

CCID Consulting

CCID Consulting Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8235

思維創造世界

• 政府決策第一智庫

• 信息化諮詢第一品牌

• 企業戰略第一顧問

2016
ANNUAL REPORT

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This report, for which the directors (“Director(s)”) of CCID Consulting Company Limited (“we” or “our” or “us” or the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

This report will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the “Investor Relations” page of the Company’s website at www.ccidconsulting.com.

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Luo Junrui (*Chairman*)

Non-Executive Director

An Guangyou

Independent Non-Executive Directors

Guo Xinping

Han Fuling

Li Xuemei

AUDIT COMMITTEE

Li Xuemei (*Chairlady of the Committee*)

Guo Xinping

Han Fuling

REMUNERATION COMMITTEE

Guo Xinping (*Chairman of the Committee*)

Li Xuemei

Luo Junrui

NOMINATION COMMITTEE

Luo Junrui (*Chairman of the Committee*)

Guo Xinping

Li Xuemei

Han Fuling

SUPERVISORY COMMITTEE

Chen Ying (*Chairlady of the Committee*)

Hu Yun

Zhao Xiuzhen (resigned on 28 June 2016)

Ma Xin (appointed on 28 June 2016)

COMPLIANCE OFFICER

Luo Junrui (*Chairman*)

COMPANY SECRETARY

Chan Yin Wah

AUTHORISED REPRESENTATIVES

Luo Junrui (*Chairman*)

Chan Yin Wah

REGISTERED ADDRESS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

COMPANY'S WEBSITE

www.ccidconsulting.com

STOCK CODE

08235

AUDITORS

Qual-Mark CPA Limited

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
22/F, Hopewell Centre
183 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 2016.

FINANCIAL RESULTS

For the year ended 31 December 2016 (the "period or the "year"), the Group recorded a turnover of approximately RMB133,689 thousand and a gross profit of approximately RMB61,997 thousand. The profit for the year amounted to approximately RMB14,791 thousand and the basic earnings per share amounted to RMB1.7 cents.

BUSINESS OUTLOOK

In 2017, to constantly enhance its competitive strength, the Group will vigorously explore the "consulting +" model under the "consulting +" strategy to expedite the transformation and upgrading of business models of in-park collaboration, corporate strategy, investment and financing, informatization, and other aspects.

Explore "consulting +", and accelerate transformation from the "offline" to "online" service model

During the era of Internet 2.0, the trend of the offline-to-online business integration becomes increasingly evident. As a result, the Group will build a business innovation platform based on the big industrial data by integrating our diversified "service", massive "data" with powerful "platform" relying on "Chanyetong APP Platform" ("Chanyeton") as well as centering on the development of Chanyeton. Moreover, the Group will speed up transformation from annual report to membership service.

Explore the "consulting +" to expedite transformation from the "project-driven" to "service-driven" business model

Firstly, we will expand our industry businesses from planning to activities, investments, reporting and hosting. By amassing elements required for our industrial development, we will complete transforming from the "planning consulting" to "integrated services". Secondly, our corporate strategy business will evolve from research to competition, strategy, listing, and mergers and acquisitions. The introduction of corporate innovation resources will enable us to complete transforming from "management and consulting" to "strategic services". Thirdly, our investment and financing business will expand its scope from due diligence to fund-raising, investment decision-making, fund management, and index extension, thus completing transformation from "project achievement system" to "revenue generation system". Lastly, our information business will expand its scope from planning to PPP, investment, construction, and extensions. Under the planning and operation of the intelligent city strategy, we will complete transforming the pattern of industry chain from single-sided planning to "comprehensive planning+ implementation of partnership" for our projects.

Explore "Consulting +" to expedite transformation from "data-based" to "index-based" product creation

We will focus on hot spots in the industry. In addition, we will reconstruct data-based product systems, which will be oriented by index, thereby upgrading from CCID Top 100, CCID Trends, CCID Cases, CCID White Paper, CCID Data and other data products to such index products as industry investment value and regional development potential. By so doing, we will shift from data products to index products.



Chairman's Statement

Explore "Consulting +" to expedite transformation from "closed" to "open" capacity development

To build an open value network with the Company as a platform, we will consolidate knowledge, policies, channels, capital, markets and other resources. Leveraging our corporate platform for a positive cycle of appreciating resources, we will ultimately achieve a variety of targets, including revenue from projects, services, investments, and real estate.

Despite the challenges ahead, the board of Directors 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 thank all our shareholders, customers and partners for their support and trust and all our employees for their dedication and contribution to the Group on behalf of the Board.

Luo Junrui

Chairman

Beijing, the People's Republic of China
23 March 2017



Management Discussion and Analysis

INDUSTRY OVERVIEW

The Consulting Industry Becomes Increasingly Diversified, Standardized, and Institutionalized

The main body of consulting services has been increasingly diversified. Under the new landscape of establishment of the new think tanks with Chinese features, think tanks and consulting institutions such as key academies of social science, administration institutes of party institutes of CCP and higher education institutions are going to further strengthen their policies study and decision making consulting functions and step up their service efforts towards government and industrial zone customers, which will result in a multi-level, cross-sectorial, and professional division of labor competition landscape in general. At the same time, the consultancy service market will be further standardized; the environment for developing social think tanks will be further improved; the product supply mechanism for social think tanks will be further perfected; and there will be an increasing number of channels for social think tanks to engage in decision consultancy services. In the future, we will focus on the establishment of 50 to 100 professional high-end think tanks. In respect of the government decision making consulting, government authorities of different levels will establish a system for the government procurement of decision making consulting services on the basis of a procurement mechanism of: procure as required, fees on case-by-case basis, open for all and contractual management. This will include the consulting reports, government policies proposals, planning designs, research and study information provided by think tanks and consulting institutions under the scope of government procurement and into the guidance catalogue of government service procurement. The procurement will be conducted by various ways, such as open tenders, invitation tenders, competitive negotiations and single source of procurement.

The Consulting Industry Integrates, Diversifies, and Consolidates at an Accelerating Rate

As for supervision services, accelerated integration of industrialization and informatization, as well as steady advancement of "New Four Modernizations", catalyzes mutual business integration between supervision service providers at an accelerating rate, thus creating greater pressure on the market for conventional, single, and specialized supervision service providers. As a result, supervision service providers appear to expedite their business integration, and will gradually transform into integrated supervision and consulting firms from information engineering supervision companies with a single business focus. The consulting industry becomes increasingly diversified in terms of service models. As customers become increasingly familiar with the consulting industry, they begin to stress the importance to practical results brought by consulting, which is reflected in their gradual shift from consulting solutions to finalization and implementation of such solutions. Due to such shift, the revenue model of the consulting industry also switched from payment in advance to payment for practical implementation results. This will enable consulting firms to focus more on the feasibility and practicability when formulating consulting solutions, which in return will generate more values for customers. In line with the capital market development in China, businesses see tremendous growth in the investment and financing needs for private equity investments, IPOs, merger and acquisition, and others. As a result, consulting firms step up collaboration with investment institutions, and even some establish their own investment arms to directly engage in investment businesses. Meanwhile, some private equity funds and venture capital firms establish their post-investment management teams to provide management consulting services to investees. The integration of consulting businesses with investment and financing businesses helps expand the business scope and development landscape of consulting firms.



Management Discussion and Analysis

Consulting Services Face the Revolution of the Big Data Era

Big data is a collection of data which is mainly characterized by high volume, high variety, high velocity and high value. A huge amount of data with a variety of formats from diversified sources is collected and stored, and correlation analyses are carried out to discover new knowledge, create new values and develop new capabilities. With the arrival of the big data era, flow of technologies, materials, funds and talents will be driven by the flow of data. Decision making on business management should be based on massive, dynamic and timely data analyses on suppliers, customers and competitors. However, traditional consulting companies study static and lagging data and lack data resources that are comparable with those of the companies in the big data era. Once companies have mastered the collection, access and analysis of big data, they will be able to make their own decisions and thus their demand for external consultancy services will be significantly reduced. Some companies, which are able to collect, sort, analyze, explore, demonstrate and apply data, could even output the big data and offer consultancy services to other corporate customers based on big data.

BUSINESS REVIEW

Customer Base's Further Expansion

In 2016, the Group provided planning and consulting services to provinces and cities or parks, such as Guangdong Dongguan, Guangdong Foshan, Hebei Baoding, Henan Xuchang, Hubei Wuhan, Anhui Suzhou, Jiangsu Changzhou, Shandong Weifang, Sichuan Leshan, Guizhou Zunyi, Inner Mongolia Tongliao, Jilin Changchun. The Group also provided corporate consulting services to Foxconn, Country Garden, China Fortune Land Development, Geely Group, Zhuhai Water Group, E-Town Capital, Yangtze River Industry Fund, and other enterprises or financial institutions. Supervision business we provided had achieved a major breakthrough in the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, General Administration of Customs, China Southern Power Grid, China Railway Corporation and other large state-owned enterprises, while intelligent city design business focus on the demand for design of the city and the top of the park with successfully developed customers from Hainan Wenchang, Henan Xinyang, Guiyang Yunyan, Sichuan Luzhou. In 2016, the Group had 19 customers with a project value of RMB1 million, 1 of which were our major customers with a project value exceeding RMB5 million.

