department and investment management department, with over 8 years of experience in corporate governance.

### COMPANY SECRETARY

Ms. Chan Yin Wah (陳燕華), aged 37, is the Company Secretary and Authorised Representative of the Company. She joined the Company since March 2012. Ms. Chan is an Associate Director of SW Corporate Services Group Limited. She has over 15 years of professional experience in handling the corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She has worked for various international professional firms and listed companies in Hong Kong. Ms. Chan holds a bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants.

# CORPORATE GOVERNANCE REPORT

## **CORPORATE GOVERNANCE PRACTICES**

For the year ended 31 December 2012, the Group has adopted and complied with all the code provisions as set out in Appendix 15 ("CG Code"), and has adopted the requirements in ("Corporate Governance Report") of the GEM Listing Rules, other than the deviation from Code A.6.7 and E.1.2. Pursuant to Code A.6.7, independent non-executive directors and non-executive directors should attend general meetings. However, all independent non-executive directors and non-executive directors of the Company were unable to attend the two general meetings as they had other important business engagement. Pursuant to Code E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration and nomination to attend. However, the chairman of the board, the chairmen of the audit, remuneration, nomination committees were unable to attend the two general meetings as they had other important business engagement.

## **SECURITIES TRANSACTIONS OF BY DIRECTORS**

The Group has adopted the requirements of the "Required Standard of Dealing" as set out in Rule 5.48 to 5.67 of the GEM Listing Rules in standardizing the transactions of the securities by the directors. The company has made specific enquiry of all directors and all of them have confirmed to have stuck to the "Required Standard of Dealing" throughout the year ended 31 December 2012.

## **BOARD OF DIRECTORS**

The fourth Board of Directors of the Company currently comprises eight directors, including three influential Independent Non-Executive Directors who, with an abundance of business and financial experiences, are independent of the management of the Company. They have made significant contribution to the development of the Company. Biographical details of all Directors are set out on Page 12 to 13 of the annual report.

## **RESPONSIBILITIES AND AUTHORIZATION TO THE MANAGEMENT**

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. The Board shall implement resolutions of the Shareholders' general meeting; decide the business plans, investment plans and the setting of internal management organizations of the Company; formulate the proposed annual financial budget, final account and profit allocation plans of the Company; and appoint chief executives. In addition, the Board had established three board committees, audit committee, nomination committee and remuneration committee, and authorized their responsibilities in the duty scope.

The Board granted senior management power and responsibility to conduct the daily management, administration and operation of the Company. The general manager shall be responsible to the Board.

All Directors of the Company are sincerely performance their duties, they have applied all laws and regulations for the best interest of the Company, and always committed to the benefit of the Company and its shareholders.

## BOARD COMPOSITION

For the year ended 31 December 2012, the Board has conformed to GEM Listing Rules. At any time, there were at least three Independent Non-executive Directors as required, and the number of Independent Non-executive Directors comprised one-third of all members of the Board, with one Independent Non-executive Director possessing the appropriate professional qualifications or specializing in accountancy or relevant financial management.

The Company considers that all Independent Non-executive Directors are independent of the company, after having received from each of them the confirmation letter of independence as required by Rule 5.09 of the GEM Listing Rules.

As far as the Company knows, there are no relationships among the members of the Board, including relationships relating to financial, business, families and other relationships of significant importance.

The members of the Board for the year ended 31 December 2012 were:

### Executive Directors

Luo Wen (*Chairman*)

Li Jun (*Chief Executive Officer*)

### Non-executive Directors

Song Xianzhu (Appointed as a non-executive director on 13 December 2012 and appointed as Vice-Chairman on 25 January 2013)

Lu Shan

Wang Peng

Hong Jingyi (Resigned on 28 March 2012)

### Independent Non-executive Directors

Guo Xinping

Han Fuling

Li Xuemei

The Board is responsible for the shareholders of the Company. Its duties include the operation, strategy, finance and other major operating businesses of the Company while the management is responsible for making decision on the daily and routine operation.

In 2012, the Company held six Board meetings and two shareholders' meetings, the attendance records at the Board meetings and shareholders' meetings are as follows:

Directors	Number of Board meetings held during the term of directorship in 2012		Number of shareholders meeting held during the term of directorship in 2012	
	Attendance		Attendance	
Mr. Luo Wen	6	6	2	0
Mr. Li Jun	6	6	2	2
Mr. Song Xianzhu    Appointed on 13 December 2012	1	1	0	0
Mr. Lu Shan	6	6	2	0
Mr. Wang Peng	6	6	2	0
Mr. Hong Jingyi    Resigned on 28 March 2012	0	0	0	0
Mr. Guo Xinping	6	6	2	0
Mr. Han Fuling	6	6	2	0
Ms. Li Xuemei	6	6	2	0

#### Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Luo Wen, and Chief Executive Officer is Mr. Li Jun, who is Executive Director of the Company. The Chairman and General Manager are two clearly defined different positions, the Chairman is responsible for the operation of the Board, and the Chief Executive Officer is responsible for the Company's daily business operation. The Articles of Association of the Company has explained the respective responsibilities of Chairman and Chief Executive Officer separately in details.

#### Non-executive Directors

Mr. Song Xianzhu was appointed as Non-executive Director of the Company with effect from 13 December 2012. Mr. Song Xianzhu has signed the service agreements with the Company for a term from 13 December 2012 and subject to re-election upon the expiry of term of the Board. Mr. Lu Shan, and Mr. Wang Peng were re-appointed as Non-executive Directors with effect from 25 November 2011 and they have signed the service agreement with the Company with effect from 25 November 2011 to 24 November 2014. Mr. Hong Jingyi was re-appointed as Non-executive Director on 25 November 2011 and signed service agreement with the Company, and resigned on 28 March 2012.

Independent Non-executive Directors of the Company, Mr. Guo Xinping and Mr. Han Fuling were re-appointed with effect from 25 November 2011. Ms. Li Xuemei was appointed as Independent Non-executive Director with effect from 25 November 2011. All the three Independent Non-executive Directors have signed the service agreements with the Company for a term of three years from 25 November 2011 to 24 November 2014.

## CORPORATE GOVERNANCE REPORT

### Continuous Professional Development

Directors confirmed that they have applied Rule A.6.5 of the Code relating to the director training. In this year, all directors have participated in continuous professional development by means of attending following meetings and/or reading materials to develop and update their knowledge and skills and provide training record to the Company.

Name of the Director	Corporate Governance, Rules and Regulations	Financial Management and Other Business
Luo Wen	✓	✓
Li Jun	✓	✓
Song Xianzhu	✓	✓
Lu Shan	✓	✓
Wang Peng	✓	✓
Guo Xinping	✓	✓
Han Fuling	✓	✓
Li Xuemei	✓	✓

### Remuneration Committee

The Remuneration Committee of the Company was established according to the requirements of GEM Listing Rules. The Chairman of the Remuneration Committee is Mr. Guo Xinping, Independent Non-executive Director, and other members include Mr. Li Jun, Executive Director and Ms. Li Xuemei, Independent Non-executive Director, in compliance with the requirement of GEM Listing Rules that the majority of the Remuneration Committee shall be independent non-executive directors.

The Company has set out the Remuneration Committee's terms of reference and duties in writing. The major duties of the Remuneration Committee shall include the recommendation of the specific remuneration packages of individual executive directors and members of senior management, including benefits in kind, pension and pension rights, compensation payments, compensation payments for leaving office or appointment, and make recommendations to the Board on the remuneration of Non-executive Directors. The Remuneration Committee shall consider various factors including the salaries paid by comparable companies, time commitment and duties of the directors, employment conditions in the Company and feasibility of performance-based remuneration.

In 2012, the Remuneration Committee held two meetings. Details of the attendance of members of the Remuneration Committee at the meeting for the year of 2012 are as follows:

<b>Members attended</b>		<b>No. of meetings/ Attendance</b>
Mr. Guo Xinping	Chairman of the Committee	2/2
Mr. Li Jun		2/2
Ms. Li Xuemei		2/2

The Remuneration Committee has reviewed the existing terms which included service contracts of Executive Directors and the letters of appointment of Independent Non-executive Directors. The Remuneration Committee considers the existing terms of the employment contracts of the Executive Directors and the letters of appointment of Independent Non-executive Directors are fair and reasonable.

#### **Nomination Committee**

The Company has set up the Nomination Committee in accordance with the relevant requirements of GEM Listing Rule. The chairman of the Committee is Mr. Luo Wen, one of the directors, and other members include Independent Non-executive Directors, namely Mr. Guo Xinping, Ms. Li Xuemei and Mr. Han Fuling.

The Company has set out the Nomination Committee's terms of reference and duties in writing. The major duties of the Nomination Committee shall include the regular review of the structure of the Board and the number and composition of its members (including the aspects of skills, knowledge and experience), according to the equity structure of the Company and requirements for management and operation of the Company, with recommendations to the Board for proposed changes; the identification of competent candidates capable of taking up the office of directors, with nomination of the relevant persons to be the directors or provision of opinions to the Board in this regard; the independent evaluation of the independence of Independent Non-executive Directors; and the recommendation to the Board in respect of the appointment or re-appointment of directors and the succession plan of directors.

In 2012, the Nomination Committee held two meetings. Details of the attendance of members of the Nomination Committee at the meeting for the year of 2012 are as follows:

<b>Members attended</b>		<b>No. of Meetings/attendance</b>
Mr. Luo Wen	Chairman of the Committee	2/2
Mr. Guo Xinping		2/2
Mr. Han Fuling		2/2
Ms. Li Xuemei		2/2

The Nomination Committee has reviewed the appointment of chairman of the Nomination Committee, approval of the working rules and nomination of Mr. Song Xianzhu to be the candidate of Non-executive Director of the Company.

## CORPORATE GOVERNANCE REPORT

### Auditors' Committee

The Company has set up the Audit Committee. The Chairman of the Audit Committee is Ms. Li Xuemei, Independent Non-executive Director, and other members include Mr. Guo Xinping and Mr. Han Fuling, both being Independent Non-executive Director. Ms. Li Xuemei has corresponding professional qualifications and financial experience. The Company has complied with the requirement of Rule 5.29 of GEM Listing Rules by setting out its terms of reference and duties in writing.

In 2012, the Audit Committee held five meetings. Details of the attendance of members of the Audit Committee at the meeting for the year of 2012 are as follows:

Members attended	No. of meetings/Attendance
Ms. Li Xuemei Chairman of the Committee	5/5
Mr. Guo Xinping	5/5
Mr. Han Fuling	5/5

The Audit Committee has reviewed the financial statements, 2012 Annual Report, Quarterly Report, connected transactions and the internal control system for the year ended 31 December 2012 and provided opinions and comments, and was of the view that the preparation of such results has complied with all applicable accounting standards and relevant regulatory and law provisions, and made sufficient disclosure.

### Corporate Governance Function

The Board has adopted the written terms of reference on corporate governance function in March 2012 so as to assist the Board in performing its corporate governance function. The duties of the Board in respect of corporate governance function are summarized as follows:

- to develop and review an Company's policies and practices on corporate governance and make recommendations to the Board;
- 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 code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions as set out in the CG Code and its disclosure requirements in the Corporate Governance Report.

The Board held one meeting in respect of the corporate governance and reviewed the adoption of the written terms of reference on corporate governance function so as to assist the Board in performing its corporate governance function.

**Remuneration of the members of the senior management by band**

Pursuant to paragraph B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2012 is set out below:

Remuneration band	Number of individuals
RMB500 thousand and below	3
RMB501 thousand to RMB1,000 thousand	9
RMB1,001 thousand or above	1

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in note 8 and 9 to the financial statements as set out on pages 71 to 74 of this annual report.

**AUDITORS' REMUNERATION**

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions would lead to any potential material adverse effect on the Company. During the year, the Company was required to pay an aggregate of approximately RMB200 thousand to the external auditors for their auditing services, and apart from the above, there was no significant non-audit service provided by the external auditors for the Company.

**DIRECTORS' AND AUDITORS' FINANCIAL REPORTING RESPONSIBILITY**

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

The Directors acknowledge the responsibilities for preparing the accounts of the Company.

The responsibilities of the auditor of the Company with respect to the financial statements of the Group is set out in the Independent Auditor's Report on page 41 to 42.



### CONTINUING OPERATION

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

### INTERNAL CONTROL

The Board has conducted regular review of the internal monitoring system to ensure that the relevant system is effective and appropriate. The Board of directors has convened regular meetings to discuss matters concerning finance, operation and risk management and monitoring.

The Group reviews the internal monitoring system once a year and the Board monitors the effectiveness of the internal monitoring system through the internal audit program, including finance, operation, compliance control and risk management functions. The reports prepared by the internal audit group and the investigation findings shall be submitted to the Audit Committee for review. If necessary, the internal audit group may also submit the investigation findings and the proposed audit plan to the Auditing Committee for approval.

### COMPANY SECRETARY

Ms. Chan Yin Wah ("Ms. Chan") is the Company Secretary, which has complied with the requirements set out in Rule 5.15 of the GEM Listing Rules. She is also the Associate Director of SW Corporate Services Group Limited. Ms. Chan's primary contact persons of the Company are Mr. Fu Changwen (Secretary of the Board) and Mr. Bai Jiesong (Financial Controller).

### SHAREHOLDERS'S RIGHTS

#### (1) Procedures for commencing shareholders' meetings and class meetings

According to Article 73 of the Articles of Association of the Company, two or more shareholders who collectively hold 10% or more of the voting shares at the proposed meeting may make a proposal to the Board of Directors on holding an extraordinary General Meeting or class meeting by signing one or several written requests with same content in same format and define the meeting agenda. The Board of Directors shall convene such meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as of the date when the written request was put forward by the shareholders. In case that the Board of Directors fails to give a notice of convening such meeting within thirty days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting within four months after receipt of the request by the Board of Directors, and the procedures shall be the same as those for convening a General Meeting by the Board of Directors where possible. The expenses reasonably incurred by shareholders in convening and holding such a meeting for the Board of Directors fails to hold such a meeting on the aforesaid request shall be borne out by the Company and shall be deducted from any payment due by the Company to breaching directors.

**(2) Procedures for directing Shareholders' enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and the address is as follows:

*Principal Place of Business in Hong Kong*

Level 28, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong

*Principal Place of Business in Bei Jing*

10th Floor, CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC  
TEL: 86-10-8855 8512

**(3) Procedures for putting forward proposals at General Meetings**

According to Article 55 of the Articles of Association of the Company, shareholders who collectively hold 5% or more of the total voting shares at the Annual General Meeting of the Company, are entitled to propose new resolutions in written form. The Company shall include those matters which are within the scope of duties of the shareholders' meeting into the agenda

*Principal Place of Business in Hong Kong*

Level 28, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong

*Principal Place of Business in Bei Jing*

10th Floor, CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC  
TEL: 86-10-8855 8512

**ARTICLES OF ASSOCIATION**

For the year ended 31 December 2012, there is no material change in the articles of association.