Constant Breakthroughs in Key Industries

In the e-government engineering field, the Group won bids in various major national e-government engineering supervision projects related to National Corporate Information Library (國家法人庫), Social Security Information Management Project Phase II (金保工程二期), financial information platforms, the State Administration of Foreign Exchange, and the Ministry of Environmental Protection, and therefore continued to consolidate and improve our industrial position. We also achieved major breakthroughs in the operation and maintenance consulting and supervision businesses that are provided to government or large state-owned enterprises, such as Ministry of Finance, General Administration of Quality Supervision, General Administration of Customs, China Association for Science and Technology, China Southern Power Grid, China Railway Corporation, and further optimized and enriched our product and service types. In the information security segment, we made new breakthroughs during our security services provided to Commission for Discipline Inspection of CPC (中紀委), Office of Central Leading Group for Cyberspace Affairs (中央網信辦), National Development and Reform Commission, National Health and Family Planning Commission of PRC (衛計委), National Energy Commission, Beijing Municipal Government and district or local party committees of Beijing, as well as military enterprises. As for intelligent city applications, we had good market performance in developing building automation, intelligent cities, city emergency communications, and national intelligent grain reserve. During our



Management Discussion and Analysis

engagements in the areas of science, education, culture and hygienic practice, we continued to undertake information engineering consulting and supervision projects for industries under the supervision of the Ministry of Science and Technology, the Ministry of Education, the Chinese Academy of Engineering, the Chinese Academy of Sciences, the Hanban, and State Administration of Press, Publication, Radio, Film and Television.

Our Optimized and Enhanced Research System

In 2016, in light of new market needs and necessary business transformation, the Group rationalized our research area and direction. By so doing, we identified 21 business areas and 205 segmented research directions. In addition to rationalizing our existing product system, we eliminated and streamlined some product lines that were obsolete with minor market opportunities and weak profitability. Meanwhile, we updated and built 34 product lines with a good market prospect and strong profitability to meet new market conditions. On top of that, we upgraded and innovated our research system by launching a series of research products, including CCID Top 100, CCID White Paper, CCID Trend, CCID Cases, and CCID data base. “CCID White Paper” has prepared many “industry evolution and investment value research” reports that cover more than 20 cutting-edge and hotspot areas, focusing on smart vehicle, VR, AI, block chain, UAV, robots, quantum communications, precision medical treatment, energy-based internet, and green finance. This new vital force helped our product system penetrate into a new market. As for innovation funds, the Group attuned fund selection and implementation proposals. By developing six research topics that focuses on exploring new businesses and models in the first-tier market, we offered open tenders to companies and completed selection and mid-term review of those successful bidding teams.

Our Enhanced Professional Competitiveness

In 2016, the Group successfully applied for and obtained the Class-A qualification in the information security supervision. Meanwhile, we continued to maintain a number of qualifications, including the Class-A qualification in information system engineering supervision, military consulting qualification, the Class-B qualification in telecommunications engineering supervision, the high-tech enterprise qualification, ISO20000, ISO27001, ISO14001, ISO18001, and ISO9001. These qualifications laid a solid foundation for consolidating and enhancing our market competitiveness. Our supervision service team persists in innovating business and service models. The traditional technique of “four controls, three managements and one coordination (四控三管一協調)” no longer meets the requirements of large and complicated information engineering projects, such as Golden Gate Project Phase II and Golden Tax Project Phase III. In light of this, our supervision service team creatively developed three project management lines, namely “project management”, “fund purchase”, and “technology control”, forming its own supervision theory and system featured with “point to line and area”. As a result, both good practical results and wide customer recognition were achieved. We proactively participated in the development of standard norms, securing our dominant position in the industry. As the lead drafting institution partaking in the supervision and preparation of information security supervision standards organized by the State Secrecy Bureau (國家保密局), we drafted the operation and maintenance standards for information engineering systems.

Significantly Improved Resources Integration of “Chanyeton” Platform

In 2016, in response to the future development trend of the consulting industry, which will be supported by big data on the internet with consultative execution and integrated services, the Group constantly upgraded and optimized four “Chanyeton” platform versions for PC websites, IOS, Android, and PAD. With the principle of openness in mind, we consolidated more than 100,000 entries of internal and external industry information and data threads and over 10,000 industry reports, which covers six modules, namely, policies, developments, data, observations, reports, and experts.



Management Discussion and Analysis

Eleven industrial channels, comprised of the internet, software, telecommunication, semi-conductor, digital information, high-end equipment, biology, new energies, new materials, energy saving, and new energy vehicles, were developed. As a result, our “Chanyeton” was built into an industry service platform for industrial customers, offering new media and new channels to provide industry reports, research and services. Currently, it attracts more than 200,000 high-end users with comparatively great influence in the industry.

Innovative Media Distribution Approaches

In 2016, the Group continued to improve the communication effect of our own media matrix group. Under the “1+10” model, our own media matrix group is comprised of over ten new media platforms enhancing media transmission effects, including our Chanyeton, Weibo, WeChat, Today’s Headlines, Baidu Library, Yi Dian Zi Xun, Netease, Sohu, Tencent, PhoenixNet. The Company took great efforts to develop three IT annual conferences, including “China IT Market Annual Conference 2016”, “China Semiconductor Market Annual Conference 2016” and “China IT Innovation Annual Conference 2016”, at which, 34, 53 and 20 media were invited to attend the aforesaid three conferences, respectively. These media included famous media such as Xinhua News Agency, China News Service, Can Kao Xiao Xi, Guangming Daily, Global Times, China Economic Herald, and China Information World. In terms of research and promotion, the Company adopted the four-in-one approach, namely, “white paper + seminar + press conference + all-star analyst”, to jointly organized industry experts salons with China Electronics News. By doing so, we not only accumulated a number of leading or innovative enterprises active in the hotspot and emerging areas, but also established a close relationship with many investment institutions engaged in VC, PE, and angel investments. As a result, we expanded our clientele and laid a solid foundation for our business transformation.

Enhanced Team Competitiveness

In 2016, the Group further enriched our training system to enhance team competitiveness in multiple aspects, at multiple levels, and under multiple categories by formulating training plans in stages, selecting elite instructors based on our business series, and adopting various methods of corporate training, seminars, elite classes, and monthly lessons. By closely focusing on our business strategy, the Group completed various corporate training sessions, including the evolution of the consulting industry and CCID Consulting business strategy, corporate strategy and business innovation, the formulation of research and publication systems, and group business systems, as well as key product lines, their research methods and regional business development, and shared experience in team building. Therefore, training represents a platform for not only sharing professional knowledge but also reaching consensus between employees and incentivizing their advancement. Our “CCID Elite Training Course” with the aim of “making excellent projects” effectively improved our employees’ professional skills, created a corporate culture of harmony and progressiveness, and identified a number of new employees with potential after three months of internal trainings, external trainings, Salon discussions and debates, etc. In addition, by intensifying talent training and focusing on the selection and development of in-house talented professionals, we formed an echelon structure of expert-level, senior, and general engineers. Therefore, this structure provides a personal development channel for our technical staff. Meanwhile, we also emphasized on continuing education of team members, and therefore paid 2 CISP certified employees for their continuing education. More than 85% of our employees at our supervision segment possessed the certificate of information system supervisor.



Management Discussion and Analysis

Continuous Fostering of Harmony Culture Building

In 2016, the Company closely worked with the Party, the League, and the Labor Union. Under the people-oriented principle, the Company innovatively organized various themed activities by starting with our understanding of staff's thinking, work and lifestyle and focusing on democratic management, cultural establishment, entertainment and sports activities, individual lifestyle, and social responsibility. As for democratic management, the Labor Union organized staff representatives meetings, at which seven rules and regulations were considered and approved. Staff representatives are invited to attend the regular meeting of the Company twice every month, motivating our employees to participate in democratic management. As for cultural establishment, we organized the "CCID Party Day and Reminiscence of the Long March" (賽迪顧問黨日活動暨重走長征路活動) in the celebration of the 95th anniversary of CPC and the 80th anniversary of the victory of the Long March to inspire young members of CPC to further understand the value and significance of fighting for the revolution and ideology, and help them develop positive values of lifestyle and the world, enabling them to play a pioneering role in their own work position. In line with the "consulting +" strategy, we successfully organized the "CCID Youth Elite Debate Contest" to encourage young employees to show their personal talent, cultivating a strong sense of mission and responsibility among young employees to grow with the Company. As for entertainment and sports, the Party, the League, and the Labor Union established many social clubs, including a fitness club, a basketball club, and a badminton club. During these activities, our employees developed a stronger sense of collective honor along with their achievements. As for social responsibility, we proactively participated in the charity event "Weaving Sweaters for the Orphan and Challenged Children", as well as caring actions for our sick employees and their family members. By so doing, we brought all employees as a whole to a healthy and positive community and organization.