# REPORT OF THE DIRECTORS

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

## **PRINCIPAL ACTIVITY**

The Group is principally engaged in the provision of management and strategic consultancy services, market consulting, municipal economic and industrial planning, investment and financing consultation services, information consultation and information engineering supervision services. There was no significant change in the nature of the Group's principal activities during the year.

## **RESULTS AND DIVIDENDS**

The Group's profit for the year ended 31 December 2012 and the financial status of the Company and the Group as at the date were set out in the financial statements on page 43 to 103. The Directors didn't recommend to pay any final dividend.

## **SUMMARY OF FINANCIAL INFORMATION**

A summary of the published results and assets and liabilities for the past five financial years extracted from the audited financial statements was set out on page 104. This summary is not a part of the audited financial statements.

## **FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year were set out in Note 14 to the financial statements.

## **SHARE CAPITAL**

There was no movement in the Company's authorized and issued share capital during the year.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association or the Company Law of the PRC. Therefore, the Company is not obliged to offer new shares on pro rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY OR ITS SUBSIDIARIES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company or its subsidiaries during the year.

## **RESERVES**

Details of movements in the reserves of the Group are set out in Note 29 to consolidated financial statements and in the consolidated statement of changes in equity respectively during the year.

## **LOANS AND BORROWINGS**

The Group had no loans and borrowings during the year.

## **DISTRIBUTABLE RESERVES**

For year ended 31 December 2012, no capital reserve was available for distribution by way of a future capitalization issue. In addition, the Company had, as detailed in Note 29 to financial statements, the retained profits of approximately RMB33,036 thousand available, after provisions, for distribution as dividends.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, sales to the Group's five largest clients accounted for approximately 12% of the total annual sales, and sales to the largest client included therein represented 5%.

The Group has provided certain consultation services to the companies under the same ultimate shareholder of the Company, details of which were set forth in Note 32 to financial statements "Material Related Party Transactions". Save as disclosed above, none of the directors of the Company or any of their associates or any other shareholders which own more than 5% of the Company's issued share capital, to the best knowledge of the directors, had any interests in the Group's five largest clients.

There is no main suppliers, as the Group's main activities are provision of consultancy and research service.

## REPORT OF THE DIRECTORS

### DIRECTORS

For the year ended 31 December 2012, the Board of the Company comprised:

#### Executive Directors

Luo Wen (*Chairman*)

Li Jun (*Chief Executive Officer*)

#### Non-executive Directors

Song Xianzhu (*Vice-Chairman*) (Appointed on 13 December 2012)

Lu Shan

Wang Peng

Hong Jingyi (Resigned on 28 March 2012)

#### Independent Non-executive Directors

Guo Xinping

Han Fuling

Li Xuemei

In accordance with the Company's Articles of Association, all current directors have been elected for a term of three years and may serve consecutive terms upon re-election.

### DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors, supervisors and senior management of the Company were set out on Page 12 to 16 of the annual report.

### SERVICE CONTRACTS FOR DIRECTORS AND SUPERVISORS

The Company's Executive Directors Mr. Luo Wen and Mr. Li Jun have been re-appointed on 25 November 2011, and they have entered into a 3-year service contract from 25 November 2011 to 24 November 2014 with the Company.

Mr. Song Xianzhu was appointed as Non-executive Director of the Company with effect from 13 December 2012. Mr. Song Xianzhu has signed the service agreements with the Company for a term from 13 December 2012 and subject to re-election upon the expiry of term of the Board. Mr. Lu Shan, and Mr. Wang Peng were re-appointed with effect from 25 November 2011 and they have signed the service agreement with the Company with effect from 25 November 2011 to 24 November 2014.

Independent Non-executive Directors of the Company, Mr. Guo Xinping and Mr. Han Fuling were re-appointed with effect from 25 November 2011 and they have signed the service agreement with the Company with effect from 25 November 2011 to 24 November 2014. Ms. Li Xuemei was appointed as Independent Non-executive Director with effect from 25 November 2011 and signed the service agreements with the Company for a term of three years from 25 November 2011 to 24 November 2014.

Mr. Gong Chenghe, Mr. Zhao Zeming, and Ms. Zhao Xiuzhen have been re-elected as Supervisor of the Company since 25 November 2011 respectively. All of them have entered into service contract from 25 November 2011 to 24 November 2014 with the Company.

## **DIRECTORS' AND SUPERVISORS' REMUNERATION**

The directors' and supervisor's remuneration shall be approved at the general meeting of shareholders. Other emoluments shall be determined by the Board based on the directors' duties, responsibilities and performance as well as the Company's results. The details of the directors' and supervisor's remuneration are set out in Note 8 to the consolidated financial statements.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

Apart from disclosed in this annual report, none of the directors had material interests, either direct or indirect, in any contract of significance related to the business of the Company, in which the Company, its holding company or any of its subsidiaries was a party during the year.

## **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

As of the year ended 31 December 2012, the Group has carried out the following connected transactions and continuing connected transactions, and disclosure of certain details is in line with requirements of Chapter 20 of the GEM Listing Rules.

### **1. Non-exempted continuing connected transactions**

- (1) On 17 June 2009, the Company entered into Property Management Contract of 9F and 10F of CCID Building No. 66 Zizhuyuan Road, Haidian District, Beijing, China with Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Industry Development (Research Center). The contract is valid from 1 April 2009 to 31 March 2012, the Research Center provides management services to the Company's premises, including but not limited to the maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to the Company's supervision and inspection. Contract prescribed that the maximum annual cap of the management fees for the four years ended 31 December 2012 were RMB825,000, RMB1.1 million, RMB1.1 million and RMB275,000 (this amount is as of the date of termination of this contract), respectively.

On 15 May 2012, the Company entered into Property Management Contract of 9F and 10F of CCID Building with the Research Center. The contract is valid from 1 April 2012 to 31 March 2015, the Research Center will provide management services to the Company's premises, including but not limited to the maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to the Company's supervision and inspection. Contract prescribed the maximum annual cap of the management fees for the four years ended 31 December 2015 were RMB1,125,000, RMB1.5 million, RMB1.5 million and RMB375,000 (this amount is as of the date of termination of this contract), respectively.

- (2) On 17 June 2009, Beijing CCID Jingdian Public Relations Consulting Co., Ltd. (on 18 January 2011, the company changed its name to Beijing CCID Strategic Management Consulting Co., Ltd.) entered into Property Management Contract of 9F of CCID Building with the Research Center. The contract is valid from 1 April 2009 to 31 March 2012, the Research Center will provide management services to the Company's office spaces, including but not limited to the maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to the company's supervision and inspection. Contract prescribed the maximum annual cap of the management fees for the four years ended 31 December 2012 were RMB60,000, RMB80,000, RMB80,000 and RMB20,000 (this amount is as of the date of termination of this contract), respectively.

On 15 May 2012, Beijing CCID Strategic Management Consulting Co., Ltd. (CCID SMC) entered into Property Management Contract of 9F of CCID Building with the Research Center. The contract is valid from 1 April 2012 to 31 March 2015, the research center will provide management services to CCID SMC's offices, including but not limited to, maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to the Company's supervision and inspection. Contract prescribed that the maximum annual cap of the management fees for the four years ended 31 December 2015 were respectively RMB75,000, RMB100,000, RMB100,000 and RMB25,000 (this amount is as of the date of termination of this contract), respectively.

- (3) On 17 June 2009, Beijing CCID Shiji Information Engineering Consulting Co., Ltd. ("CCID Info") entered into Property Management Contract of 9F of CCID Building with the Research Center. The contract is valid from 1 April 2009 to 31 March 2012, the Research Center will provide management services to the Company's office spaces, including but not limited to the maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to by the company's supervision and inspection. Contract prescribed that the maximum annual cap of the management fees for the four years ended 31 December 2012 were RMB75,000, RMB100,000, RMB100,000 and RMB25,000 (this amount is as of the date of termination of this contract), respectively.

On 15 May 2012, CCID Info entered into Property Management Contract of 9F of CCID Building with the Research Center. The contract is valid from 1 April 2012 to 31 March 2015, the research center will provide management services to CCID Info's offices, including, but not limited to, maintenance, repair, cleaning and sanitation services in accordance with the relevant laws and regulations, and is subject to the Company's supervision and inspection. Contract prescribed that the maximum annual cap of the management fees for the four years ended 31 December 2015 were RMB97,500, RMB130,000, RMB130,000 and RMB32,500 (this amount is as of the date of termination of this contract), respectively.

- (4) On 17 June 2009, Beijing CCID Information Engineering Supervision Co., Ltd. ("CCID Supervision") entered into Lease Contract of 1F of CCID Building with the Research Center. The contract is valid from 1 April 2009 to 31 March 2012, CCID Supervision has the right to conduct day-to-day business operations in the relevant office. Contract prescribed that the maximum annual cap of the rents and management fees for the four years ended 31 December 2012 were RMB390,000, RMB580,000, RMB600,000 and RMB150,000 (this amount is as of the date when this contract is terminated), respectively.

On 15 May 2012, CCID Supervision entered into Lease Contract of 6F of CCID Building with the Research Center. The contract is valid from 1 January 2012 to 31 December 2012, CCID Supervision has the right to conduct day-to-day business operations in the office. Contract prescribed that the maximum annual cap of the rent and management fee for the year ended 31 December 2012 is RMB240,000.

- (5) On 17 June 2009, the Company entered into Translation Service Contract with Beijing CCID Translation Technology Ltd. ("CCID Translation"). The contract is valid from 1 April 2009 to 31 March 2012, CCID Translation will provide translation and related services to the Company. The contract prescribed that the maximum annual cap of the translation fees for the four years ended 31 December 2012 were RMB337,500, RMB450,000, RMB450,000 and RMB112,500 (this amount is as of the date of termination of this contract), respectively.

On 15 May 2012, the Company entered into Translation Service Contract with CCID Translation. The contract is valid from 1 April 2012 to 31 March 2015, CCID Translation will provide translation and related services to the Company. The contract prescribed that the maximum annual cap of the translation fees for the four years ended 31 December 2015 were RMB337,500, RMB450,000, RMB450,000 and RMB112,500 (this amount is as of the date of termination of this contract), respectively.

- (6) On 17 June 2009, the Company entered into Agency Contract with Beijing CCID Net Information Technology Co., Ltd. ("CCID Net"). The contract is valid from 1 April 2009 to 31 March 2012, CCID Net will provide online marketing and sales services of various reports published by the company from 2009 to 2012. The contract prescribed that maximum annual cap of the agency fee for the four years ended 31 December 2012 were RMB300,000, RMB400,000, RMB400,000 and RMB100,000 (this amount is as of the date of termination of this contract), respectively.

On 15 May 2012, the Company entered into Agency Contract with CCID Net. The contract is valid from 1 April 2012 to 31 March 2015, CCID Net will provide online marketing and sales services of various reports published by the company in each year. The contract prescribed that the maximum annual cap of the agency fee for the four years ended 31 December 2015 were RMB300,000, RMB400,000, RMB400,000 and RMB100,000 (this amount is as of the date of termination of this contract), respectively.

- (7) On 17 June 2009, the Company entered into Call Service Contract with Beijing CCID Call Center Ltd. (CCID Call). The contract is valid from 1 April 2009 to 31 March 2012, CCID Call will provide the relevant telephone call services, human resources outsourcing and other outsourcing services. The contract prescribed that the maximum annual cap of the service charges for the four years ended 31 December 2012 were RMB300,000, RMB400,000, RMB400,000 and RMB100,000 (this amount is as of the date of termination of this contract), respectively.

- (8) On 15 May 2012, the Company entered into "Chinese Industrial Software Market Research Consulting Contract" with Beijing CCID Information Technology Appraisal Co., Ltd. ("CCID Appraisal"). The contract is valid from 20 February 2012 to 30 April 2012, the company will provide Chinese industrial software market research and consulting services, and qualified project results reports. Contract prescribed that the maximum annual cap of the service costs for the year ended 31 December 2012 was RMB30,000.



## REPORT OF THE DIRECTORS

- (9) On 16 December 2011, CCID Info and CCID Supervision entered into “Inner Mongolia KBS Digitization Project” Contract. The contract is valid from 16 December 2011 to 31 December 2013, CCID Supervision will provide consulting services. The contract prescribed that the maximum annual cap of the service fees for the three years ended 31 December 2013 were RMB400,000, RMB460,000 and RMB100,000 (this amount is as of the date of termination of this contract), respectively.
- (10) On 16 December 2011, CCID Information Industry (Group) Co., Ltd. (“CCID Group”) entered into “CCID Scholars Management Approach Program Design Consulting Project” Contract with the Company. The contract is valid from 16 December 2011 to 31 May 2012, the company will provide consulting services. Contract stipulated that the maximum annual cap of the service fees for the two years ended 31 December 2012 were RMB20,000 and RMB180,000 (this amount is as of the date of termination of this contract), respectively.
- (11) On 23 September 2011, the Research Center and CCID Supervision entered into “Information Technology Planning Advice and Supervision Technical Services Contract”. The contract is valid from 1 August 2011 to 31 March 2012, CCID Supervision will provide consulting services. Contract stipulated that the annual maximum annual cap of the service fees for the two years ended 31 December 2012 were RMB700,000 and RMB470,000 (this amount is as of the date of termination of this contract), respectively.

CCID SMC, CCID Info and CCID Supervision are subsidiaries of the Company. Research Center is the controlling shareholder of the Company, as at the date of this annual report, it holds approximately 56.09% of the total issued share capital of the Company. CCID Translation, CCID Appraisal and CCID Net are associates of the Research Center, and CCID Call and CCID Group are subsidiaries of the Research Center.

Therefore, they are connected persons of the Company (as defined in Chapter 20 of the GEM Listing Rules), the contract constitutes the continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratio on an annual basis (other than the profits ratio) of above contracts is not more than 25%, and the total consideration is less than HK\$10 million, the related connected transactions should only be subject to the annual review, reporting and the contract announcement requirements under Rule 20.34 of the GEM Listing Rules, and are exempted from following requirements of independent shareholders' approval.

Details of the above continuing connected transactions are set out in the announcements dated 17 June 2009 and 15 May 2012 on the Stock Exchange's website [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website [www.ccidconsulting.com](http://www.ccidconsulting.com).