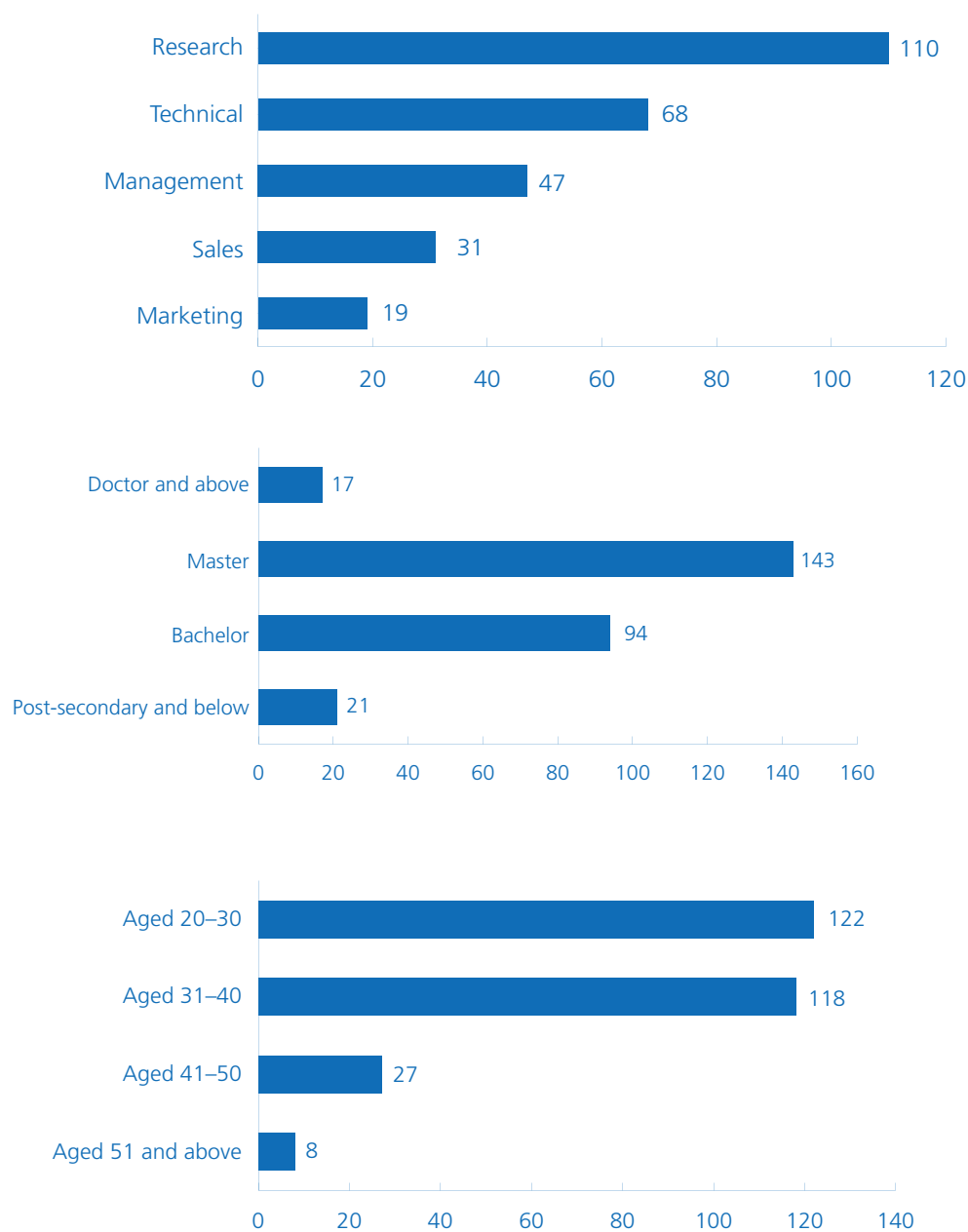
Marketing and Promotion

In 2016, the Group promoted the transformation and innovation in substance and form and achieved new breakthroughs in respect of influence and economic benefits through major brand programmes such as "China IT Market Annual Conference", "China Semiconductor Market Annual Conference" and "China IT Innovation Annual Conference". In addition, by means of the close integration of hotspot study and brand programmes and in collaboration with China Electronics News, the Group successfully held 10 meeting activities, such as "China Virtual Reality Industry Evolution and Investment Value Seminar", "China UAV Industry Evolution and Investment Value Seminar" and "China Intelligent Automotive Industry Evolution and Investment Value Expert Seminar", while disseminating the recent research results in-depth through Chanyeton, Weibo, and WeChat in order to enhance the brand influence.

Management Discussion and Analysis

Employee and Remuneration Policy

The Group had a total of 275 staff as of 31 December 2016 (2015: 292), the employee distribution by job title, education background and age was as follows:





Management Discussion and Analysis

The Group adopted a performance-oriented performance appraisal method to determine employee's remuneration with reference to their performance, qualifications and experience. The Group provided employees with benefits such as housing provident fund, basic endowment insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance in accordance with applicable PRC laws and regulations, as well as additional commercial insurance such as supplementary medical and accidental injuries insurance.

The Group fully understands that employees are the key to the sustainable development of our business. The Group provides employees with training and occupational planning, sound promotion opportunities and perfect remuneration system to ensure that employees are entitled to legal rights and perform relevant obligations. The Group works together with our employees to provide quality products and services for our customers.

Analysis on Financial Key Performance Indicators

Benefiting from the smooth operation of China's economic environment in 2016 and the advantages of remaining in the forefront in economic growth rate, the financial indicators of the Group, such as operating results, financial position and cash flow, maintained a steady growth trend in 2016.

Turnover

For the year ended 31 December 2016, the Group recorded a turnover of approximately RMB133,689 thousand (2015: approximately RMB123,196 thousand), representing an increase of approximately 9% as compared to the same period of last year.

Analysis of the Group's turnover in the year is as follows:

	2016		2015	
	RMB('000)	%	RMB('000)	%
Management and Strategy Consultancy Services	70,025	52%	61,709	50%
Market Consultancy Services	11,698	9%	12,424	10%
Information Engineering Supervision Services	45,581	34%	42,663	35%
Other Services	6,385	5%	6,400	5%
Total	133,689	100%	123,196	100%

The management of the Group continued to carry out and deepen our business transformation and innovation strategies launched in 2015. In addition to persisting in full-scale innovation of business operations and products, the Group focused on developing Chanyeton for a business innovation platform based on big data industries, as well as enhancing our brand awareness. By pursuing the strategic orientation of "consulting +", the Group concentrated on business parks, industry-specific enterprises, investment institutions, etc. to fully upgrade our product mix. On the other hand, in light of industrial and market focuses, the Group launched a series of research based on "the evolution and investment values of virtual reality, artificial intelligence, unmanned aerial vehicles, home networks, precision medicines, block chain technology, smart vehicles, robots, and other businesses", through which, the Group accurately introduced our research systems and results to industry-wide experts and potential customers. As a result, we received remarkable market responses.



Management Discussion and Analysis

Costs and expenses

For the year ended 31 December 2016, the Group's costs and expenses amounted to a total of RMB116,656 thousand (2015: RMB108,253 thousand), representing an increase of 8% as compared to the corresponding period of last year. Such increase appeared to be healthy as compared to the growth of the Group's turnover, as it was mainly due to an increase in costs directly attributable to our business. In the meantime, the Group continued to strengthen our internal control in an all-around manner, bringing down the costs and expenses within a reasonable range.

Income tax

In accordance with the "Enterprise Income Tax of the People's Republic of China" and its implementation regulations, and the requirements under "Some Opinions by the State Council on Expediting the Development of Technology-based Service Businesses" (Guo Fa [2014] No. 49), the "Circular by the State Administration of Taxation on the Management of Reduction and Exemption of Enterprise Income Taxes" (Guo Shui Fa [2008] No.111), the "Supplemental Circular by the State Administration of Taxation on the Management of Preferential Enterprise Income Taxes" (Guo Shui Han [2009] No. 255), the "Circular by State Administration of Taxation on Circulation of the 'Provisional Management Measures for Tax Reduction and Exemption'" (Guo Shui Fa [2005] No. 129) and the Circular by the State Administration of Taxation on the Implementation of Preferential Enterprise Income Taxes on High-Tech Enterprises" (Guo Shui Han [2009] No. 203), the Company was officially subject to enterprise income tax of 15% with effect from 2016 and entitled to a tax reduction and exemption of approximately RMB2,122 thousand for the year ended 31 December 2016.

Profit for the year

For the ended 31 December 2016, the Group reported total comprehensive income for the year of approximately RMB14,791 thousand (2015: RMB12,192 thousand), representing an increase of approximately 21% as compared to the corresponding period of last year. Such increase was mainly attributable to a lower growth rate of the above costs and expenses than the growth rate of turnover. Meanwhile, the Company increased its other business revenue by optimizing its idle capital. Details of other business income are set out in note 4 to the consolidated financial statement of this annual report.

Liquidity and Financial Resources

As of 31 December 2016, the Group held cash and cash equivalents of RMB101,530 thousand, of which RMB101,498 thousand, HK\$36,522 and US\$2, respectively (2015: cash and cash equivalents of RMB95,155 thousand, including RMB95,123 thousand, HK\$36,522, and US\$2), representing a growth of approximately 7% as compared to the corresponding period of last year. The quality monitor process for questionable projects, which was enhanced, plays an active role in promoting the Group's alert management for collecting payments. The Group's primary financial resources were cash flows generated from the operating activities. The management believes that, the Group possesses adequate working capital for the present requirements.



Management Discussion and Analysis

Capital Structure

The capital structure of the Group as of 31 December 2016 is summarized as below:

	RMB ('000)	Percentage
Total Shareholders' equity attributable to equity holders of the Company	140,026	87%
Non-controlling interests	21,679	13%
Total	161,705	100%

Segment information

The segment information has been presented in note 13 to the consolidated financial statements.

Capital Commitment or Contingent Liabilities

As of 31 December 2016, the Group had no capital commitment and contingent liabilities. The Company had capital commitments of RMB800 thousand (2015: RMB800 thousand).

Pledged Assets

As of 31 December 2016, the Group had no pledged assets.

Gearing Ratio

As of 31 December 2016, the Group's gearing ratio was approximately 29% (2015: 20%). Gearing ratio is calculated by total liabilities less amounts due to ultimate and immediate holding company then divided by total equity.