## 2. Non-exempted connected transactions

The Group's operating businesses are structured and managed separately according to the nature of their operations, as well as the services provided. Connected transactions of the Group are divided into the following five categories on the basis of the transactions of a similar nature:

- (I) Management and strategic consultancy services
  - (II) Market consultancy services
  - (III) Information engineering supervision services
  - (IV) Data information management services
  - (V) Others
- (1) On 28 December 2012, China Center of Information Industry Development ("CCID") and CCID SMC entered into "Classification and Performance Evaluation of Ministries, Institutions, Departments and Bureaus" Contract, CCID will hire CCID SMC to provide marketing consulting services, and issue related reports. The contract amount is RMB150,000. This connected transaction is a market consultancy services category.
  - (2) On 28 December 2012, CCID and the Company signed "Dongguan City New Type of High-end Electronic Information Industry Development Research Project" Contract. CCID will hire the Company to provide marketing consulting services, and issue reports. The contract amount is RMB93,100. This connected transaction is a market consultancy services category.
  - (3) On 28 December 2012, the Company and CCID signed "Guangdong Province Modern Information Service Industry Advisory Services Project" Contract. The company will hire CCID to provide market consulting services, and issue reports. The contracts amount is RMB200,000. This connected transaction is a market consultancy services category.
  - (4) On 28 December 2012, CCID and the Company signed "Electronic Information Top 100 and Import and Export Statistics Monitoring Project" Contract. CCID will hire the company to provide information engineering supervision services, and complete data processing, program updates and system maintenance work. The contracts amount is RMB180,000. This connected transaction belongs to the category of information engineering supervision services.
  - (5) On 28 December 2012, CCID Supervision and the Company signed "2012 Information Technology Project Supervision Services Project" Contract. CCID Supervision will hire the Company to provide information engineering supervision services, and provide research reports and in-residence tracking. The contract value is RMB1,496,000. This connected transaction belongs to the category of information engineering supervision services.

## REPORT OF THE DIRECTORS

- (6) On 28 December 2012, CCID Supervision and Beijing CCID Guoruan Certification Co., Ltd. (“CCID Guoruan”) entered into “E-government Construction Consulting Services” Contract. CCID Supervision will hire CCID Guoruan to offer information engineering project supervision support services, CCID Guoruan should make professional supervision suggestions or opinions on construction of government web sites, e-government development planning, construction content developed by the government standard system involved in the projects supervised by CCID Supervision from the expert’s point of view on behalf of CCID Supervision. The contract amount is RMB450,000. This connected transaction belongs to the category of information engineering supervision services.
- (7) On 28 December 2012, CCID Supervision and CCID Guoruan signed “2012 Employees Vocational Education and Training” Contract. CCID Supervision will hire CCID Guoruan to provide training courses and support services, including the preparation of course content, lesson planning and teaching. The contract amount is RMB432,000. This connected transaction belongs to the category of information engineering supervision services.
- (8) On 28 December 2012, Beijing CCID Times Information Industry Co., Ltd. (“CCID Times”) and the Company signed “Hunan Transportation Foundation Support System Engineering Design Project” Contract. CCID Times will hire the Company to provide design services of programs of hardware architecture system, overall design part and data resources planning par. The contracts amount is RMB630,500. This connected transaction belongs to the category of information engineering supervision services.
- (9) On 21 September 2012, CCID and CCID Info signed Technical Service contract. CCID will hire CCID Information to offer special technical services on CCID’s information industry operation analysis and decision support platform building project. The contracts amount is RMB11,000,000.
- (10) On 26 June 2012, the Company and CCID Group signed Joint Venture Contract, to jointly set up a joint venture company Beijing CCID City Strategy Consulting Co., Ltd (“CCID Strategy”). The business scope of the joint venture company is engineering and planning management, technology intermediary services, and social and economic consulting. The joint venture company takes consulting business in China’s urban economic development planning, development mode and relevant industrial planning, investment invitation, and policy research as the main business. The registered capital of CCID Strategy is RMB5.0 million, in which the Company and CCID Group respectively invested RMB4,505,000 and RMB495,000.

CCID is the ultimate controlling shareholder of the Company, at the date of this annual report, it indirectly holds approximately 69.41% of the total issued share capital of the Company. Research Center, as the controlling shareholder of the Company, as at the date of this annual report, held approximately 56.09% of the total issued share capital of the Company. CCID SMC, CCID Info and CCID Supervision are subsidiaries of the Company. CCID Guoruan, CCID Group and CCID Times are Research Center’s subsidiaries. Therefore, they are all connected persons of the Company (as defined in Chapter 20 of the GEM Listing Rules), and the above contracts constitute the Company’s connected transactions under Chapter 20 of the GEM Listing Rules.

According to the provisions of Section 20.25 of the GEM Listing Rules, if connected transactions are completed or inter-related in the same period of 12 months, such transactions shall be aggregated. Therefore, each of the above categories have been combined as per percentage rate, and these types of transactions, when aggregated, the applicable percentage ratio (other than the profits ratio) does not exceed 25%, and the total considerations are less than HK\$10 million, according to the provisions of GEM Listing Rule 20.32, related transactions should only be subject to the reporting and announcement requirements, and are exempted from following the requirements of independent shareholders' approval.

Details of the above connected transactions are set out in announcements dated 28 December 2012, 21 September 2012, and 26 June 2012 on the Stock Exchange's website [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website [www.ccidconsulting.com](http://www.ccidconsulting.com).

Independent non-executive directors have reviewed the above non-exempted continuing connected transactions and recognized as follows:

- (1) The transactions are day-to-day business of the Group;
- (2) The transactions can be conducted on normal commercial terms, or for the Group, the terms of such transactions should be no less favorable than terms available to or from the independent third party; and
- (3) The transactions are conducted in accordance with the relevant agreements governing the transactions, the terms of the transaction are fair and reasonable, and in line with the overall interests of the shareholders of the Company.

The Group's auditors have reviewed the above continuing connected transactions which are non-exempted, and confirmed to the Board that the continuing connected transactions:

- (1) Have been approved by the board of directors of the listed issuer;
- (2) If the transactions involve the provision of goods or services by the Group, they are still conducted in accordance with the pricing policies of the Group;
- (3) Have been conducted in accordance with the relevant agreements governing the transactions; and
- (4) Have not exceeded the cap disclosed in previous announcements.

## CONTRACTS OF SIGNIFICANCE

Further details about transactions took place under these contracts during the year was set out in significant connected transactions in Note 32 of the consolidated financial statements.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2012, the interests and short positions of the Directors, Supervisors, and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to inform the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including the interests in shares and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or inform the Company and the Stock Exchange pursuant to the required standards of the dealings by the Directors mentioned in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Equity and short positions in the securities of the Company and its associated corporations:

Name of director	Name of company, associated corporations	Nature of interests	Capacity	Number and class of shares	Percentage of issued share capital
Luo Wen	The Company	Long position	Beneficial owner	1,020,000 domestic shares	0.15%
Lu Shan	The Company	Long position	Beneficial owner	1,020,000 domestic shares	0.15%

Save as disclosed above, as at 31 December 2012, none of the Directors, Supervisors and Chief Executives or their associates have registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to inform the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including the interests in shares and short positions which they are taken or deemed to have taken under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or inform the Company and the Stock Exchange pursuant to the required standards of dealings by the Directors as mentioned in Rule 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

Save as disclosed above under the heading "Directors', Supervisors' and Chief Executives Interests in Shares", at no time during the period were rights to obtain benefits by means of purchasing shares or debentures of the Company granted to any director and supervisor or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the director and supervisor of the Company to obtain such rights.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 November 2002. A summary of principle terms and conditions of the share option scheme are set out in the section headed "Summary of principle terms of the share option scheme" in Appendix IV of the prospectus of the Company dated 29 November 2002. Up to 31 December 2012, no option has been granted pursuant to such share option scheme.

## INTERESTS AND SUBSTANTIAL SHAREHOLDERS REQUIRED TO DISCLOSE PURSUANT TO THE SFO

As at 31 December 2012, the following persons (other than the directors, supervisors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register and required to be kept under Section 336 of the SFO.

Name	Capacity	Nature of interest	Number and class of shares	Percentage in the same class of shares	Percentage of issued share capital
China Centre of Information Industry Development ("CCID") (Note 1)	Interest of controlled corporation	Long position	485,900,000 domestic shares	98.96%	69.41%
Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Development ("Research Centre") (Note 1)	Beneficial owner	Long position	392,610,000 domestic shares	79.96%	56.09%
Beijing CCID Riyue Investment Co., Ltd("CCID Riyue") (Note 1)	Beneficial owner	Long position	93,290,000 domestic shares	19.00%	13.32%
Legend Holdings Limited(Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Lenovo Group Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Legend Holdings (BVI) Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Legend Express Agency & Service Limited (Note 2)	Interest of controlled corporation	Long position	20,000,000 H shares	9.57%	2.86%
Grade Win International Limited (Note 2)	Beneficial owner	Long position	20,000,000 H shares	9.57%	2.86%
Lam William Ka Chung (Note 3)	Interest of controlled corporation	Long position	14,600,000 H shares	6.99%	2.09%
J.P. Morgan Fleming Asset Management Holdings Inc. (Note 4)	Investment manager	Long position	15,000,000 H shares	7.18%	2.14%
J.P. Morgan Fleming Asset Management (Asia) Inc. (Note 4)	Investment manager	Long position	15,000,000 H shares	7.18%	2.14%
JF Asset Management Limited (Note 4)	Investment manager	Long position	10,700,000 H shares	5.12%	1.53%

Notes:

1. CCID, through Research Centre (controlled and supervised by CCID) and CCID Riyue (directly and indirectly, wholly owned by CCID) have effective interests in the Company comprising the 392,610,000 domestic shares held directly by Research Center and the 93,290,000 domestic shares held directly by CCID Riyue.

## REPORT OF THE DIRECTORS

- Grade Win International Limited directly holds 20,000,000 H shares of the Company. Grade Win International Limited is a wholly-owned subsidiary of Legend Express Agency & Service Limited, which is return a wholly-owned subsidiary of Legend Holdings (BVI) Limited; Legend Holdings (BVI) Limited is a wholly-owned subsidiary of Lenovo Group Limited; Legend Holdings Limited holds 57.76% interests in shares of Lenovo Group Limited; and the above corporations are deemed to be interested in 20,000,000 H shares of the Company.
- Kingsway Financial Services Limited directly holds 13,510,000 H shares of the Company. Kingsway Financial Services Limited is a wholly-owned subsidiary of Kingsway Securities Holdings Limited. Kingsway Securities Holdings Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Kingsway Lion Spur Technology Limited holds 1,090,000 H shares of the Company. Kingsway Lion Spur Technology Limited is a wholly-owned subsidiary of Festival Developments Limited. Festival Developments Limited is a wholly owned subsidiary of SW Kingsway Capital Holdings Limited. World Developments Limited directly holds 74% interests in shares of SW Kingsway Capital Holdings Limited. World Developments Limited is a wholly-owned subsidiary of Innovation Assets Limited. Innovation Assets Limited is a wholly-owned subsidiary of Kingsway International Holdings Limited. Mr. Lam William Ka Chung directly and indirectly owns or controls approximately 40% interests in shares of Kingsway International Holdings Limited. Mr. Lam William Ka Chung is deemed to be interested in 14,600,000 H Shares of the Company.
- JF Asset Management Limited directly holds 10,700,000 H shares of the Company. JF International Management Inc. directly holds 4,300,000 H shares of the Company. J.P. Morgan Fleming Asset Management (Asia) Inc. respectively holds 99.99% and 100% equity interests of JF Asset Management Limited and JF International Management Inc.. J.P. Morgan Fleming Asset Management (Asia) Inc. is a wholly-owned subsidiary of J.P. Morgan Fleming Asset Management Holdings Inc.. J.P. Morgan Fleming Asset Management (Asia) Inc. and J.P. Morgan Fleming Asset Management Holdings Inc. are deemed to be interested in 15,000,000 H shares of the Company.

Save as disclosed above and under the heading of “Directors’, Supervisors’ and Chief Executives’ Interests in Shares”, as at 31 December 2012, no other persons’ interests and short position in shares and underlying shares were required to be registered and kept pursuant to Section 336 of the SFO.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the sufficiency of public float requirement as specified in the Listing Rules to the date of this Annual Report.

### COMPETING INTERESTS

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company and their respective associates has any interests in a business which competes with or may compete with the business of the Company.

### EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group had a total of 490 employees (2011: 398). The Group, with reference to the market remuneration standard in the industry, shared its enterprise development with the employees, to further enrich the remuneration and welfare security system, coupled with the implementation of the average remuneration standard in the industry and full contribution to the social insurance and the provision of commercial insurance including the supplementary medical and accidental injury insurance. The employees are rewarded or punished based on a policy of results-oriented performance appraisal. Those with outstanding results will be rewarded on a timely basis, in order to take the initiative to strive for excellent corporate culture.

**AUDITORS**

The financial statements for the year ended 31 December 2012 have been audited by Ho & Chung CPA Limited who retire and offer them for re-appointment at the 2013 annual general meeting.

**CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on Page 17 to 25 of the annual report.

ON BEHALF OF THE BOARD

**Luo Wen**

*Chairman*

Beijing, the People's Republic of China  
21 March 2013



# REPORT OF THE SUPERVISORY COMMITTEE

To: All Shareholders

The Supervisory Committee of CCID Consulting Company Limited (the "Supervisory Committee"), in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association of the Company, performed conscientiously its duties, safeguarded the interests of the shareholders and the benefits of the Company, and complied with the principle of good faith and launched its work on the loyal, reasonable, cautious, diligent and proactive basis.

During the year, the Supervisory Committee reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions for the Board of Directors, strictly and effectively supervised the Company's management in making significant policies and specific decisions in compliance with the laws and regulations of the PRC and the Articles of Association of the Company, and in safeguarding the interests of its shareholders.

We have reviewed conscientiously and agreed to the report of the Directors, the audited financial statements and the proposed distribution of dividends for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company have strictly observed the principle of good faith, stuck to their fiduciary duties, and have exercised their authority of office faithfully in the best interests of the Company, and been capable of launching various kinds of work in line with the Articles of Association, featuring more standardized operation and ever-perfecting internal control system. Up to now, none of the Directors, general manager and senior management staff has been found abusing their authority of office, damaging the interests of the Company and infringing upon the interests of its shareholders and employees. None of them were found to have committed breach of any laws and regulations and the Articles of Association of the Company as well.

The Supervisory Committee is satisfied with the performance of the various projects and the attainment of economic benefits for the Company in 2012 and has great confidence in the future development of the Company.