Major Investment

As of 31 December 2016, the Group had no major investment.

Major Acquisition and Disposal

As of 31 December 2016, the Group had no major acquisition and disposal.

Future Major Investment

The Group has no major investment plan.

Foreign Exchange Risk

The Group maintains a conservative policy towards the foreign exchange risk and interest rate management with most of the deposits denominated in Renminbi. The deposits in United States Dollar and Hong Kong Dollar are exposed to foreign exchange risk in Renminbi conversion. In consideration of the exchange rate among Renminbi, United States Dollar 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.



Directors, Supervisors and Senior Management

EXECUTIVE DIRECTOR

Luo Junrui (駱俊瑞), aged 65, an executive director and the Chairman of the Board. Mr. Luo joined CCID Group in June 2002. He is currently the chief engineer of the Computer and Microelectronics Research and Development Center (計算機與微電子發展研究中心) and the China Software Testing Center (中國軟件評測中心) (“CSTC”) of the Ministry of Industry and Information Technology, the chairman of Beijing CCID Info Tech Inc., the deputy director of Science and Technology Committee under China Center for Information Industry Development (“CCID”). Mr. Luo graduated from the Department of Automation of Beijing Institute of Technology and majored in design and manufacturing of command instrument. He is a senior engineer. Mr. Luo serves as an automation engineer of Plant 738 of the Fourth Ministry of Machinery Building Industry, a cadre of the Computer Administration under Ministry of Electronics Industry, the director and deputy center director of Computer and Microelectronics Research and Development Center under Ministry of Electronics Industry (currently known as Computer and Microelectronics Research and Development Center under the Ministry of Industry and Information Technology), the deputy director of CSTC, the director of computer business department under China Electronics Corporation (CEC), senior vice president of CCID Consulting Corporation (賽迪顧問股份公司), and also a president of CCID Data source Co., Ltd., CCID Call Company Limited and CCID Net Information Technique Company Limited. Mr. Luo was appointed as an executive director of the Company with effect from 25 November 2014.

NON-EXECUTIVE DIRECTOR

An Guangyou (安光有), aged 51, a non-executive director, and is currently the deputy chief economist of the China Center for Information Industry Development (CCID). Mr. An graduated from the Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor’s degree. Mr. An possesses the professional qualifications such as senior auditor, certified public accountant, certified public valuer, real estate appraiser, and real estate valuer. His positions successively held include the financial officer of the Henan Basic Machinery Corporation (基礎機械總公司), a chief accountant of Henan C.P.A. (河南審計事務所), a partner of YueHua Certified Public Accountants, and deputy chief economist of China Center of Information Industry Development (CCID). Mr. An was appointed as a non-executive director of the Company with effect from 25 November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Xinping (郭新平), aged 53, an independent non-executive director, is currently the Vice-Chairman of the Board of Yonyou Network Technology Co., Ltd. (600588.SH), the shares of which are listed on the Shanghai Stock Exchange, and the Chairman of the Supervisory Committee of Chanjet Information Technology Company Limited (HK1588), the shares of which are listed on the Stock Exchange. Mr. Guo graduated from Zhongnan University of Finance and Economics with a bachelor degree and from Hong Kong University of Science and Technology with a master degree. Mr. Guo has worked in the Fiscal and Taxation Reform Department of Ministry of Finance. He has taken up the posts of General Manager, and Vice-Chairman and Chief Finance Officer of Yonyou Software Co. Ltd., an independent director of Glodon Software Company Limited (002410.SZ), the shares of which are listed on the Shenzhen Stock Exchange, (resigned on 25 March 2014) and of Tus-Sound Environmental Resources Company Limited (formerly known as Sound Environmental Resources Company Limited) (000826.SZ), the shares of which are listed on the Shenzhen Stock Exchange, (resigned on 25 September 2015, with effect from 20 October 2015), with over 20 years of experience in the field of enterprise operation and finance. Mr. Guo was appointed as an independent non-executive director of the Company with effect from 25 May 2002, and was re-elected on 25 November 2014.



Directors, Supervisors and Senior Management

Li Xuemei (李雪梅), aged 49, an independent non-executive director, is currently the Deputy Executive President of Transport and Statistics Research Institute of Beijing Jiaotong University, a member of Chinese Input-Output Association, and a chancellor of the International Business Negotiation Professional Committee of the Chinese Research Council of Modern Management. Ms. Li graduated from Beijing Jiaotong University with a doctorate degree in management. Ms. Li had worked in Harbin Pharmaceutical Group Second Chinese Medicines Factory, Tianjin University and Beijing Jiaotong University and in-charged of various topics and project studies of Ministry of Science and Technology, Ministry of Railways, Beijing Municipal Science and Technology Commission, Beijing Municipal Education Commission and National Natural Science Foundation of China, etc. Ms. Li was appointed as an independent non-executive director of the Company with effect from 25 November 2011, and was re-elected on 25 November 2014.

Han Fuling (韓復齡), aged 53, an independent non-executive director, is currently a Professor of Faculty of Finance, Department Head of Applied Finance, and President of Financial Securities Research Institute of Central University of Finance and Economics. 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 and Design Center, and Central University of Finance and Economics. Mr. Han served as an independent director of Henan Lotus Flower Gourmet Powder Co. Ltd. (600186.SH), the shares of which are listed on the Shanghai Stock Exchange (resigned on 24 December 2014). Mr. Han was appointed as an independent non-executive director of the Company with effect from 17 March 2005, and was re-elected on 25 November 2014.

SUPERVISORS

Chen Ying (陳瑛), aged 65, the chairman of the Supervisory Committee. Ms. Chen graduated from the Party School of the Central Committee of C.P.C. and the Chinese Academy of Social Sciences. Her positions successively held include an executive officer of the Planning Committee of Liaoyang City, Liaoning Province, the division chief and deputy party secretary of China National Software & Service Co., Ltd, the deputy director and deputy party secretary of the Computer and Microelectronics Research and Development Center of the Ministry of Information Industry (信息產業部計算機與微電子發展研究中心) (currently known as Computer and Microelectronics Research and Development Center of the Ministry of Industry and Information Technology (工業和信息化部計算機與微電子發展研究中心)), a director and a supervisor of Beijing CCID Media Investments Co. Ltd. Ms. Chen was appointed as a supervisor with effect from 25 November 2014.

Hu Yun (胡雲), aged 43, graduated from the School of Business of the Hubei University. She held a bachelor degree of economics and is a senior accountant, and she had taught in Hubei University School of Business. She worked at various accounting firms during 2001 to 2007, responsible for annual audit for large state-owned enterprises and internal control consultation and financial training affairs for large and medium-size state-owned enterprises. Ms. Hu joined the CCID Group in October 2007 and served successively in CCID Consulting Company Limited and Beijing CCID Media Investment Co., Ltd. Since January 2011, she has served as financial controller of China Software Testing Center and has accumulated 20 years of experience in audit, internal control consultation and financial management. Ms. Hu was appointed as a supervisor of the Company with effect from 25 November 2014.

Ma Xin (馬欣), aged 52, the staff representative supervisor, is currently the Customer Service Director of the Company. Ms. Ma graduated from Beijing University of Chemical Technology with a bachelor degree in chemical engineering. Ms. Ma joined the Company in 2006 and worked as the Vice General Manager and the General Manager of Customer



Directors, Supervisors and Senior Management

Service Department, and the Brand Director of Brand Marketing Center. Ms. Ma has accumulated more than 10 years of work experience in customer service and marketing. Ms. Ma was elected as the staff representative supervisor of the Company at the congress of staff with effect from 28 June 2016.

SENIOR MANAGEMENT

Sun Huifeng (孫會峰), aged 38, has been serving as the general manager since 16 March 2016, and is responsible for the overall operation and management. Mr. Sun graduated from the Huazhong University of Science & Technology with a master degree. Mr. Sun joined the Company in July 2008. He has served as the general manager, chief business officer and deputy general manager of the Computer Industry Research Center (計算機產業研究中心), general manager of Beijing CCID Strategy Management Consulting Co., Ltd., and the head of the training center of the China Center of Information Industry Development (CCID). He has over 10 years of experience in information technology, business strategies, business innovation as well as investment and financing consultation.

Wen Fang (文芳), aged 37, a deputy general manager and a general manager of Beijing CCID Strategy 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, and has served as the deputy general manager, the general manager and the chief business executive of the Computer Industry Research Center (計算機產業研究中心), the general manager of Beijing CCID City Strategy Consulting Co., Ltd., and the president of the Research Institute of Industrial Economics (工業經濟研究所) and a deputy director of the Technological Development Department (科技發展處) of China Center for Information Industry Development (CCID), with over 13 years of experience in the research of electronic information, software, industry planning and urban economy.

Wang Sanyi (王三義), aged 50, a deputy general manager. Mr. Wang graduated from the Xi'an Jiaotong University, with a doctorate degree in management and MBA. Mr. Wang joined the Company in September 2007, and has served as a deputy general manager of Enterprise Strategic Consultation Center, the chief business executive and an assistant to the president of enterprise strategic and internet consulting business, with over 10 years of consulting experiences in areas of management consulting, such as strategic management, human resources, marketing consulting and growth enterprises.

Song Yu (宋宇), aged 44, a deputy general manager. Ms. Song graduated from Peking University with a bachelor degree. Ms. Song joined the Company in August 2002, and has served as a deputy general manager of Semi-conductor Industry Research Center (半導體產業研究中心), business group research director, with over 13 years of experience in the industry research of electronic information, semiconductors and internet of things.