By Order of the Supervisory Committee

**Gong Chenghe**

*Chairman*

Beijing, the People's Republic of China

21 March 2013

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders

### CCID Consulting Company Limited

賽迪顧問股份有限公司

(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of the Group set out on pages 43 to 103 which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRS and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance 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 HKICPA. 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 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 state of affairs of the Group and of the Company as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Ho & Chung CPA Limited**

Certified Public Accountants

Hong Kong

Room 2203, 22/F,

Tung Wai Commercial Building,

109-111 Gloucester Road,

Wanchai,

Hong Kong

21 March 2013

#### **Chung Ho Shing**

Practising Certificate number P03728

# CONSOLIDATED INCOME STATEMENT OF THE GROUP

Year ended 31 December 2012

	Notes	2012 RMB('000)	2011 RMB('000)
Turnover	4a	145,666	127,118
Cost of sales		(82,041)	(67,955)
<b>Gross profit</b>		<b>63,625</b>	59,163
<b>Other revenue</b>			
Other revenue	4b	5,855	1,026
Fair value adjustment on financial assets		—	4
		<b>5,855</b>	1,030
		<b>69,480</b>	60,193
<b>Operating expenses</b>			
Selling and distribution expenses		(15,954)	(14,512)
Administrative expenses		(33,539)	(22,697)
Other operating expenses		(1,700)	—
		<b>(51,193)</b>	(37,209)
Impairment of assets	5	(4,407)	(409)
Fair value adjustment on financial assets		(15)	—
		<b>(55,615)</b>	(37,618)
<b>Profit before taxation</b>	6	<b>13,865</b>	22,575
Taxation	7	(3,507)	(6,004)
<b>Profit for the year</b>		<b>10,358</b>	16,571
<b>Attributable to:</b>			
Equity holders of the Company	10	8,338	14,686
Non-controlling interests		2,020	1,885
		<b>10,358</b>	16,571
<b>Dividends paid and proposed disclosed pursuant to the Tenth Schedule of Hong Kong Companies Ordinances are as follows:</b>			
Final dividend: Nil (2011: Nil)	11	—	—
<b>Earnings per share</b>			
Basic (RMB cents)	12	1.2	2.1
Diluted (RMB cents)	12	1.2	2.1

The notes on pages 53 to 103 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

Year ended 31 December 2012

	2012 RMB('000)	2011 RMB('000)
Profit for the year	10,358	16,571
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>10,358</b>	<b>16,571</b>
<b>Attributable to:</b>		
Equity holders of the Company	8,338	14,686
Non-controlling interests	2,020	1,885
	<b>10,358</b>	<b>16,571</b>

The notes on pages 53 to 103 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

As at 31 December 2012

	Notes	2012 RMB('000)	2011 RMB('000)
<b>Non-current assets</b>			
Property, plant and equipment	14	23,864	25,287
Intangible assets	16	14,681	14,681
Accrued assets	18	8,784	14,408
Long term investments	22	1,990	1,990
Deferred tax assets	27	398	631
		<b>49,717</b>	56,997
<b>Current assets</b>			
Accounts receivable	17	9,331	14,402
Accrued assets	18	40,380	32,826
Prepayment, deposits and other receivable	20	5,995	6,409
Cash and cash equivalents	21	39,230	39,988
Short term investments	22	190	2,205
		<b>95,126</b>	95,830
<b>Current liabilities</b>			
Accounts payable	23	1,751	1,585
Accruals and other payables	24	13,379	21,970
Due to related parties	25	3,372	12,410
Current tax liabilities		731	2,283
		<b>19,233</b>	38,248
<b>Net current assets</b>		<b>75,893</b>	57,582
<b>Total assets less current liabilities</b>		<b>125,610</b>	114,579
<b>Non-current liabilities</b>			
Deferred tax liabilities	27	1,615	1,437
<b>NET ASSETS</b>		<b>123,995</b>	113,142

CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION OF THE GROUP

As at 31 December 2012

	Notes	2012 RMB('000)	2011 RMB('000)
<b>EQUITY</b>			
Share capital	28	<b>70,000</b>	70,000
Reserves	29	<b>39,838</b>	31,720
<b>Total equity attributable to equity holders of the Company</b>			
Non-controlling interests	29	<b>14,157</b>	11,422
<b>TOTAL EQUITY</b>		<b>123,995</b>	113,142

Approved and authorized for issue by the board of Directors on 21 March 2013.

**Li Jun**  
*Director*

**Luo Wen**  
*Director*

The notes on pages 53 to 103 form part of these consolidated financial statements.

# SEPARATE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2012

	Notes	2012 RMB('000)	2011 RMB('000)
<b>Non-current assets</b>			
Property, plant and equipment	14	23,679	25,098
Interests in subsidiaries	15	65,062	60,181
Deferred tax assets	27	385	619
		<b>89,126</b>	85,898
<b>Current assets</b>			
Accounts receivable	17	7,856	10,823
Accrued assets	18	36,930	32,826
Prepayment, deposits and other receivable	20	3,792	4,416
Cash and cash equivalents	21	10,114	12,306
Short term investments	22	190	2,205
		<b>58,882</b>	62,576
<b>Current liabilities</b>			
Accounts payable	23	5,472	1,511
Accruals and other payables	24	7,779	10,134
Due to related parties	25	3,246	1,800
Current tax liabilities		8	1,820
		<b>16,505</b>	15,265
<b>Net current assets</b>		<b>42,377</b>	47,311
<b>Total assets less current liabilities</b>		<b>131,503</b>	133,209
<b>Non-current liabilities</b>			
Due to subsidiaries	26	—	500
<b>NET ASSETS</b>		<b>131,503</b>	132,709



SEPARATE STATEMENT  
OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2012

	Notes	2012 RMB('000)	2011 RMB('000)
<b>EQUITY</b>			
Share capital	28	<b>70,000</b>	70,000
Reserves	29	<b>61,503</b>	62,709
<b>TOTAL EQUITY</b>		<b>131,503</b>	132,709

Approved and authorized for issue by the board of Directors on 21 March 2013.

**Li Jun**  
*Director*

**Luo Wen**  
*Director*

The notes on pages 53 to 103 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GROUP

Year ended 31 December 2012

	Note	2012 RMB('000)	2011 RMB('000)
<b>Share capital</b>			
Balance at beginning and end of year	28	70,000	70,000
<b>Statutory reserve</b>			
Balance at beginning of year		4,902	3,271
Intra-group restructuring		—	(102)
Appropriated from retained profits and non-controlling interests		883	1,733
Balance at end of year		5,785	4,902
<b>Retained profits</b>			
Balance at beginning of year		26,818	19,010
Prior period adjustments		—	(1,529)
Restated balance at beginning of year		26,818	17,481
Profit for the year*		8,338	14,686
Appropriated to statutory reserve		(1,103)	(1,804)
Intra-group restructuring		—	(535)
2010 final dividend: RMB0.43 cents per share		—	(3,010)
Balance at end of year		34,053	26,818
Attributable to equity holders of the Company		109,838	101,720
<b>Non-controlling interests</b>			
Balance at beginning of year		11,422	10,084
Prior period adjustments		—	(655)
Restated balance at beginning of year		11,422	9,429
Capital contributed by non-controlling interest		495	—
Profit for the year*		2,020	1,885
Intra-group restructuring		—	637
Appropriated to statutory reserve		220	71
Final dividend		—	(600)
Balance at end of year		14,157	11,422
<b>Total</b>		<b>123,995</b>	<b>113,142</b>

CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY OF THE GROUP

Year ended 31 December 2012

	2012 RMB('000)	2011 RMB('000)
<b>Total comprehensive income for the year*</b>		
Attributable to equity holders of the Company	<b>8,338</b>	14,686
Attributable to non-controlling interests	<b>2,020</b>	1,885
	<b>10,358</b>	16,571

The notes on pages 53 to 103 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP

Year ended 31 December 2012

Note	2012 RMB('000)	2011 RMB('000)
<b>Cash flows from operating activities</b>		
Profit before taxation	13,865	22,575
Depreciation	1,778	1,720
Dividend income	(10)	—
Interest income	(220)	(116)
Loss on disposal of property, plant and equipment	—	12
Fair value adjustment on financial assets	15	31
	<b>15,428</b>	24,222
(Increase)/decrease in accounts receivable	5,071	(3,122)
Increase in accrued assets	(1,930)	(14,934)
Decrease in prepayment, deposits and other receivable	414	1,042
Increase in accounts payable	166	638
Increase/(decrease) in accruals and other payable	(17,629)	14,647
	<b>1,520</b>	22,493
<b>Cash generated from operations</b>	<b>1,520</b>	22,493
PRC enterprise income tax paid	(4,153)	(3,803)
	<b>(2,633)</b>	18,690
<b>Net cash generated from/(used in) operating activities</b>	<b>(2,633)</b>	18,690
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(355)	(1,078)
Sales proceeds of property, plant and equipment	—	2
Sales proceeds of short term investment	2,000	—
Dividend received	10	—
Interest received	220	116
Increase in short term investment	—	(2,000)
(Increase)/decrease in pledged deposits	391	(391)
	<b>2,266</b>	(3,351)
<b>Net cash generated from/(used in) investing activities</b>	<b>2,266</b>	(3,351)
<b>Cash flows from financing activities</b>		
Dividend paid	—	(3,010)
	<b>—</b>	(3,010)
<b>Net cash used in financing activities</b>	<b>—</b>	(3,010)

CONSOLIDATED STATEMENT  
OF CASH FLOWS OF THE GROUP

Year ended 31 December 2012

	Note	2012 RMB('000)	2011 RMB('000)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(367)</b>	12,329
Cash and cash equivalents at beginning of year		<b>39,597</b>	27,268
<b>Cash and cash equivalents at end of year</b>	21	<b>39,230</b>	39,597

The notes on pages 53 to 103 form part of these consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

### (a) Definition

In these consolidated financial statements, the following terms shall have the following meanings:

The Company	CCID Consulting Company Limited 賽迪顧問股份有限公司
The Directors	all of the directors of the Company
The Group	comprises the Company and all of its subsidiaries
HKICPA	Hong Kong Institute of Certified Public Accountants
Exchange	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standard issued by HKICPA
HKAS	Hong Kong Accounting Standard issued by HKICPA
HK(IFRIC) – Int	Hong Kong Interpretation issued by HKICPA based on equivalent Interpretation issued by International Financial Reporting Interpretation Committee
HK – Int	Hong Kong Interpretation issued by HKICPA
PRC	The People’s Republic of China
MIICMD	Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Industry Development, the immediate holding company of the Company
CCID	China Centre of Information Industry Development, the ultimate holding company of the Company
CCID Database	Beijing CCID Information Engineering Consulting Co., Ltd., a subsidiary of the Company
CCID Supervision	Beijing CCID Information Engineering Supervision Co., Ltd., a subsidiary of CCID Database
CCID Capital	Beijing CCID Capital Consulting Co., Ltd., a subsidiary of the Company
CCID Management	Beijing CCID Strategy Management Consulting Co., Ltd., a subsidiary of the Company
CCID City Strategy	Beijing CCID City Strategy Consulting Co., Ltd., a subsidiary of the Company
CCID Exhibition	Beijing CCID Exhibition Co., Ltd., a former associate of the Group and now the available-for-sale financial assets
CCID Group	comprises CCID and all of its subsidiaries, connected parties, controlling entities and agents
Cash equivalents	short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value
Fair value	amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.
Related company	a company in which one or more related parties have controlling interests thereon or are in a position to exercise significant influence on financial and operation decision
GEM	Growth Enterprise Market of Exchange

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL (Continued)

#### (b) Corporate information

The Company is a company registered in PRC as a joint stock company with limited liability and its H shares are listed on the GEM of Exchange since 12 December 2002. The registered office of the Company in PRC is located at Room 210, No. 12 Huo Ju Jia Road, Chang Ping District, Beijing, PRC. Its registered office in Hong Kong is located at Level 28, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong.

The Group principally engages in the provision of market consultancy, data information management, management consultancy and information engineering supervision services.

#### (c) Holding companies

In the opinion of the Directors, the Company's immediate holding company is MIICMD, a company established in the PRC; the Company's ultimate holding company is CCID, a company established in the PRC and the ultimate controlling party is the Government of PRC. All of these parties do not prepare financial statements available for public use.

#### (d) Presentation currency and level of rounding

Unless stated otherwise, all currency figures in these financial statements are presented in Renminbi (RMB) rounded to the nearest one thousand dollars.

#### (e) Other

The English names of those companies referred in the financial statements represent the unofficial translation of their respective registered Chinese names. Their English names have not been legally adopted by these entities.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs, HK-Ints, Generally Accepted Accounting Principles and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of Exchange.

**2. BASIS OF PREPARATION** (Continued)

**(b) Basis of presentation of the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and all of its subsidiaries. These consolidated financial statements are prepared under the historical cost convention as modified by the fair value of financial assets. The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2(c).

**(c) Critical accounting judgments and key sources of estimation uncertainty**

In the process of applying the Group's accounting policies (as stated in note 3), management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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, are also discussed below.

*Impairment of property, plant and equipment, intangible assets and long-term investments*

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.



NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**2. BASIS OF PREPARATION** (Continued)

**(c) Critical accounting judgments and key sources of estimation uncertainty** (Continued)

*Income recognition*

The Group's major income are measured on percentage of completion basis. To secure proper measurement of recognized income, the Group has established multi-layer approval procedures in its internal control system. However, the approval procedures inevitably involve human judgment in the assessment of the level of completion that lead to estimation uncertainty on income recognition.

*Impairment loss for bad and doubtful debts*

The policy for impairment loss for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses may be required.

**(d) Effective HKFRS**

The following HKFRS and HKAS, newly developed or revised, become effective in this year.

		<b>Effective date</b>
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfer of Financial Assets	1 July 2011
Amendment to HKAS 12	Income tax: Deferred Tax – Recovery of Underlying Assets	1 January 2012

Amendments to HKFRS 7 do not have financial implication to the Group. The Group had adopted amendment to HKAS 12 during the year ended 31 December 2010.

**2. BASIS OF PREPARATION** (Continued)

**(e) Impact of issued but not yet effective HKFRS**

HKICPA has issued the following HKFRSs, HKAS, HK(IFRIC) – Ints, newly issued or revised as indicated, and their amendments (“the New Standards and Amendments”) that would become effective from the accounting period beginning on or after the date set out below, viz:

		<b>Effective date</b>
Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 Cycle	1 January 2013
Amendments to HKFRS 1	Government loans	1 January 2013
Amendments to HKFRS 7	Disclosures – Transfer of financial assets	1 January 2013
HKFRS 9 (Revised)	Financial instruments	1 January 2015
Amendments to HKFRS 9	Mandatory effective date of HKFRS 9 and HKFRS 7 and transition disclosures	1 January 2015
HKFRS 10 (Revised)	Consolidated financial statements	1 January 2013
HKFRS 11 (Revised)	Joint arrangements	1 January 2013
HKFRS 12 (Revised)	Disclosure of interests in other entities	1 January 2013
HKFRS 13 (Revised)	Fair value measurement	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	1 January 2014
Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income	1 July 2012
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Investments in associates and joint ventures	1 January 2013
Amendment to HKAS 32	Offsetting financial assets and financial liabilities	1 January 2014
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

The Group as well as the Company have not early adopted the New Standards and Amendments in this set of financial statements. The Group as well as the Company have already commenced an assessment of the impact of the New Standards and Amendments but not yet in a position to state whether the New Standards and Amendments would have a significant impact on their operating results and financial positions.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements.