Li Ke (李珂), aged 40, a deputy general manager. Mr. Li graduated from Beijing Institute of Technology with a bachelor degree. Mr. Li joined the Company in April 2003. He has served as a general manager of the Semi-conductor Industry Research Center, and the director of semiconductors and consumer electronics business group, with over 13 years of research experience in industries of semiconductors, optoelectronics and Internet of Things.

Fu Changwen (付長文), aged 36, a deputy general manager, the Secretary of the Board and the general manager of Beijing CCID County Strategy Consulting Co., Ltd. Mr. Fu graduated from the Renmin University of China with a master degree in economics. Mr. Fu joined the Company in July 2004. He has served in the investment consulting business department, strategy consulting business department and investment management department, with over 12 years of experience in industrial study, strategy consulting and corporate governance.



Directors, Supervisors and Senior Management

Lu Ping (呂萍), aged 38, a deputy general manager. Ms. Lu graduated from Peking University with a master degree in law. She is a senior economist and is currently a Ph.D. candidate at the School of Economics and Management of Beijing University of Aeronautics and Astronautics. Ms. Lu joined the Company in June 2004, and has served as the deputy general manager of the Development Zone Research Center (開發區研究中心), the deputy general manager of the Electronic Information Industry Center (電子信息產業中心), and the deputy president of the World Industrial Research Institute (世界工業研究所) (as an alternate to the president) and a deputy director of the Technological Development Department (科技發展處) of China Center for Information Industry Development (CCID). Ms. Lu has more than 12 years of experience in market research, industry planning and government consultancy.

Wang Hua (王華), aged 41, the financial controller. Mr. Wang graduated from City University of Macau and obtained a master degree. Mr. Wang joined the China Electronic Information Industry Development Research Institute in 2000, and has served as the finance manager, head of finance, assistant of director of finance department and chief financial officer, he joined the Company in March 2013 with more than 20 years of experience in financial areas.

Guan Dongsheng (管東升), aged 41, the general manager of Beijing CCID Industry and Information Engineering Supervision Co. Ltd., Beijing CCID Industry and Information Engineering Design Center Co., Ltd., the Vice President of Supervisor of Information System Association and a 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, and has served as the general manager of supervision business division, assistant to the Director, deputy general manager of Beijing CCID Industry and Information Engineering Supervision Co., Ltd. and executive general manager of Beijing CCID Industry and Information Engineering Supervision Center Co., Ltd., with more than 10 years of project management experience in government affairs informatization, science and research informatization, city informatization, telecommunications engineering and information security engineering.

COMPANY SECRETARY

Chan Yin Wah (陳燕華), aged 41, the Company Secretary and an authorized representative. She joined the Company in March 2012. Ms. Chan is the Associate Director of SW Corporate Services Group Limited. Ms. Chan has worked for various internationally well-known professional firms and listed companies in Hong Kong and has over 15 years of professional experience in handling the company secretarial, compliance services and share registry services for 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 2016, the Group has adopted and complied with the requirements of the code provisions (the “Code Provision(s)”) of the Corporate Governance Code and the Corporate Governance Report (the “CG Code”) in Appendix 15 to the GEM Listing Rules, save for the deviation from Code Provision E.1.2. According to Code Provision E.1.2, the Chairman of the Board shall attend the annual general meeting. He should also invite the chairmen of the Audit Committee, Remuneration Committee, and Nomination Committee to attend. Mr. Luo Junrui as the Chairman of the Board and the Chairman of the Nomination Committee attended the annual general meeting held on 7 June 2016, save that the chairpersons of the Audit Committee and Remuneration Committee (namely, Ms. Li Xuemei and Mr. Guo Xinping) failed to attend such annual general meeting due to other important business transactions.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the “Required Standard of Dealings” in Rules 5.48 to 5.67 of the GEM Listing Rules in relation to the standard of conducts for securities transactions by the Directors and the supervisors (“Supervisor(s)”) of the Company, and regulates the securities transactions by the Directors and Supervisors pursuant to the requirements of which. The Company confirmed, for the year ended 31 December 2016, all Directors and Supervisors have complied with the “Required Standard of Dealings” throughout the year upon specific enquiries with all the Directors and Supervisors. The Company was not aware of any non-compliances during the period.

BOARD OF DIRECTORS

The Board shall at any time meet the minimum appointment requirements of three independent non-executive directors under the GEM Listing Rules during the year, the number of which shall also account for one third of the total members of the Board. In the meantime, one of the independent non-executive directors shall be in possession of appropriate professional qualifications or accounting or relevant financial management expertise. In accordance with the requirements under Rule 5.09 of the GEM Listing Rules, the Company has obtained confirmation of independence in writing from each independent non-executive director, and therefore the Company considers that all independent non-executive directors are independent from the Company. To the knowledge of the Company, there is no relationship between the members of the Board, including financial, professional, family, or other significant/relevant relationship.



Corporate Governance Report

For the year ended 31 December 2016, the composition of the Board is set out as follows:

Executive Director

Luo Junrui (*Chairman*)

Non-Executive Director

An Guangyou

Independent Non-Executive Directors

Guo Xinping

Li Xuemei

Han Fuling

Details about our directors are set forth on Page 14 to Page 15 of this annual report.

RESPONSIBILITIES OF AND AUTHORITIES OF THE BOARD

The Board is responsible for the overall management of the Company's business and is jointly responsible for the direction and supervision of the Group's affairs. All directors of the Company comply with the applicable laws and regulations, conscientiously perform their duties and safeguard the interests of the Company and the shareholders.

Duties of the Board include but are not limited to:

- (i) determining the Company's business plan and investment program;
- (ii) formulating the Company's annual financial budget plan and final accounts;
- (iii) developing the Company's profit distribution plan and loss recovery plan;
- (iv) developing an injection increase or decrease program of the Company and the corporate bonds issuance program;
- (v) appointing or dismissing the general manager of the Company, and appointing or dismissing the deputy general manager and other senior management personnel (including the person in charge of finance) of the Company in accordance with the nomination of the general manager, as well as determining their remuneration; and
- (vi) fulfilling other duties conferred by the general meeting and the articles of association of the Company (the "Articles of Association").

The Board of Directors has established three Board committees, namely the Audit Committee (the "Audit Committee"), the Nomination Committee (the "Nomination Committee") and the Remuneration Committee (the "Remuneration Committee") and delegated these Board Committees responsibilities within the respective terms of reference. The power and duties of carrying out daily operations and business management of the Board will be vested in the executive directors and senior management of the Group.

The Company has in force appropriate insurance coverage on directors' and officers' liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.



Corporate Governance Report

Board Diversity Policy

The composition and diversity of the Board were considered by taking into account the Group's board diversity policy and by reference to a range of diversity measurable perspectives, including but not limited to their age, gender, skills, professional experience, knowledge and length of service. Executive Director possesses extensive and diversified management and industrial experience. The non-executive Director and the three independent non-executive Directors possess professional knowledge and extensive experience in corporate finance and accountancy. Details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this report. The Company considered that the current structure of the Board can ensure the balance between power and authority.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1 of the CG Code, i.e.:

- to develop and review the Company's policies and practices of 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 in 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 CG Code and the disclosure in the Corporate Governance Report.

For the year ended 31 December 2016, the above corporate governance functions were performed by the Board.

Chairman and General Manager

Mr. Luo Junrui, an executive Director, acts as the chairman of the Company, and Mr. Sun Huifeng acts as the general manager since 16 March 2016. The two different positions of the chairman and general manager are clearly separated, the chairman is responsible for the operation of the Board, and the general manager is responsible for the management of the Company's daily business operation. The Articles of Association have explained the respective roles and responsibilities of the chairman and general manager in details.

Non-executive Director

The non-executive Director of the Company, Mr. An Guangyou has been appointed with effect from 25 November 2014, he has signed a service agreement with the Company for a term of three years from 25 November 2014 to 24 November 2017.

The independent non-executive Directors of the Company, Mr. Guo Xinping, Ms. Li Xuemei and Mr. Han Fuling have been re-elected and appointed with effect from 25 November 2014. The three independent non-executive Directors have signed service agreements with the Company for a term of three years from 25 November 2014 to 24 November 2017.



Corporate Governance Report

Board Training and Continuous Professional Development

All Directors confirmed that they have complied with the Code Provision A.6.5 relating to directors' training. In this year, all Directors had participated in continuous professional development by attending the following seminars and/or reading materials to develop and update their knowledge and skills and they had provided their training records to the Company.

Director	Corporate	
	Governance, Rules and Regulations	Financial Management and Other Affairs
Mr. Luo Junrui	√	√
Mr. An Guangyou	√	√
Mr. Guo Xinping	√	√
Mr. Han Fuling	√	√
Ms. Li Xuemei	√	√

Remuneration Committee

The Company has established the Remuneration Committee according to the relevant requirements of GEM Listing Rules. The chairman of the Remuneration Committee is Mr. Guo Xinping, an independent non-executive Director, and other members include Mr. Luo Junrui, an executive Director and Ms. Li Xuemei, an independent non-executive Director, which is in compliance with the requirement of GEM Listing Rules that the Remuneration Committee shall comprise a majority of independent non-executive directors.

The Company has set out the Remuneration Committee's written terms of reference and duties. The primary duties of the Remuneration Committee include making recommendation to the Board on the specific remuneration packages of individual executive directors and members of senior management, including benefits in kind, non-pecuniary benefits, retirement and pension rights and compensation, compensation for loss of office or appointment and compensation amounts, and making recommendations to the Board on the remuneration of non-executive directors etc. The Remuneration Committee shall consider various factors including the salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Company and feasibility of performance-based remuneration.