#### (a) Subsidiaries and non-controlling interests

Subsidiaries are entities, including unincorporated body such as partnership, which are controlled by the Company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the equity holders of the Company.

Where losses attributable to the non-controlling interests exceed their interest in the equity of a subsidiary, the excess are still charged against the non-controlling interests. The Group shall not bear the liabilities attributable to non-controlling interests.

In the Company's separate statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group).

#### (b) Intangible assets

Intangible assets with indefinite useful lives are stated at cost less accumulated amortisation and impairment losses, if any brought forward from previous years. They are not subject to amortisation but reviewed for impairment annually.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises purchase price and conversion cost. Expenditure such as repairs and maintenance, overhaul costs and cost of restoring are normally charged to profit or loss when they are incurred. Where expenditure has resulted in an increase in the future economic benefit from the use of the property, plant and equipment, the expenditure is capitalised. On disposal or retirement, the cost together with associated accumulated depreciation and impairment losses, if any, of the property, plant and equipment are removed from the accounts and any gain or loss resulting from the disposal is included in profit or loss.

The residual value and useful lives of property, plant and equipment are reviewed annually. Depreciation is calculated to write off the depreciable amount of items of property, plant and equipment, using the straight-line method over their estimated useful lives as follows:

	2012	2011
Land and buildings held under finance lease	<b>30 years</b>	30 years
Furniture, fixtures and equipment	<b>5 years</b>	5 years
Motor vehicles	<b>5 years</b>	5 years

**(d) Leased assets**

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Annual rents applicable to such operating leases are charged to profit or loss on a straight-line basis over the lease term. Upfront payments on leasehold land and land use rights are charged to profit or loss on a straight-line basis over the lease term. Incentives such as rent-free period or subsidy on decoration, if any, are recognised as a reduction of rental expenses over the lease term on straight-line basis.

**(e) Impairment of assets**

***i) Impairment of receivables***

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised. For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(e) Impairment of assets** (Continued)

**i) Impairment of receivables** (Continued)

An impairment loss is reversed if the impairment loss reduced by subsequent favourable changes in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

**ii) Intangible assets with indefinite useful lives**

Intangible assets are evaluated based on the relevant profit after tax, appropriate discounting factor and expected growth rate, and computed using dividend model with several major assumptions. Impairment loss is determined by comparing the recoverable amount with carrying value of the intangible assets.

**iii) Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries (excluding those classified as current assets);
- available-for-sale financial assets stated at cost.

If any such indication exists, the asset's recoverable amount is estimated.

*Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(e) Impairment of assets** (Continued)

**iii) Impairment of other assets** (Continued)

*Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

*Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(f) Accounts and other receivables**

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

**(g) Accounts and other payables**

Accounts and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(i) Financial assets at fair value through profit or loss**

Financial assets that are classified as held for trading or are designated at fair value through profit or loss at initial recognition are classified as financial assets at fair value through profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are initially recognised at fair value of transaction date. After initial recognition, financial assets at fair value through profit or loss are measured at fair value prior to the deduction of transaction cost. Gains or losses arising from change of fair value or otherwise are recognised in profit or loss.

**(j) Available-for-sale financial assets**

Unlisted equity instruments whose fair value cannot be reliably measured are classified as available-for-sale financial assets. Available-for-sale financial assets are initially recognised and subsequently measured at cost. Impairment loss, exchange gain or loss and gain or loss after derecognition are recognised in profit or loss. All other gains or losses are dealt with directly in equity.

**(k) Employee benefits**

Salaries, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Annual bonus determined by the management by reference to the operating result of previously years, unless there are objective evidences showing that the bonuses are associated to the services rendered by employees in previous years are recognised as expenses at the time of payment.

The Group participates in a defined contribution retirement plan organised by the local municipal government for its staff. The Group is required to make contributions to the retirement plan at a certain rate of the salaries, bonuses and certain allowance of its staff. The contributions payable are charged to profit and loss on an accrual basis according to the contribution determined by the plan. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the plan is to pay the ongoing required contributions under the plan mentioned above.

**(l) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(I) Income tax** (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.



NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(l) Income tax** (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority; or
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(m) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(n) Contracts for services**

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

When the outcome of a contract can be estimated reliably, revenue from the rendering of services is recognised using the percentage of completion method, measured by reference to the progress reports submitted by the staff-in-charge with the assessment of Project Manager and Department Head. Contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(n) Contracts for services** (Continued)

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

The expected loss foreseeable by management is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date, plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

**(o) Information engineering supervision**

Information engineering supervision contract revenue on the rendering of services comprises the sum agreed by contractual parties. Cost of rendering services comprise labour and other cost directly engaged in providing the services and attributable overheads.

Information engineering supervision contracts are divided into two parts, namely Part A and Part B. Part A refers to those services provided by the in-house staff of CCID Supervision. This part of revenue is measured on percentage of completion basis. For contracts having retention period, 10% of income will be recognized after the retention period. Part B refers to those services provided by out-sourcing contractors which are subject to the approval of the staff-in-charge of CCID Supervision. This part of revenue is recognized having the staff-in-charge approved the payment requisitions submitted by the out-sourcing contractors.

**(p) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- i) Revenue from the rendering of data information management, market consultancy, management consultancy and strategic consultancy services is recognised in note 3 (n) above;
- ii) Revenue from rendering of information engineering supervision service is recognised according to note 3(o) above;
- iii) Revenue from the provision of training courses is recognised in accordance with the progress of the training programme; and
- iv) Interest income is recognised as it accrues using the effective interest method.

Revenue is presented after deduction of value-added tax and additional tax, where applicable.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**(q) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

**(r) Related parties**

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

- (I) A person or a close member of that person's family is related to the Group if that person:-
  - i. has control or joint control over 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 Company.
- (II) An entity is related to the Group if any of the following conditions applies:
  - i. Both the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. The members of the Group are associates or joint ventures of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member) or vice versa.
  - iii. The members of the Group and the entity are joint ventures of the same third party.
  - iv. The members of the Group are joint ventures of a third entity and the entity is an associate of the third entity or the members of the Group are associates of the third entity and the entity is a joint venture 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - vi. The entity is controlled or jointly controlled by a person identified in (I) above.
  - vii. A person identified in (I)(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).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependants of that person or that person's spouse or domestic partner.

### 4. REVENUE

#### (a) Turnover

Turnover represents the sales value of services provided to customers (net of value-added tax), which excludes sales surtaxes. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012 RMB('000)	2011 RMB('000)
Management and strategic consultancy services	89,155	68,981
Market consultancy services	20,368	22,300
Data information management services	688	2,384
Information engineering supervision services	27,852	28,483
Other segments	7,603	4,970
	<b>145,666</b>	127,118

#### (b) Other revenue

	2012 RMB('000)	2011 RMB('000)
Dividend income	10	—
Interest income from bank deposits	220	116
Adjustment on social welfare fund	5,585	—
Sundry income	40	910
	<b>5,855</b>	1,026

The Group has made provision for social welfare fund for the years from 2001 to 2005 based on then basis publicised by the PRC government. Following the audit of PRC authority, there is an over-provision of RMB5,585,231, the Directors resolved to write-off the over-provision of social welfare fund to the profit or loss for the year ended 31 December 2012.

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

5. IMPAIRMENT OF ASSETS

	2012 RMB('000)	2011 RMB('000)
<b>Trade receivables and accrued assets</b>		
Bad and doubtful debts recognised in profit or loss	5,308	1,316
Bad and doubtful debts released	—	(862)
Bad and doubtful debts recovered	(901)	(45)
	<b>4,407</b>	409

The Directors have carried out individual assessment on accounts receivable at the end of reporting period based on the result of collection actions taken by Credit Control Department and/or Accounting Department, collaterals on hand, guarantee obtained and the experience of the Directors. The Directors have also carried out collective assessment based on ageing analysis and the irrecoverable rate of bad debt. Impairment losses recognised during the year include:

	2012 RMB('000)	2011 RMB('000)
<b>Individually assessed</b>		
New and additions	4,303	1,316
Less: Recovered	(901)	(45)
Less: Released	—	(862)
	<b>3,402</b>	409
<b>Collectively assessed</b>		
New and additions	1,005	—

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs (including directors' and supervisors' remuneration)

	2012 RMB('000)	2011 RMB('000)
Salaries, wages and other benefits	59,151	55,024
Retirement benefit scheme contributions	14,549	10,711
Total staff costs	<b>73,700</b>	65,735

**6. PROFIT BEFORE TAXATION** (Continued)

**(a) Staff costs (including directors' and supervisors' remuneration)** (Continued)

Total staff costs include research and development costs amounted to RMB8,238 thousand (2011: RMB2,496 thousand).

At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: Nil).

**(b) Other items**

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Cost of services provided #	<b>82,041</b>	67,955
Auditor's remuneration	<b>200</b>	213
Depreciation #	<b>1,778</b>	1,720
Loss on disposal of property, plant and equipment	<b>—</b>	2
Operating lease rental: Land and buildings #	<b>1,916</b>	1,419
Research and development cost #	<b>8,238</b>	2,496
Net exchange loss/(gain)	<b>27</b>	(22)
Professional cost on proposed additional issuance of H shares (note a)	<b>1,700</b>	—
# The cost of services provided included:		
Depreciation	<b>609</b>	903
Staff cost	<b>42,369</b>	37,390
Operating lease rental: Land and buildings	<b>1,135</b>	895
Research and development costs	<b>—</b>	2,496

- (a)** In 2007, the Board of Directors of the Company proposed to issue additional H shares and engaged professional to arrange the issuance. As at 31 December 2012, the Company incurred RMB1,699,641 for the additional issuance. As the authority granted under the resolution passed on the shareholders' meeting on 25 November 2011 for additional issue of H shares has expired on 24 November 2012 and the Board of Directors have not acquired further authorisation on the additional issuance, the Company charges the aforesaid cost to the profit and loss for the year ended 31 December 2012. In case of the additional H shares were successfully issued in future, adjustment of the aforesaid cost will be made according to the applicable laws and accounting standards.

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**7. TAXATION**

(a) Taxation in the consolidated income statement represents:

	<b>2012</b>	2011
	<b>RMB('000)</b>	RMB('000)
<b>PRC enterprise income tax</b>		
Provision for the year	<b>3,096</b>	5,708
Deferred tax – temporary differences	<b>411</b>	296
	<b>3,507</b>	6,004

No provision for Hong Kong profits tax has been made as the Group has no profits assessable to Hong Kong profits tax for the year ended 31 December 2012 (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group concerned operates based on prevailing legislation, interpretations and practices during the year.

Pursuant to the Income Tax Law of PRC, the Company and other members in the Group (except CCID Supervision) are subject to a corporate income tax at a rate of 25% (2011: 25%).

CCID Supervision is a high and new technology enterprise registered in the Beijing New Technology Enterprise Development Zone. Pursuant to the Income Tax Law of PRC, it is subject to a corporate income tax at a rate of 15% (2011: 15%).

Major unrecognised deferred tax as at 31 December 2012 is disclosed in note 27(b) to the consolidated financial statements.

**7. TAXATION** (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Profit before taxation	<b>13,865</b>	22,575
Applicable tax rate	<b>25%</b>	25%
Product of accounting profit multiplied by applicable tax rate	<b>3,466</b>	5,644
Tax effect of non-deductible expenses	<b>445</b>	646
Preferential tax rate granted to high technology industry	<b>(705)</b>	(266)
Tax effect of unused tax losses	<b>1,328</b>	1,250
Tax effect of recognised but non-deductible expenses	—	(797)
Tax effect of unrecognised but taxed income	—	19
Tax effect of deductible but not recognised expenses	<b>2,249</b>	109
Tax effect of recognised but untaxed income	<b>(2,243)</b>	(921)
Tax effect of non-taxable revenue	<b>(3)</b>	—
Tax effect of tax loss in prior years set offsetting profit for current year	<b>(1,392)</b>	—
Adjustment on deferred tax expenses	<b>411</b>	296
Other adjustments	<b>(49)</b>	24
Tax expense	<b>3,507</b>	6,004

**8. DIRECTORS' AND SUPERVISORS' REMUNERATION**

Directors' and supervisors' remuneration disclosed pursuant to the GEM Listing Rules and section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Fees	<b>342</b>	355
Salaries and other benefits	<b>713</b>	689
Bonus	<b>394</b>	672
Retirement benefit scheme contributions	<b>128</b>	128
	<b>1,577</b>	1,844



NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**8. DIRECTORS' AND SUPERVISORS' REMUNERATION** (Continued)

Details of directors' and supervisors' remuneration by individuals are as follows:

**2012**

	Fees RMB('000)	Salaries and other benefits RMB('000)	Bonus RMB('000)	Retirement benefit scheme contributions RMB('000)	Total RMB('000)
<b>Executive directors</b>					
Luo Wen	29	—	—	—	29
Li Jun	30	529	373	72	1,004
<b>Non-executive directors</b>					
Wang Peng	29	—	—	—	29
Lu Shan	29	—	—	—	29
Hong Jingyi (Note (a))	7	—	—	—	7
Song Xianzhu (Note (b))	2	—	—	—	2
<b>Independent non-executive directors</b>					
Guo Xiping	43	—	—	—	43
Han Fuling	43	—	—	—	43
Li Xuemei	43	—	—	—	43
<b>Supervisors</b>					
Gong Chenghe	29	—	—	—	29
Zhao Zeming	29	—	—	—	29
Zhao Xiuzhen	29	184	21	56	290
<b>Total for 2012</b>	<b>342</b>	<b>713</b>	<b>394</b>	<b>128</b>	<b>1,577</b>

Notes:

- a) The non-executive director, Mr. Hong Jingyi resigned on 28 March 2012.
- b) Mr. Song Xianzhu was appointed as a non-executive director of the Company on 13 December 2012.

**8. DIRECTORS' AND SUPERVISORS' REMUNERATION** (Continued)

2011

	Fees RMB('000)	Salaries and other benefits RMB('000)	Bonus RMB('000)	Retirement benefit scheme contributions RMB('000)	Total RMB('000)
<b>Executive directors</b>					
Luo Wen	29	—	—	—	29
Li Jun	30	529	652	66	1,277
<b>Non-executive directors</b>					
Wang Peng	29	—	—	—	29
Lu Shan	29	82	—	—	111
Hong Jingyi	29	—	—	—	29
<b>Independent non-executive directors</b>					
Guo Xiping	43	—	—	—	43
Pan Xingwu	32	—	—	—	32
Han Fuling	43	—	—	—	43
Li Xuemei	4	—	—	—	4
<b>Supervisors</b>					
Gong Chenghe	29	—	—	—	29
Zhao Xiuzhen	29	78	20	62	189
Zhao Zeming	29	—	—	—	29
<b>Total for 2011</b>	<b>355</b>	<b>689</b>	<b>672</b>	<b>128</b>	<b>1,844</b>

No emoluments were paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2012 (2011: Nil).