During the period, the Remuneration Committee held one meeting in total, at which it reviewed such contents including the existing terms of the service contracts of the executive Director and the letters of appointment of the non-executive Director and independent non-executive Directors. The Remuneration Committee considers that the existing terms of the service contracts of the executive Director and the letters of appointment of non-executive Director and independent non-executive Directors are fair and reasonable.



Corporate Governance Report

Nomination Committee

The Company has established the Nomination Committee according to the relevant requirements of GEM Listing Rules. The Chairman of the Nomination Committee is Mr. Luo Junrui, the chairman of the Board, and other members include Mr. Guo Xinping, Ms. Li Xuemei and Mr. Han Fuling, who are independent non-executive Directors.

The Company has set out the Nomination Committee's written terms of reference and duties. The primary duties of the Nomination Committee include reviewing regularly of the structure, size and composition of the Board (including skills, knowledge and experience), according to the shareholding structure of the Company and management and operation requirements of the Company, and making recommendations on any proposed changes to the Board; identifying individuals suitably qualified to take up the office of Directors, and selecting the relevant individuals nominated for directorship or providing advices to the Board in this regard; assessing the independence of independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors etc.

During the period, the Nomination Committee held one meeting in total, at which it reviewed such contents including the confirmation that the structure, size and composition of the Board are in compliance to relevant requirements under the GEM Listing Rules and Articles of Association and the confirmation of the independence of the independent non-executive Directors from the Company as well as the review of the Board Diversity Policy.

Audit Committee

The Company has established the Audit Committee. The Chairlady of the Audit Committee is Ms. Li Xuemei, an independent non-executive Director, and other members include Mr. Guo Xinping and Mr. Han Fuling, both being independent non-executive Directors. Ms. Li Xuemei, the Chairlady of the Audit Committee, has corresponding professional qualifications and financial experience. The Company has set out its written terms of reference and duties according to the requirement of Rule 5.29 of GEM Listing Rules.

During the period, the Audit Committee held five meetings in total, at which it reviewed the financial statements and annual reports for the year ended 31 December 2015, the 2016 interim report and quarterly reports for the quarters ended 31 March 2016 and 30 September 2016, and was of the view that the preparation of such results have complied with applicable accounting standards and relevant regulatory and law provisions, and have made sufficient disclosures. The Audit Committee has also reviewed contents including related party transactions as well as the effectiveness of risk management and internal control procedures and the internal audit function etc., and submitted its review opinion to the Board for consideration and approval.

The Audit Committee has reviewed the financial statements and annual report for the year ended 31 December 2016, which in their opinion are prepared in compliance with the account standards and the relevant regulations, laws, and provisions and duly disclosed.



Corporate Governance Report

Attendance of Directors at Board Meetings, Committee Meetings, and General Meetings

During the period, all directors on the Board met seven times, and one annual general meeting was held. Set out below is a record of the attendance of directors at the meetings held during the period:

Name of Director	Attendance Record for Meetings Held During the Period				
	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Mr. Luo Junrui	7/7	1/1	1/1	N/A	1/1
Mr. An Guangyou	7/7	N/A	N/A	N/A	0/1
Mr. Guo Xiping	7/7	1/1	1/1	5/5	0/1
Mr. Han Fuling	7/7	N/A	1/1	5/5	0/1
Ms. Li Xuemei	7/7	1/1	1/1	5/5	0/1

Remuneration of the members of the senior management by remuneration band

Pursuant to Code Provision B.1.5, the remuneration of the members of the senior management by remuneration band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of individuals
RMB300 thousand and below	2
RMB301 thousand to RMB500 thousand	4
RMB501 thousand or above	3

Further particulars of Directors' emoluments and the five highest paid individuals discloseable pursuant to Rule 18.30 of the GEM Listing Rules are set out in notes 9 and 10 to the consolidated financial statements as set out on pages 74 to 77 of this annual report.

AUDITOR'S REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions would constitute any potential material adverse effect on the Company. During the year, an aggregate of RMB502 thousand was payable by the Company to the external auditor for their auditing services. Apart from the above, no significant non-audit service has been provided by the external auditor of the Company.



Corporate Governance Report

DIRECTORS' AND AUDITOR'S FINANCIAL REPORTING RESPONSIBILITY

The Board is responsible for presenting a balanced, clear and comprehensive annual report and interim report, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The Directors are responsible for preparing accounts that present a true and fair view of the operations, financial conditions, and cash flow on a going concern basis. The accounts of the Group are prepared in accordance with the requirements under all relevant laws and regulations and the applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently and that judgments and estimates made are prudent and reasonable.

The responsibilities of the auditor of the Company with respect to the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 46 to 49.

CONTINUING OPERATION

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operation in the foreseeable future and therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The risk management and internal control systems of the Company was designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Effective procedures are adopted by the Group to identify, assess, and manage the risk exposure potentially affecting our business objectives, under which, the Board will be responsible for assessment over the acceptable risk nature and levels involved in the Group's business objectives, constant review of the risk management and internal control systems, and performance of judgments of its effectiveness; the internal audit team will be responsible for identifying the possibility and impacts of risk exposure against the Company, as well as assessing the risk portfolio with countermeasures to be considered against such risks; the management will be responsible for operating appropriate and effective risk management and internal control systems, as well as directing the performance of the relevant risk management departments and procedures based on the Group's organizational structure.

The Group operates its risk management and internal control systems mainly on a dynamic and ongoing basis. As a result, constant follow-ups and records will be performed to identify and assess the major risks affecting the Group's business objectives to be attained; assessment and review of such risks will be based on the possibilities and subsequent consequences of the risk exposure, the level of which will determine the level of attention and the necessary efforts to be taken by the management; to ensure the effectiveness of these systems, countermeasures will be devised and timely updated, and ongoing testing over internal monitoring procedures will be conducted.

The Board has conducted review on whether the risk management and internal control systems of the Group were effective for the year ended 31 December 2016. Based on the Audit Committee's review on investigation findings prepared by the internal audit team as well as its assessment on the risk management and internal control systems, the Board was of the view that the Group's risk management and internal control systems, including financial control, operational control and compliance control, accounting policies, internal control procedures, financial reporting



Corporate Governance Report

functions, staff qualifications and experience, the training programmes for staff and the relevant budget of the accounting are effective and adequate. Therefore, the Board believes that risk management and internal control systems were effectively operated and that appropriate resources were allocated and utilized.

To tighten control over inside information of the Group and maintain true, accurate, complete, and timely disclosures, several appropriate measures have been taken by the Group to ensure proper guarantee mechanisms in place will prevent any violation of the relevant GEM Listing Rules, including but not limited to:

- Only a limited number of employees may be permitted to access inside information wherever necessary, and directors, supervisors, senior management, and employees in possession of inside information shall fully understand their obligations of confidentiality;
- Confidentiality clauses will be incorporated into any significant negotiations and contracts entered into with the Group;
- The management of the Group will inform the Board of any possible disclosure or divulgement of inside information as soon as practicable so that responsive and appropriate actions can be taken; and
- In case of evidence supporting gross violation of the inside information policies, the Board will appoint or designate appropriate personnel to adopt remedial actions with respect to the relevant issues.

COMPANY SECRETARY

Ms. Chan Yin Wah (“Ms. Chan”) is the Company Secretary of the Company in compliance with the requirements 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. Wang Hua (Financial Controller).

SHAREHOLDERS’ RIGHTS

(1) Procedures for commencing shareholders’ meetings and class meetings

According to Article 73 of the Articles of Association, two or more shareholders holding ten per cent (10%) or more of the voting shares in aggregate at the proposed meeting may, by signing one or more counterpart requisitions stating the subject(s) of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall convene such extraordinary general meeting or class meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid shareholdings shall be calculated on the basis of the date of submission of the written request by the shareholders. In case that the Board fails to give a notice to convene such meeting within thirty (30) days after receipt of the aforesaid written request, the shareholders who put forward the request may convene such a meeting themselves within four months after receipt of the request by the Board. Such meeting shall be convened with procedures as similar as possible where general meetings are convened by the Board. The expenses reasonably incurred by shareholders in convening and holding such a meeting themselves by reason of the failure of the Board to hold such a meeting pursuant to the aforesaid request shall be borne by the Company and shall be deducted from any amount due to the breaching directors by the Company.



Corporate Governance Report

(2) Procedures for directing shareholders' enquiries to the Board

Shareholders have the right to raise enquiries to the Board. All enquiries shall be submitted in writing and the contact information is as set out below:

Principal Place of Business in Hong Kong

Address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Principal Place of Business in Beijing

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

(3) Procedures for shareholders putting forward proposals at a general meeting

According to Article 55 of the Articles of Association, when the Company convenes an annual general meeting, shareholders holding more than five (5) per cent. (including five (5) per cent.) of the total voting shares of the Company in aggregate are entitled to propose new resolutions in writing to the Company (please refer to below for contact information). The Company shall include matters which fall within the scope of duties of the general meeting into the agenda of such meeting.

Shareholders have the right to raise enquiries to the Board. All enquiries shall be submitted in writing and the contact information is as set out below:

Principal Place of Business in Hong Kong

Address: 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Principal Place of Business in Beijing

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

ARTICLES OF ASSOCIATION

The following amendments to the Articles of Association have been approved by the shareholders at the annual general meeting held on 7 June 2016:

Article 1:

Original:

CCID CONSULTING COMPANY LIMITED (the "Company") is a joint stock limited company established in accordance with the Company Law of the People's Republic of China ("PRC") (the "Company Law"), the State Council's Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares (the "Special Regulations") and other relevant laws and regulations of the State.