No directors and supervisors forfeited any emolument during the year ended 31 December 2012 (2011: Nil).

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**9. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, one (2011: one) is director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2011: four) individuals are as follows:

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Salaries and other benefits	<b>1,989</b>	1,578
Bonuses	<b>787</b>	1,454
Retirement benefit scheme contributions	<b>290</b>	229
	<b>3,066</b>	3,261

The emoluments of all highest paid non-director individuals during the year ended 31 December 2012 falls below one million RMB (2011: Same).

No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2012 (2011: Nil).

**10. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The loss attributable to equity holders of the Company includes RMB1,206,212 (2011: profit of RMB19,074,854) which has been dealt with in the financial statements of the Company.

**11. DIVIDENDS**

The Directors do not propose payment for final dividend for the year ended 31 December 2012 (2011: nil).

Pursuant to the PRC Company Law and the Articles of Association of the Company and all of its subsidiaries, dividend shall only be distributed having deducted all of the following items from the profit after tax:

- (i) Making up prior year's accumulative losses, if any.
- (ii) Allocations to the statutory common reserve funds of at least 10% of profit after tax, until the fund aggregates 50% of its registered capital. For the purpose of calculating the transfer to reserves, the profit after tax shall be the amount determined under PRC accounting principles and financial regulations. The transfer to this reserve must be made before any distribution of dividends to shareholders.
- (iii) The statutory common reserve funds can be used to offset prior years' losses, if any, and part of the statutory common reserve funds can be capitalised as share capital/registered capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital/registered capital.

## 11. DIVIDENDS (Continued)

- (iv) Allocations to the discretionary reserve funds if approved by the shareholders. A discretionary reserve funds can be used to offset prior years' losses, if any, and capitalised as the share capital/registered capital.
- (v) The net profit after tax of the Company for the purpose of profit distributions/dividends will be deemed to be the lesser of (i) the net profit determined in accordance with PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with Hong Kong accounting standards.

## 12. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

### Diluted

As there were no diluted potential shares outstanding during the year, the diluted earnings per share is identical to the basic earnings per share.

The basic and diluted earnings per share are computed as follows:

	2012	2011
Profit attributable to equity holders of the Company (RMB ('000))	<b>8,338</b>	14,686
Divided by weighted average number of issued shares (thousand shares)	<b>700,000</b>	700,000
Basic and diluted earnings per share (RMB cents)	<b>1.2</b>	2.1

## 13. OPERATING SEGMENTS

### Descriptive information about the Group's reportable segments

The Group's operating segments are structured and managed separately, according to the nature of their operations and the products and services they provide. Each operating segment represents a strategic business unit that provides services which are subject to risks and returns that are different from those of other operating segments. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- the market consultancy services segment provides two kinds of services: standard research on specific sectors and tailor-made research;

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 13. OPERATING SEGMENTS (Continued)

#### Descriptive information about the Group's reportable segments (Continued)

- the data information management services segment mainly includes the supply and provision of data information products and services, government data information management solutions and total enterprise information management solutions;
- the management and strategic consultancy services segment provides services involving the application and implementation of enterprise management information digitalisation. This incorporates the functions of business process re-engineering, enterprise resource planning, customer relationship management, supply chain management, call centre and other electronic business pattern designs, marketing, brand name promotion, public relationship and advertising; and
- the information engineering supervision services segment provides information engineering supervision services to undertaken projects.

In addition, the Group has provision of training services segment whose scale of operation does not meet quantitative thresholds of reportable segments. Provision for training services segment has been included in other segments.

#### Measurement of segment profit or loss, assets and liabilities

For the purpose of assessing segment performance and allocating resources among segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets directly managed by the segments. Segment liabilities include trade creditors, accruals and loans attributable to the operating and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted earnings before taxation". To arrive at adjusted earnings before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segment, such as head office or corporate administration cost.

**13. OPERATING SEGMENTS** (Continued)

Financial information about profit and loss, assets and liabilities of reportable segments

	Market Consultancy Services Segment RMB('000)	Management and Strategic Consultancy Services Segment RMB('000)	Information Engineering Supervision Services Segment RMB('000)	Data Information Management Segment RMB('000)	Other Segment RMB('000)	Total RMB('000)
<b>2012</b>						
Revenue from external customers	20,368	89,155	27,852	688	7,603	145,666
Inter-segment income	—	13,000	283	3,721	—	17,004
Segment profit	9,362	36,130	14,531	244	3,967	64,234
Other material non-cash items:						
– Impairment loss	(1,098)	(2,021)	(1,288)	—	—	(4,407)
Reportable segment assets	8,094	40,053	1,193	371	—	49,711
Reportable segment liabilities	432	2,162	1,455	14	—	4,063
	<b>37,158</b>	<b>178,479</b>	<b>44,026</b>	<b>5,038</b>	<b>11,570</b>	<b>276,271</b>
<b>2011</b>						
Revenue from external customers	22,300	68,981	28,483	2,384	4,970	127,118
Inter-segment income	—	—	185	4,328	—	4,513
Segment profit/(loss)	11,784	36,854	13,062	(3,439)	1,806	60,067
Other material non-cash items:						
– Impairment loss	(426)	(600)	617	—	—	(409)
Reportable segment assets	5,938	37,547	16,932	15,712	214	76,343
Reportable segment liabilities	1,022	2,123	4,887	103	101	8,236
	40,618	144,905	64,166	19,088	7,091	275,868

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**13. OPERATING SEGMENTS** (Continued)

Reconciliations of reportable segment revenues, profit, assets and liabilities

	Revenue RMB('000)	Profit RMB('000)	Assets RMB('000)	Liabilities RMB('000)
<b>2012</b>				
Total per reportable segments	<b>162,670</b>	<b>64,234</b>	<b>49,711</b>	<b>4,063</b>
Elimination	<b>(17,004)</b>	—	—	—
Other revenue and net gains	—	<b>5,855</b>	—	—
Other operating expenses	—	<b>(53,546)</b>	—	—
Unallocated assets	—	—	<b>95,132</b>	—
Unallocated liabilities	—	—	—	<b>16,785</b>
Other material non-cash items:				
– Depreciation	—	<b>(1,778)</b>	—	—
– Impairment loss	—	<b>(4,407)</b>	—	—
Total per consolidated financial statements	<b>145,666</b>	<b>10,358</b>	<b>144,843</b>	<b>20,848</b>
<b>2011</b>				
Total per reportable segments	131,631	60,067	76,343	8,236
Elimination	(4,513)	—	—	—
Other revenue and net gains	—	1,030	—	—
Other operating expenses	—	(36,393)	—	—
Unallocated assets	—	—	76,484	—
Unallocated liabilities	—	—	—	31,449
Other material non-cash items:				
– Depreciation	—	(1,720)	—	—
– Impairment loss	—	(409)	—	—
Total per consolidated financial statements	127,118	22,575	152,827	39,685

**13. OPERATING SEGMENTS** (Continued)

Reconciliations of other material items

	2012			2011		
	Reportable segment total RMB('000)	Adjustment RMB('000)	The Group's total RMB('000)	Reportable segment total RMB('000)	Adjustment RMB('000)	The Group's total RMB('000)
Interest revenue	—	220	220	—	116	116
Interest expenses	—	—	—	—	—	—
Depreciation	—	1,778	1,778	—	1,720	1,720
Segment profit	64,234	(53,876)	10,358	60,067	(37,492)	22,575
Expenditure for assets	—	355	355	—	1,078	1,078
Other material non-cash items:						
– Impairment loss	—	(4,407)	(4,407)	—	(409)	(409)
	<b>64,234</b>	<b>(55,930)</b>	<b>8,304</b>	60,067	(34,987)	25,080

**Geographical segments**

Further analysis of geographical segment information is not presented as substantially all the assets, operations and customers of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns.

**Information about major customers**

No single external customer generated the revenue which represented 10 per cent or more of the Group's total revenue.



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14. PROPERTY, PLANT AND EQUIPMENT

<b>The Group</b>	<b>Cost</b> RMB('000)	<b>Accumulated depreciation and impairment losses</b> RMB('000)	<b>Net carrying value</b> RMB('000)
<b>Land and buildings held under finance lease in PRC under medium term</b>			
Balance at beginning of 2011	32,819	(9,013)	23,806
Depreciation charged	—	(1,051)	(1,051)
Balance at end of 2011 and beginning of 2012	32,819	(10,064)	22,755
Depreciation charged	—	(1,041)	(1,041)
Balance at end of 2012	32,819	(11,105)	21,714
<b>Furniture, fixtures and equipment</b>			
Balance at beginning of 2011	5,811	(4,071)	1,740
Additions	604	—	604
Depreciation charged	—	(553)	(553)
Disposals	(107)	100	(7)
Balance at end of 2011 and beginning of 2012	6,308	(4,524)	1,784
Additions	354	—	354
Depreciation charged	—	(557)	(557)
Disposals	(340)	340	—
Balance at end of 2012	6,322	(4,741)	1,581
<b>Motor vehicles</b>			
Balance at beginning of 2011	741	(344)	397
Additions	474	—	474
Depreciation charged	—	(116)	(116)
Disposals	(7)	—	(7)
Balance at end of 2011 and beginning of 2012	1,208	(460)	748
Depreciation charged	—	(179)	(179)
Balance at end of 2012	1,208	(639)	569
<b>Total</b>			
Balance at beginning of 2011	39,371	(13,428)	25,943
Additions	1,078	—	1,078
Depreciation charged	—	(1,720)	(1,720)
Disposals	(114)	100	(14)
<b>Balance at end of 2011 and beginning of 2012</b>	<b>40,335</b>	<b>(15,048)</b>	<b>25,287</b>
Additions	354	—	354
Depreciation charged	—	(1,777)	(1,777)
Disposals	(340)	340	—
<b>Balance at end of 2012</b>	<b>40,349</b>	<b>(16,485)</b>	<b>23,864</b>

**14. PROPERTY, PLANT AND EQUIPMENT** (Continued)

<b>The Company</b>	<b>Cost</b> RMB('000)	<b>Accumulated depreciation and impairment losses</b> RMB('000)	<b>Net carrying value</b> RMB('000)
<b>Land and buildings held under finance lease in PRC under medium term</b>			
Balance at beginning of 2011	32,819	(9,013)	23,806
Depreciation charged	—	(1,051)	(1,051)
Balance at end of 2011 and beginning of 2012	32,819	(10,064)	22,755
Depreciation charged	—	(1,041)	(1,041)
Balance at end of 2012	32,819	(11,105)	21,714
<b>Furniture, fixtures and equipment</b>			
Balance at beginning of 2011	4,971	(2,887)	2,084
Additions	593	—	593
Depreciation charged	—	(578)	(578)
Disposals	(106)	103	(3)
Balance at end of 2011 and beginning of 2012	5,458	(3,362)	2,096
Additions	288	—	288
Depreciation charged	—	(616)	(616)
Balance at end of 2012	5,746	(3,978)	1,768
<b>Motor vehicles</b>			
Balance at beginning of 2011	265	(252)	13
Additions	263	—	263
Depreciation charged	—	(29)	(29)
Balance at end of 2011 and beginning of 2012	528	(281)	247
Depreciation charged	—	(50)	(50)
Balance at end of 2012	528	(331)	197
<b>Total</b>			
Balance at beginning of 2011	38,055	(12,152)	25,903
Additions	856	—	856
Depreciation charged	—	(1,658)	(1,658)
Disposals	(106)	103	(3)
<b>Balance at end of 2011 and beginning of 2012</b>	<b>38,805</b>	<b>(13,707)</b>	<b>25,098</b>
Additions	288	—	288
Depreciation charged	—	(1,707)	(1,707)
<b>Balance at end of 2012</b>	<b>39,093</b>	<b>(15,414)</b>	<b>23,679</b>

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15. INTERESTS IN SUBSIDIARIES

The Company	2012 RMB('000)	2011 RMB('000)
Unlisted share, at cost	45,097	44,592
Long-term loans	19,965	15,589
	<b>65,062</b>	60,181

Details of the subsidiaries at 31 December 2012 are as follows:

Name	Place of incorporation and operations	Registered and paid up capital RMB ('000)	Percentage of effective equity Interests attributable to the Company	Principal activities
Beijing CCID Information Engineering Consulting Co., Ltd.	Beijing, PRC	50,000	95%	Provision of data services and establishment of information database services
Beijing CCID Information Engineering Supervision Co., Ltd.	Beijing, PRC	10,000	66.5%	Provision of information engineering supervision and training services
Beijing CCID Capital Consulting Co., Ltd.	Beijing, PRC	500	99%	Provision for investment consultancy services
Beijing CCID Strategy Management Consulting Co., Ltd. (Note a)	Beijing, PRC	300	99%	Provision for management consultancy services
Beijing CCID City Strategy Consulting Co., Ltd (Note b)	Beijing, PRC	1,000	50.5%	Provision for economic consultancy

Notes:

- a) CCID Management formerly named Beijing CCID Management Consulting Co., Ltd. On 15 June 2012, it changed the name to Beijing CCID Strategy Management Consulting Co., Ltd.
- b) On 26 June 2012, the Company invested in a newly established subsidiary known as CCID Strategy. At present, the Company has contributed a capital of RMB505 thousand, representing 50.5% of the contributed capital, according to the joint venture agreement, the Company is committed to further pay up another RMB4,000,000 in 2014. After additional contribution, the Company will hold 90.1% of the enlarged capital in CCID Strategy.

## 16. INTANGIBLE ASSETS

The Group	2012 RMB('000)	2011 RMB('000)
<b>Information database with indefinite useful lives</b>		
Cost	<b>38,268</b>	38,268
Accumulated amortisation and impairment losses	<b>(23,587)</b>	(23,587)
Balance at beginning and end of year	<b>14,681</b>	14,681

The information database is stored in the computer system to offer assistance in providing customers with data content of consultation business. The information database is updated on a continuous basis, and now it has stored more than 16,000,000 units. The Company and the Group depend on the information provided by the information database to earn subscription fees, as well as service charges of standard research reports, special research reports, and providing consultation on public relations.

Prior to 2008, the intangible assets used to be recognised as expenses on straight-line basis based on its estimated useful life of 10 years. The amortised expenses were included in cost of sales in the profit or loss.

At the beginning of 2008, the Group reformed its website, and introduced a website with brand new layout in the middle of 2008, which was named www.cciddata.com. As a new version of website was introduced to the market, the management held that the carrying value of the information database might not reflect its fair value. They engaged LCH (Asia-Pacific) Surveyors Limited (hereinafter referred to as "the Surveyor") to revalue the information database. Because the Group reformed its website at the beginning of 2008, the Surveyor, in order to clearly differentiate values of the original and present websites and the associated costs, revalued the information database on the basis of 1 January 2008, and measured the information database by means of weighted-average cost of capital. In considering the basis of measurement, one of the major presumptions of the Surveyor was the useful life of the information database. The surveyor presumed that the useful life of the information database could be prolonged indefinitely on the condition that it was under ongoing maintenance and data update. As such, the estimated useful life of the information database is indefinite. According to the Directors, the Group relies on the information provided by the information database to make profits, and the Group has to maintain the information database and to update its data in the foreseeable future. The Directors regard that the foregoing assumption made by the Surveyor corresponds to the present situation and long-term development orientation of the Group.

According to the Surveyor's report, the valuation of the information database at 1 January 2008 is RMB15,000,000. As the information database does not have active market to justify its fair value, it is stated at cost less accumulated amortisation and impairment losses in accordance with paragraph 74 of HKAS 38 ("Intangible assets"). As the useful life of the information database is indefinite, no amortisation is made for it according to paragraph 107 of HKAS 38 ("Intangible assets"), but it needs to be tested for impairment annually according to paragraph 10 of HKAS 36 ("Impairment of assets").

At the end of reporting period, the management of the Group applied dividend model to evaluate the recoverable amount of the intangible assets based on the following major assumptions.

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**16. INTANGIBLE ASSETS** (Continued)

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Relevant net cash flows	<b>3,600</b>	1,356
Long-term growth rate	<b>3.22%</b>	3.22%
Return on capital employed	<b>14.05%</b>	13.14%
Recoverable amount measured by dividend model	<b>34,322</b>	15,000

According to the estimation of the management of the Group, the recoverable amount of the information database at the end of reporting period is not less than its carrying value, so provision for impairment loss is not necessary. The recoverable amount of the information database as at 31 December 2011 was evaluated by an independent surveyor.

**17. ACCOUNTS RECEIVABLE**

An ageing analysis of the accounts receivable is as follows:

<b>The Group</b>	<b>Related parties</b> RMB('000)	<b>Third parties</b> RMB('000)	<b>Total</b> RMB('000)
<b>2012</b>			
Within 60 days	<b>102</b>	<b>3,930</b>	<b>4,032</b>
61 days to 180 days	—	<b>1,960</b>	<b>1,960</b>
181 days to 365 days	—	<b>940</b>	<b>940</b>
Over 365 days	<b>136</b>	<b>2,263</b>	<b>2,399</b>
	<b>238</b>	<b>9,093</b>	<b>9,331</b>
<b>2011</b>			
Within 60 days	835	2,895	3,730
61 days to 180 days	128	2,761	2,889
181 days to 365 days	—	2,570	2,570
Over 365 days	438	4,775	5,213
	1,401	13,001	14,402

The general credit terms of the Group range from 60 to 365 days. The Group may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon clients' request.

**17. ACCOUNTS RECEIVABLE** (Continued)

Reconciliation of allowance account for credit losses:

	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Balance at beginning of year	<b>2,135</b>	10
New and additions	<b>1,830</b>	1,316
Released	<b>—</b>	(862)
Recovered	<b>(1,195)</b>	(45)
Other adjustments	<b>(163)</b>	1,716
Balance at end of year	<b>2,607</b>	2,135

An ageing analysis of the accounts receivable is as follows:

<b>The Company</b>	<b>Related parties</b> RMB('000)	<b>Third parties</b> RMB('000)	<b>Total</b> RMB('000)
<b>2012</b>			
Within 60 days	<b>102</b>	<b>3,499</b>	<b>3,601</b>
61 days to 180 days	<b>—</b>	<b>1,563</b>	<b>1,563</b>
181 days to 365 days	<b>—</b>	<b>624</b>	<b>624</b>
Over 365 days	<b>136</b>	<b>1,932</b>	<b>2,068</b>
	<b>238</b>	<b>7,618</b>	<b>7,856</b>
<b>2011</b>			
Within 60 days	22	1,935	1,957
61 days to 180 days	128	2,282	2,410
181 days to 365 days	—	1,291	1,291
Over 365 days	438	4,727	5,165
	588	10,235	10,823

The general credit terms of the Company range from 60 to 180 days. The Company may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon clients' request.

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**17. ACCOUNTS RECEIVABLE** (Continued)

Reconciliation of allowance account for credit losses:

	2012 RMB('000)	2011 RMB('000)
Balance at beginning of year	1,890	10
New and additions	656	1,925
Recovered	—	(45)
Other adjustments	(1,195)	—
Balance at end of year	1,351	1,890

**18. ACCRUED ASSETS**

<b>The Group</b>	2012 RMB('000)	2011 RMB('000)
Total	52,814	49,431
Impairment losses	(3,650)	(2,197)
	49,164	47,234
Current portion	40,380	32,826
Non-current portion	8,784	14,408
<b>The Company</b>		
Total	38,714	33,178
Impairment losses	(1,784)	(352)
	36,930	32,826

The Company as well as the Group recognise major revenue based on the percentage of completion of respective projects. The accounts receivable is recognised in accordance with the payment terms as stated in the service contracts. The corresponding assets of recognised revenue that has yet met the condition to be recognised as accounts receivable is recognised as accrued assets until these assets can be recognised as accounts receivable.

## 19. DUE FROM RELATED PARTIES

Amounts due from related parties included in accounts receivable and accrued assets are as follows:

<b>The Group</b>	<b>2012</b>	2011
	<b>RMB('000)</b>	RMB('000)
<b>Name of related parties</b>		
CCID	<b>1,403</b>	949
CCID (Holding) Limited	—	960
CCID IT Company Limited	<b>451</b>	96
	<b>1,854</b>	2,005
<b>The Company</b>		
<b>Name of related parties</b>		
CCID	<b>518</b>	949
CCID (Holding) Limited	—	147
CCID IT Company Limited	<b>451</b>	—
	<b>969</b>	1,096

The above related parties are controlled by CCID. The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.



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**20. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES**

<b>The Group</b>	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Advances to employees	<b>5,187</b>	4,040
Prepayments	<b>237</b>	525
Rental and other deposits	<b>484</b>	70
Other receivable	<b>87</b>	1,774
	<b>5,995</b>	6,409
<b>The Company</b>		
Advances to employees	<b>3,053</b>	2,388
Prepayments	<b>237</b>	525
Rental and other deposits	<b>451</b>	53
Other receivable	<b>51</b>	1,450
	<b>3,792</b>	4,416

Apart from rental and other deposits, all prepayments and other receivables are expected to be recovered within one year.

**21. CASH AND CASH EQUIVALENTS**

<b>The Group</b>	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Cash at banks and in hand	<b>38,813</b>	39,597
Secured deposits	<b>417</b>	391
Balance per consolidated statement of financial position	<b>39,230</b>	39,988
Less: pledged deposits	—	(391)
Balance per consolidated statement of cash flows	<b>39,230</b>	39,597
<b>The Company</b>		
Cash at banks and in hand	<b>10,114</b>	12,306

## 21. CASH AND CASH EQUIVALENTS (Continued)

Included in cash and cash equivalents in the consolidated and separate statements of financial position are the following amounts denominated in a currency other than the functional currency of the Group:

### The Group and the Company

	Original currency		RMB equivalent	
	2012	2011	2012 RMB('000)	2011 RMB('000)
United States dollars	2	2	—	—
Hong Kong dollars	36,522	36,519	32	32

## 22. INVESTMENTS

	2012 RMB('000)	2011 RMB('000)
<b>The Group</b>		
<b>Designated financial assets at fair value through profit or loss at initial recognition, at fair value</b>		
Securities listed in PRC (Note a)	190	205
<b>Available-for-sale financial assets, at cost</b>		
Unlisted shares (Note b)	8,657	8,657
Open portfolio financial product	—	2,000
Less: Impairment losses	(6,667)	(6,667)
	1,990	3,990
<b>Total</b>		
Long-term investments	1,990	1,990
Short-term investments	190	2,205
	2,180	4,195
Market value of listed shares	190	205
<b>The Company</b>		
<b>Designated financial assets at fair value through profit or loss at initial recognition, at fair value</b>		
Securities listed in PRC (Note a)	190	205
<b>Available-for-sale financial assets, at cost</b>		
Open portfolio financial product	—	2,000
<b>Total</b>	190	2,205
Market value of listed shares	190	205

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**22. INVESTMENTS** (Continued)

Notes:

- a) All of the financial assets stated at fair value are measured at quoted prices (unadjusted) in active market.
- b) Unlisted shares refer to 19.9% (2011: 19.9%) equitable interests in CCID Exhibition held by CCID Supervision.

**23. ACCOUNTS PAYABLE**

An ageing analysis of the accounts payable and accrued liabilities is as follows:

The Group	Related parties RMB('000)	Third parties RMB('000)	Total RMB('000)
<b>2012</b>			
Within 60 days	2	670	672
61 days to 180 days	882	97	979
181 days to 365 days	—	21	21
Over 365 days	—	79	79
	<b>884</b>	<b>867</b>	<b>1,751</b>
<b>2011</b>			
Within 60 days	55	1,096	1,151
61 days to 180 days	—	398	398
181 days to 365 days	30	—	30
Over 365 days	—	6	6
	85	1,500	1,585

Amount due to related parties are analysed as follow:-

	2012 RMB('000)	2011 RMB('000)
<b>Name of related parties</b>		
CCID Translation Company Limited	2	85
Beijing CCID Guo Ruan Certification Company Limited	882	—
	<b>884</b>	85

The Group and the related parties are within the CCID Group and are under common control of the same ultimate holding company. Amounts due to related parties are unsecured, interest-free and have no fixed repayment term.

**23. ACCOUNTS PAYABLE** (Continued)

An ageing analysis of the accounts payable and accrued liabilities is as follows:

<b>The Company</b>	<b>Related parties</b> RMB('000)	<b>Third parties</b> RMB('000)	<b>Total</b> RMB('000)
<b>2012</b>			
Within 60 days	<b>1,102</b>	<b>165</b>	<b>1,267</b>
61 days to 180 days	<b>2,900</b>	<b>96</b>	<b>2,996</b>
181 days to 365 days	<b>1,200</b>	<b>—</b>	<b>1,200</b>
Over 365 days	<b>—</b>	<b>9</b>	<b>9</b>
	<b>5,202</b>	<b>270</b>	<b>5,472</b>
<b>2011</b>			
Within 60 days	146	931	1,077
61 days to 180 days	—	398	398
181 days to 365 days	30	—	30
Over 365 days	—	6	6
	176	1,335	1,511

Amount due to related parties are analysed as follow:-

<b>Name of related parties</b>	<b>2012</b> RMB('000)	2011 RMB('000)
CCID Supervision	—	91
CCID Management	<b>5,200</b>	—
CCID Translation Company Limited	<b>2</b>	85
	<b>5,202</b>	176

The Company and the related parties are within the CCID Group and are under common control of the same ultimate holding company. Amounts due to related parties are unsecured, interest-free and have no fixed repayment term.

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**24. ACCRUALS AND OTHER PAYABLES**

<b>The Group</b>	<b>2012</b> RMB('000)	2011 RMB('000)
Accrued salaries and welfares	<b>4,220</b>	3,234
Provision for social insurance fees and the public housing funds	<b>1,330</b>	6,578
Other tax payables	<b>1,296</b>	2,150
Received in advance	<b>2,314</b>	7,026
Other payable	<b>4,219</b>	2,982
	<b>13,379</b>	21,970
<b>The Company</b>		
Accrued salaries and welfares	<b>1,976</b>	1,854
Provision for social insurance fees and the public housing funds	<b>558</b>	3,844
Other tax payables	<b>247</b>	916
Received in advance	<b>2,313</b>	1,737
Other payable	<b>2,685</b>	1,783
	<b>7,779</b>	10,134

**25. DUE TO RELATED PARTIES**

<b>The Group</b>	<b>2012</b> RMB('000)	2011 RMB('000)
Immediate holding company	<b>2,340</b>	11,799
Ultimate holding company	<b>1,000</b>	—
Other related companies	<b>32</b>	611
	<b>3,372</b>	12,410
<b>The Company</b>		
Immediate holding company	<b>2,246</b>	1,578
Ultimate holding company	<b>1,000</b>	—
Other related companies	<b>—</b>	222
	<b>3,246</b>	1,800

## 25. DUE TO RELATED PARTIES (Continued)

Notes:

- a) The amount due to the immediate holding company at 31 December 2012 included the amount payable to MIICMD for the acquisition of the ninth and tenth floors of CCID Plaza. The amount payable is interest-free and repayable in accordance with the terms of the relevant property purchase agreement.
- b) The amounts due to other related companies are unsecured, interest-free and have no fixed terms of repayment.

## 26. DUE TO SUBSIDIARIES

There is no amount due to subsidiaries by for the Company at 31 December 2012. At 31 December 2011, the Company owed subsidiaries RMB500,000 which is unsecured, interest-free and has no fixed repayment term.

## 27. DEFERRED TAXATION

### (a) Recognised deferred tax

Components of recognised deferred tax:

The Group	2012 RMB('000)	2011 RMB('000)
<b>Deferred tax assets</b>		
Financial assets	40	37
Impairment loss on accounts receivable	346	582
Others	12	12
	<b>398</b>	631
<b>Deferred tax liabilities</b>		
Profit recognised in accordance with HKAS but not yet included in taxable profit	<b>1,615</b>	1,437
<b>The Company</b>		
<b>Deferred tax assets</b>		
Financial assets	40	37
Impairment loss on accounts receivable	345	582
	<b>385</b>	619

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CONSOLIDATED FINANCIAL STATEMENTS

**27. DEFERRED TAXATION** (Continued)

(b) **Unrecognised deferred tax**

Components of unrecognised deferred tax assets/(liabilities):

<b>The Group</b>	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Unused tax loss	<b>2,920</b>	2,981
Accrued assets	<b>57</b>	—
Intangible assets	<b>478</b>	(3,196)
	<b>3,455</b>	(215)

The Group has not recognised deferred tax assets in respect of tax losses as it is uncertain that taxable profit will be available against which tax losses can be utilised. The tax losses will expire in five years from the year in which they were incurred.

The Group has not provided deferred tax for the intangible assets. It is because the Group will not settle such liabilities in the foreseeable future.

The Company does not have material unrecognised deferred tax.