Corporate Governance Report

The Company was established by means of promotion with the approval of the State Economic and Trade Commission, as evidenced by approval document “Guo Jing Mao Qi Gai [2002] No. 115”. It is registered with and was granted a business licence by Beijing Administration Bureau of Industry and Commerce on 15 March 2002. The Company’s business licence number is: 1100001199461.

The founders of the Company are the Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Development (formerly known as Research Centre of Computer and Microelectronics Industry Development under the Ministry of Information Industry), Beijing CCID Riyue Investment Company Limited, Deng Zhicheng, Xu Mutu, Lu Shan, Yang Tianxing and Luo Wen.

The Company, having been approved by the CSSCC on the basis of Document “Zheng Jian Guo He Zi (2002) No. 27”, completed the placing of 209,000,000 Shares on December 11, 2002, listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, with its Overseas Listed Foreign Shares comprising 29.86% of the Company’s Shares upon placement.

Amended as:

CCID CONSULTING COMPANY LIMITED (the “Company”) is a joint stock limited company established in accordance with the Company Law of the People’s Republic of China (“PRC”) (the “Company Law”), the State Council’s Special Regulations Regarding the Issue of Shares Overseas and the Listing of Shares Overseas by Companies Limited by Shares (the “Special Regulations”) and other relevant laws and regulations of the State.

The Company was established by means of promotion with the approval of the State Economic and Trade Commission, as evidenced by approval document “Guo Jing Mao Qi Gai [2002] No. 115”. It is registered with and was granted a business licence by Beijing Administration Bureau of Industry and Commerce on 15 March 2002. The Company’s business licence number is: 1100001199461. On 26 October 2015, the Company renewed its business licence with Beijing Administration Bureau of Industry and Commerce. The business licence has been affiliated with the creditability code, being 91110000722619729C.

The founders of the Company are the Research Center of Ministry of Industry and Information Technology Computer and Microelectronics Development (formerly known as Research Centre of Computer and Microelectronics Industry Development under the Ministry of Information Industry), Beijing CCID Riyue Investment Company Limited, Deng Zhicheng, Xu Mutu, Lu Shan, Yang Tianxing and Luo Wen.

The Company, having been approved by the CSSCC on the basis of Document “Zheng Jian Guo He Zi (2002) No. 27”, completed the placing of 209,000,000 Shares on December 11, 2002, listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, with its Overseas Listed Foreign Shares comprising 29.86% of the Company’s Shares upon placement.



Environmental, Social, and Governance Report

The Board hereby presents this environmental, social, and governance report, which was prepared based on the Environmental, Social and Governance Reporting Guide in the Appendix 20 to the GEM Listing Rules. The Board takes full responsibility to this environmental, social, and governance report.

ENVIRONMENTAL AND NATURAL RESOURCES

Currently, the Group is principally engaged in consulting services, which poses comparatively limited impacts on the environment. However, environmental protection remains a major concern to the Group, as the Group will comply with the relevant laws and regulations, including the Environmental Protection Law of the People's Republic of China, and promote and implement environmental protection policies to make rational use of resources and enhance our employees environmental awareness.

Besides conducting reviews on its environmental conditions from time to time, further environmental measures, sustainability objectives, and practices during its business operations. By embracing the principles of reduction, recycle, and reuse, the Company will minimize the use of resources.

Use of Resources

In compliance with the Energy Conservation Law of the People's Republic of China and other laws and regulations, the Group adopts a series of measures to protect the environment under the principle and practice of recycling and saving, such as encouraging water conservation, use of recycled paper for printing and photocopying, double-sided printing and photocopying, as well as switching off idle lightings and air conditioners in a timely manner to reduce energy consumption in offices.

The Group fully utilizes the modern information technology to promote the paperless work environment under our computerized and network-based working model. This model not only reduces significant office costs, reduce paper consumption and minimize telecommunication fees and postage, but also reduce the use of telephone, fax, and postal services as contact means, which consumes resources of the social telecommunication routes and postal services, is minimized.

Emissions

In compliance with the "Law of the People's Republic of China on Environmental Protection" and "Law of the People's Republic of China on Prevention and Control of Air Pollution", and the "Action Plan on Prevention and Control of Air Pollution" (Guo Fa [2013] No.37) issued by the State Council, the Group implements stringent regulations on the Group's vehicles of the Group by formulating measurements governing the use of administrative vehicles. The use of oil products, as well as vehicle maintenance and management, is tightened up to reduce gas emission. Meanwhile, specific personnel is designated for vehicle dispatch of vehicles, which will maximize the effective utilization rate of vehicles and in return save energy and reduce emissions.

SOCIAL

Employment

The Group is in strict compliance with the relevant laws and regulations, including the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Implementation Rules of the Labor Contract Law of the People's Republic of China", and "Social Insurance Law of the People's Republic of China". Pursuant to which, labor contracts are entered into with its employees to establish the labor contract system amongst all employees and clarify the entitlements and due obligations of the employees. The legitimate rights of our employees



Environmental, Social, and Governance Report

are protected under the law. The Group established and continue to improve employment policies including remuneration systems and incentive mechanisms, while revising and improving the relevant administrative policies including labor and employment and fringe benefits. All employees are entitled to various types of leave, including national statutory holidays, weekends, pay leave, wedding leave, and maternity leave.

The Group adheres to the principle of accountability, thus establishing the basic employee salary system and performance-based assessment system. These systems prescribe the working requirements in compliance with the relevant posts, clarify the work standards, and highlight the work performance. In this way, the employees' competence, attitude, and performance for their work will be objectively and fairly evaluated. To ensure an effective management system for the performance of employees, the Company will conduct a monthly performance-based assessment, which quantifies the assessment indicators. As a result, the assessment results of employees' performance will directly affect their salary and income, which in return will effectively encourage the positivity of the employees towards work, as well as enhancing and stabilizing the harmonious relationship between the employees and employer.

The Group will not discriminate against its employees due to sex, disability, pregnancy, family conditions, race, skin color, religion, age, sex orientation, nationality, union membership, or other conditions as recognized by law. Staff representative supervisors will be elected under the requirements of the Company Law and the Articles of Association, thereby ensuring that employees will fully enjoy the rights of corporate governance. Meanwhile, the Company proactively supports the meetings of the employee representatives held under law to improve itself based on the "reasonable and constructive implementation opinions". Seminars and other forms will take place at the meetings of employee representatives, during which, the opinions and recommendations by employees will be presented. Rectifications will be proposed to address those reasonable requirements as raised by the employees, thus safeguarding the employees' rights of democratic management.

To enrich the spiritual and cultural activities of the employees, the Group will regularly or from time to time encourage employees to participate in a variety of activities, including public charity events, singing contests, get-together parties, and badminton games. These activities provide a stage for our employees to perform their talents, whereby enriching the spiritual and cultural contents of the employees, as well as enhancing cohesion among employees and their sense of belonging to the Group.

HEALTH AND SAFETY

In compliance with the "Social Insurance Law of the People's Republic of China", "Unemployment Insurance Regulations", "Interim Regulations on Collection and Payment of Social Insurance Premiums", "Regulations on Work-Related Injuries", and other relevant laws and regulations, the Group makes monthly contributions in full to the housing fund, the social retirement pension, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance, and other social insurances in favor of its employees. In accordance with the relevant regulations set by the Ministry of Human Resources and Social Security of the People's Republic of China, the Group will manage the relevant formalities regarding contracts related to new employments and resignations and social insurance policies. Therefore, the social insurance package of employees is safeguarded, ensuring that employees will receive assistance and compensation due to their retirement, sickness, work-related injury, unemployment, maternity, and other conditions. In addition, they are entitled to pay leave, annual leave, and other benefits. In return, an equal and fair environment will be created for all employees to stay focused on work and seek individual development.

DEVELOPMENT AND TRAINING

The Group values the employee training and career planning, and therefore establishes a well-developed training system. This system is comprised of induction training, on-the-job training, special skill training, spare-time continuing education, and others. For new employees, the Group will proactively organize induction training with its complete set of training



Environmental, Social, and Governance Report

information and detailed training processes, thus facilitating employees' early adaption to the work environment. For daily work, varied training forms will be adopted, including in-house training, employee seminars, elite courses, and one training session per month. The Company's internal management platform enables timely release of various training information related to its business operations. Employees are encouraged to proactively participate in professional training that enhances their professionalism and occupational level.

In 2016, the Group intensified the training of employees in such areas as business strategies, team building, and business expertise, and a series of training sessions were completed, including "the Evolution Trend of Consulting Services and CCID's Business Strategy", "Corporate Strategy and Business Innovation", "Shared Experience of Team Building", "How to Complete Business Studies and Explore Regional Markets", "Individual Branding and Industrial Influence", "How to Become an Outstanding Project Manager", "Group Business System and Important Product Lines", "Introduction of CCID Businesses". Being effectively supportive, these training sessions enabled the employees to understand our business development strategies, swiftly assimilate into the working team, and improve their business expertise. In addition, our "CCID Elite Real Training Class" identified a new group of employees with potential.