**28. SHARE CAPITAL**

<b>The Group and the Company</b>	<b>2011 and 2012</b>	
	<b>No. of shares</b>	<b>Nominal value</b> RMB('000)
<b>Registered, issued and fully paid</b>		
Domestic shares of RMB0.1 each	485,900,000	48,590
Legal person shares of RMB0.1 each	5,100,000	510
H shares of RMB0.1 each	209,000,000	20,900
	<b>700,000,000</b>	<b>70,000</b>

## 29. RESERVES

The Group	Attributable to equity holders of the Company			Non- controlling interests	Total
	Statutory reserve	Retained profits	Total		
	RMB('000) (note b)	RMB('000)	RMB('000)	RMB('000)	RMB('000)
Balance at beginning of 2011	3,271	17,481	<b>20,752</b>	9,429	<b>30,181</b>
Profit for the year	—	14,686	<b>14,686</b>	1,885	<b>16,571</b>
Intra-group restructuring	(102)	(535)	<b>(637)</b>	637	—
Transferred to statutory reserve fund	1,733	(1,804)	<b>(71)</b>	71	—
Dividend for 2010	—	(3,010)	<b>(3,010)</b>	(600)	<b>(3,610)</b>
Balance at end of 2011 and beginning of 2012	4,902	26,818	<b>31,720</b>	11,422	<b>43,142</b>
Profit for the year	—	8,338	<b>8,338</b>	2,020	<b>10,358</b>
Capital contributed by non-controlling interests	—	—	—	495	<b>495</b>
Transferred to statutory reserve fund	883	(1,103)	<b>(220)</b>	220	—
Balance at end of 2012	5,785	34,053	<b>39,838</b>	14,157	<b>53,995</b>
The Company	Capital reserve	Statutory reserve	Discretionary reserve	Retained profits	Total
	RMB('000) (note a)	RMB('000) (note b)	RMB('000) (note b)	RMB('000) (Restated)	RMB('000)
Balance at beginning of 2011	18,100	8,715	59	19,770	<b>46,644</b>
Profit for the year	—	—	—	19,075	<b>19,075</b>
Transferred to statutory reserve (Restated)	—	1,593	—	(1,593)	—
Dividend for 2010	—	—	—	(3,010)	<b>(3,010)</b>
Balance at end of 2011 and beginning of 2012	18,100	10,308	59	34,242	<b>62,709</b>
Loss for the year	—	—	—	(1,206)	<b>(1,206)</b>
Balance at end of 2012	18,100	10,308	59	33,036	<b>61,503</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 29. RESERVES (Continued)

Notes:

- (a) The capital reserve account can only be used to increase share capital.
- (b) Under the PRC Company Law and the Articles of Association of the Company and all of its subsidiaries, net profit after tax, having setting off prior years' accumulated losses, if any, shall be appropriated to statutory reserve fund and discretionary reserve fund before any distribution of dividends to the owners of the Company. At least 10% of profit after tax shall be appropriated to the statutory reserve fund until the fund aggregates 50% of its registered capital. For the purpose of calculating the transfer to statutory reserve fund, the profit after tax shall be the amount determined under PRC accounting principles and financial regulations. In addition, net profit after tax shall be appropriated to the discretionary reserve funds if approved by the shareholders. A statutory reserve fund and discretionary reserve fund can be used to offset prior years' losses, if any, and be capitalised as the share capital/registered capital on the condition that the balance statutory reserve fund shall not less than 25% of the share capital/registered capital after capitalization.

CCID Database and CCID Supervision are required to transfer 10% of profit after tax, if any, to the statutory reserve fund. No discretionary reserve funds were appropriated for 2012 (2011: Nil).

In accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of profit distributions/dividends will be deemed to be the lesser of (i) the net profit determined in accordance with PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with Hong Kong accounting standards.

The Company's reserve available for distribution pursuant to section 79B of Hong Kong Companies Ordinance is as follow:

	2012 RMB('000)	2011 RMB('000)
Retained profits	33,036	26,818

### 30. SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 November 2002. Pursuant to the share option scheme, the board of directors of the Company may, at its discretion, grant options to any full-time employees of the Group to subscribe for shares in the Company, to a maximum of 30% of the Company's H shares in issue from time to time. The exercise price will be determined by the Board of Directors, and will not be less than the highest of: (a) the closing price of the H shares as stated in the GEM's daily quotations sheet on the date of offer, which must be a business day; (b) the average closing prices of the H shares as stated in the GEM's daily quotation sheets for the five business days immediately preceding the date of offer; and (c) the nominal value of an H share. However, employees who are Chinese nationals in Mainland China shall not be entitled to exercise the option until the current restrictions on these persons for subscribing or dealing in H shares imposed by the laws and regulations in Mainland China have been amended or removed. Until 31 December 2012, no options were granted to the Group's employees.

### 31. COMMITMENTS

- (a) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>2012</b>	2011
<b>The Group</b>	<b>RMB('000)</b>	RMB('000)
Within one year	<b>160</b>	390
Two to five years	—	162
	<b>160</b>	552
<b>The Company</b>		
Within one year	<b>160</b>	390
Two to five years	—	162
	<b>160</b>	552

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one year, with an option to renew the lease when all terms are renegotiated. None of the leases include contingent rentals.

- (b) At 31 December 2012, the Group has no capital commitment outstanding while the Company has a capital commitment of RMB4,000,000 which is not provided for in the financial statements (2011: Nil).

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**32. MATERIAL RELATED PARTY TRANSACTIONS**

- (a) The following companies are members of CCID Group. In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2012 RMB('000)	2011 RMB('000)
<b>Gross revenue earned before sales surtaxes</b>		
Provision for consulting services to:		
CCID	443	1,277
CCID (Holding) Limited	3	147
Beijing CCID IT Testing Company Limited	30	—
China Electronics News	25	—
CCID IT Company Limited	451	—
CCID Call Company Limited	47	—
	<b>999</b>	1,424
<b>Provision for data management and supervision services</b>		
CCID	6,600	—
MIICMD	770	952
	<b>7,370</b>	952
<b>Promotional expenses (including advertising services, and website and hyperlink services)</b>		
Training and consultancy expenses charged by Beijing CCID Guo Ruan Certification Company Limited	882	—
Promotional and consultancy expenses charged by CCID Net Information Technique Company Limited	49	74
Consultancy expenses charged by MIICMD	53	52
Consultancy expenses charged by Beijing CCID Jingwei Culture Communication Company Limited	—	119
Rental, building management fee, internet expenses and utility expenses charged by MIICMD	1,823	1,957
Translation expense charged by CCID Translation Company Limited	135	96
	<b>2,942</b>	2,298
<b>Others</b>		
Sub-contractors' charge by Beijing CCID Info Tech Company Limited	151	113
Advanced by/(repayment to) MIICMD	(10,000)	10,000
Advanced by CCID (Note c)	1,000	—

**32. MATERIAL RELATED PARTY TRANSACTIONS** (Continued)

**(a)** (Continued)

Notes:

- a) The Directors are of their opinion that the above transactions with related parties were conducted in the usual course of business and charged at cost incurred plus a reasonable profit margin.
- b) The Company and the related companies are within the CCID Group and are under common control of the same ultimate holding company.
- c) The advances were made to the Company under a financial assistance agreement with CCID. According to the financial assistance agreements, the advance is interest-free, unsecured and repayable within one year from the date of advancement.

**(b) Key management personnel remuneration**

	<b>2012</b>	2011
	<b>RMB('000)</b>	RMB('000)
Salaries, wages and other benefits	<b>10,005</b>	5,330
Retirement benefit scheme contributions	<b>1,276</b>	429
	<b>11,281</b>	5,759

Total remuneration is included in staff costs (see note 6(a)).

- (c)** The ultimate controlling party of the Company and of the Group is the PRC Government which provide a major source of revenue to the Company and the Group (2011: Same).

### 33. FINANCIAL RISK MANAGEMENT

Financial assets and liabilities carried on the consolidated and separate statement of financial position include the following assets and liabilities:

- Financial assets and liabilities at fair value through profit or loss;
- Available-for-sale financial assets;
- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

Exposure to financial risks on its financial assets and liabilities comprises:

- Currency risk on monetary assets, monetary liabilities and commitments denominated in foreign currencies resulting from change of foreign exchange rate;
- Price risk on financial assets at fair value of which the value is subject to fluctuation as a result of changes in market price;
- Credit risk on credit period offered to its trade debtors and advances to other debtors; and
- Liquidity risk on withdrawal or cutting of credit limit and credit period offered by trade creditors.

#### Financial risk management objectives and policies

Risk management is carried out by a group's Financial Controller under policies approved by the Board of Directors. The Financial Controller identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

#### Currency risk

The Group's monetary assets and transactions are principally denominated in Renminbi. The Group is exposed to foreign exchange risk arising from the exposure of RMB against United States Dollars and Hong Kong Dollars. Having regarded the exchange rates between RMB and the other two foreign currencies, the Group believes that its exposure to foreign exchange risk is remote. At present, the Group does not intend to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measures in future upon necessary.

As at 31 December 2012, had RMB been strengthened or weakened by 1% against the foreign currencies with all other variables held constant, the profit before tax would have been increased or decreased by not more than RMB1 thousand (2011: not more than RMB1 thousand).

### 33. FINANCIAL RISK MANAGEMENT (Continued)

#### Price risk

As the financial assets at fair value represent an immaterial portion to the Group's total assets, the management does not measure its price risk. The maximum exposure to price risk is the carrying amount at the end of reporting period.

At 31 December 2012, had the fair value of the investment portfolio been 1% higher or lower with all other variables held constant, the profit or loss for the year before tax would have been increased or decreased by RMB2 thousand (2011: RMB2 thousand).

#### Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. In order to minimise the credit risk, the Group has designated personnel to take care the overdue debts. Moreover, the management of the Group evaluates regularly the level 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 regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors consider that the Group's credit risks are significantly reduced. The Group has no significant concentrations on credit risk.

Ageing analysis of pasted due but not yet impaired financial assets is as follows,

<b>The Group</b>	<b>2012 RMB('000)</b>	2011 RMB('000)
Pass due for more than one year	<b>1,988</b>	5,213
<b>The Company</b>		
Pass due for more than one year	<b>1,932</b>	5,165

#### Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS

**33. FINANCIAL RISK MANAGEMENT** (Continued)

**Maturity analysis**

As at 31 December 2012, the remaining contractual maturities of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date of the Group and of the Company can be required to pay are as follow:

<b>The Group</b>	<b>2012 RMB('000)</b>	2011 RMB('000)
<b>Trade and other payables</b>		
Payable on demand or within three months	<b>12,419</b>	10,094
<b>The Company</b>		
<b>Trade and other payables</b>		
Payable on demand or within three months	<b>14,184</b>	6,754

**34. MANAGING CAPITAL**

<b>The Group</b>	<b>2012 RMB('000)</b>	(Restated) 2011 RMB('000)
Managing capital comprises:		
Issued and paid up share capital	<b>70,000</b>	70,000
Retained profits	<b>34,053</b>	26,818
Other reserves	<b>5,785</b>	4,902
	<b>109,838</b>	101,720
<b>The Company</b>		
Managing capital comprises:		
Issued and paid up share capital	<b>70,000</b>	70,000
Retained profits	<b>33,036</b>	34,242
Other reserves	<b>28,467</b>	28,467
	<b>131,503</b>	132,709

**34. MANAGING CAPITAL** (Continued)

The Company as well as the Group are not subject to any externally imposed capital requirements. Accordingly, the Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's abilities to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

To reflect a truer picture of the capital structure, the Group and the Company revised the net debt-to-adjusted capital ratio in this year. For this purpose, the Group and the Company re-define net debt as total debt (which includes interest-bearing loans and borrowings and trade and other payables) plus proposed final dividend minus balances due to immediate holding company and subsidiaries. Adjusted capital comprises all components of equity less proposed final dividend.

In 2012, the Group's and the Company's strategies were to maintain the revised net debt-to-adjusted capital ratio at a level below 50% (2011: Same).

Calculation for the revised net debt-to-adjusted capital ratio is as follow:

<b>The Group</b>	<b>2012</b> <b>RMB('000)</b>	2011 RMB('000)
Total liabilities	<b>20,848</b>	39,685
Less: Balance due to ultimate holding company	<b>(1,000)</b>	—
Less: Balance due to immediate holding company	<b>(2,340)</b>	(11,799)
Less: Balance due to other related companies	<b>(884)</b>	(85)
	<b>16,624</b>	27,801
Total shareholders' equity	<b>123,995</b>	113,142
Revised net debt-to-adjusted capital ratio	<b>13%</b>	25%
<b>The Company</b>		
Total liabilities	<b>16,505</b>	15,765
Less: Balance due to ultimate holding company	<b>(1,000)</b>	—
Less: Balance due to immediate holding company	<b>(2,246)</b>	(1,578)
Less: Balance due to subsidiaries	<b>(5,200)</b>	(591)
Less: Balance due to other related companies	<b>(2)</b>	—
	<b>8,057</b>	13,596
Total shareholders' equity	<b>131,503</b>	132,709
Revised net debt-to-adjusted capital ratio	<b>6%</b>	10%



# FIVE YEAR FINANCIAL SUMMARY

## SUMMARY OF FINANCIAL INFORMATION

The summaries of the results and of the assets and liabilities of the Group for the last five financial years extracted from the published audited financial statements are as follow:

RESULT	Year ended 31 December				
	2008 RMB('000)	2009 RMB('000)	2010 RMB('000)	2011 RMB('000)	2012 RMB('000)
Turnover	113,298	103,211	112,467	127,118	145,666
Cost of sales	(64,559)	(57,847)	(62,456)	(67,955)	(82,041)
Gross profits	48,739	45,364	50,011	59,163	63,625
Other revenue	665	1,102	2,819	1,030	5,855
Selling and distribution expenses	(8,561)	(10,278)	(11,925)	(14,512)	(15,954)
Administrative expenses	(18,622)	(19,705)	(21,025)	(22,697)	(33,539)
Other operating expenses	(1,523)	(81)	(11)	—	(1,700)
Impairment of assets	(133)	(91)	(2,402)	(409)	(4,407)
Loss on investments	(1,761)	—	—	—	—
Fair value adjustments on financial assets	(1,564)	—	(54)	—	(15)
Operating profits	17,240	16,311	17,413	22,575	13,865
Share of profit of an associate for the year	12	—	—	—	—
Profit before taxation	17,252	16,311	17,413	22,575	13,865
Taxation	(3,214)	(2,958)	(3,429)	(6,004)	(3,507)
Profit for the year	14,038	13,353	13,984	16,571	10,358
Attributable to:					
Equity holders of the Company	11,719	11,227	12,611	14,686	8,338
Non-controlling interests	2,319	2,126	1,373	1,885	2,020
Profit for the year	14,038	13,353	13,984	16,571	10,358
31 December					
ASSETS AND LIABILITIES	2008 RMB('000)	2009 RMB('000)	2010 RMB('000)	2011 RMB('000)	2012 RMB('000)
Total assets	107,611	115,204	121,516	152,827	144,843
Total liabilities	(20,869)	(24,417)	(21,335)	(39,685)	(20,848)
	86,742	90,787	100,181	113,142	123,995