LABOUR STANDARDS

In compliance with the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", "Provisions on the Prohibition of Using Child Labor", and other laws and regulations, the Group prohibits any forced employment or child labor. All contracts entered into with any third-party suppliers also stipulate that the Group practices the zero-tolerance policy against any forced employment and child labor, in which case, all suppliers are required to accept and comply with the terms and code of conduct thereto to avoid direct or indirect involvement in any violation against human rights, while ensuring that all work executed will comply with all relevant labor laws and regulations.

SUPPLY CHAIN MANAGEMENT

With a strong sense of responsibility, the Group, together with suppliers and customers, is committed to building a supply-chain partnership that promotes "equality, stability, good faith, and mutual benefits". By constantly improving our systematic work, including the organizational system, quality supervision, financial supervision, and procedural control, the Group will provide its customers with premium products and services and greater value. In addition, the Group will continue improving its own value. In conjunction with its suppliers and customers, the Group will achieve mutual supervision, common advancement, and continued improvement. By so doing, the Group will promote the benefits and improvement in the entire industry chain, while generating greater social value.

The Group continues to improve its procurement processes and mechanism. In addition to practicing strict screening of suppliers from the supply chain, the Group formulates a public and transparent screening process, while preparing and strictly executing the well-established procurement and management system. In the process of selecting suppliers, the Group will conduct a stringent review over the suppliers in terms of their qualification, quality assurance capacities, product and service competence, and many other areas. During the procurement, the Group will collect, track, and evaluate the quality, delivery schedule, technical support, aftersales services, and other information related to these suppliers.

The Group complies with the national laws, regulations, and social norms in an effort to cultivate a fair and healthy business environment. Discipline learning about being a clean and honest employee is organized for employees in varied positions, including management and procurement personnel. The Group will strictly monitor and prevent commercial bribery and improper transactions. Any supplier that perpetuates commercial bribery and unfair competition will be prohibited by the Group from being added to its list of supplier partnership.



Environmental, Social, and Governance Report

PRODUCT RESPONSIBILITY

In accordance with the “Product Quality Law of the People’s Republic of China” and relevant laws and regulations, the Group fully implements the procedures to maintain information privacy and data security. Therefore, the Group will protect individual privacy, safeguard sensitive trade information, and prevent children and young people from accessing improper information. During the reporting period, any gross violation, which may constitute material effects on the Group, of the relevant laws and regulations was not found.

By capitalizing on the increasingly diversified channels and means, including product design and innovation, integration of online and offline operations, and establishment of platforms, the Group improves its customer satisfaction and establishes and enhances the mechanism for closely and smoothly communicating with customers. By virtue of follow-up calls, interviews, e-mail message, submits, WeChat, Weibo, and other channels, the Company ensures its research team will timely and accurately collect and process customer comments and recommendations and requirements. In 2016, the Group released and implemented the “Measures to Transfer and Manage the Customer Request Hotline, as well as the Measures to Investigate and Evaluate Customer Satisfaction”. As a result, the matching between the customer request hotline and sales regions and research businesses was highly accurate, enabling our customers to experience highly efficient and professional services. The integration of the customer satisfaction investigation into the project management and the payment recovery assessment improved the customer satisfaction in terms of special consulting services. Meanwhile, the Company shifted the post-event evaluation to in-progress control when engaging in the customer satisfaction investigation. In addition, quality control over the suspicious projects was exercised. These engagements played a positive role in improving the overall customer satisfaction of the Company and managing the payment recovery.

ANTI-CORRUPTION

The Group is committed to maintaining a high level of corporate governance, the principles of which emphasize that our business operations in all aspects shall be in full and strict compliance with the ethics, transparency, accountability, and integrity. According to the Group’s operating rules and corporate liability policies, directors, management, and employees of the Company are required to perform their acts under the high-level ethical standards. The Group strictly prohibits any bribery or corruption in any form or at any level from taking place in the business operations. The Group has already set up a complaint channel, whereby its employees and other persons may report such unethical or illegal actions in a confidential and/or anonymous manner.

Any person in violation of the policies of the Group and/or the relevant laws may be subject to disciplinary and administrative penalties, as well as civil or criminal liabilities. In case of any non-compliance with the policies of the Group, such employee may be subject to termination of employment or other actions. In 2016, the Company was not involved in any litigation against corruption.

COMMUNITY INVESTMENTS

In 2016, the Group proactively participated in the charity event “Weaving Sweaters for the Orphan and Challenged Children”, as well as caring actions for our sick employees and their family members. By so doing, we brought all employees as a whole to a healthy and positive community and organization.



Report of the Directors

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is principally engaged in management and strategy consultancy, market consultancy, data information management and information engineering supervision and other services. There was no significant change in the nature of the Group's principal activities during the year. The principal activities and other details of the Company and its subsidiaries are set out in notes 1 and note 15 to the consolidated financial statements.

BUSINESS REVIEW

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 6 to 13 of this annual report. The discussion constitutes a part of this Report of the Directors.

PROSPECTS

The prospects of the Group's business are detailed in the Chairman's Statement on pages 3 to 4 of this annual report. The report constitutes a part of this Report of the Director.

KEY RISKS AND UNCERTAINTIES

Market Risk

The Group's major customers include governmental authorities at all levels, industrial parks and enterprises. Under the new landscape of establishment of the new think tanks with Chinese features, think tanks and consulting institutions such as key academies of social science, administration institutes of party institutes of CCP and higher education institutions are going to step up their service efforts towards government and industrial zone customers, which makes the market increasingly competitive. Furthermore, the PRC economic development has come to an era of new normal, under which the economic growth shifted from high gear to medium-to-high gear. The growth in fiscal revenue of local governments slowed down and there was a significant change in the market environment of enterprises, which may cause a decrease in budgets or investments of the government, industrial parks in respect of their demand for consulting services, and thus, may affect the business growth of the Group.

Risk of Talent Loss

The Group has always attached great importance to incentives for talents. Although it has established and refined the relevant remuneration system, there can be no assurance that all outstanding talents and core personnel can be retained. Meanwhile, increased competition among consulting institutions has intensified competition for professionals to a certain extent, which exposed the Group to risk of talent loss.

Financial Risk

For details, please see note 34 to the consolidated financial statements on pages 100 to 102 of this annual report.

Save as mentioned above, there may be other risks and uncertainties that are unknown to the Group or which may not be material at present but may turn out to be material in the future.



COMPLIANCE WITH LAWS AND REGULATIONS

The Company confirmed it has complied with the relevant laws and regulations which constitute material impact on the business and operation of the Company and its subsidiaries in all material aspects.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2016 and the financial position of the Group as at that date were set out on pages 50 to 52 of this annual report.

The Board did not propose to distribute 2016 final dividend.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and a summary of the assets and liabilities for the last five financial years extracted from the audited financial statements are set out on page 104 of this annual report. 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 consolidated financial statements.

SHARE CAPITAL

The movement in the Company's registered, issued and fully paid share capital during the year was set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the 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

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.



Report of the Directors

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

LOANS AND BORROWINGS

The Group had no loans and borrowings during the year.

DISTRIBUTABLE RESERVES

For the year ended 31 December 2016, no capital reserve of the Group was available for distribution by way of a future capitalization issue. In addition, as mentioned in note 31 to the consolidated financial statements, the Company had retained profits of approximately RMB42,980 thousand available, after provisions, for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 18% of the total annual sales of the Company, and of which sales to the largest customer accounted for 8%.

The Group has provided certain consulting services to the companies under the same ultimate shareholder as the Company, details of which were set forth in note 33 to the consolidated financial statements, "Related Party Disclosures". Save as disclosed above, none of the Directors or any of their associates or any other shareholder which owns more than 5% of the Company's issued share capital, to the knowledge of the directors, has any interests in the Company's five largest customers.

As the nature of the Group's main activities are provision of consulting and research services, which may be acquired by various suppliers at similar prices, there is no major supplier (as defined in Appendix 16 to the GEM Listing Rules). The Group has maintained a sustained and stable relationship with its customers and suppliers by providing its customers with products and services in good quality. The Group's business has not relied on any individual customers and suppliers which have a material impact on the Group.



THE BOARD OF DIRECTORS

For the year ended 31 December 2016, the Board comprised:

Executive Director

Luo Junrui (*Chairman*)

Non-executive Director

An Guangyou

Independent Non-executive Directors

Guo Xinping

Li Xuemei

Han Fuling

In accordance with the requirements of the Articles of Association, the term of all existing Directors is three years and they may elect to be re-elected.

AUTOBIOGRAPHY OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The details of the autobiography of the directors, supervisors and senior management are set out in pages 14 to 17 of this annual report.

SERVICE CONTRACTS FOR DIRECTORS AND SUPERVISORS

Mr. Luo Junrui, an executive Director of the Company, was appointed with effect from 25 November 2014, and has entered into a 3-year service contract from 25 November 2014 to 24 November 2017 with the Company.

Mr. An Guangyou, a non-executive Director of the Company, was appointed with effect from 25 November 2014, and has entered into a 3-year service contract from 25 November 2014 to 24 November 2017 with the Company.

Mr. Guo Xinping, Ms. Li Xuemei and Mr. Han Fuling, the independent non-executive Directors of the Company were re-elected and re-appointed with effect from 25 November 2014. All of them have entered into a 3-year service contract from 25 November 2014 to 24 November 2017 with the Company.

Ms. Chen Ying and Ms. Hu Yun, the Supervisors of the Company were re-elected and re-appointed with effect from 25 November 2014. Both of them have entered into a service contract from 25 November 2014 to 24 November 2017 with the Company. Ms. Ma Xin was elected as the supervisor of staff representatives in the staff representatives meeting on 28 June 2016 and has entered into a service contract from 28 June 2016 to 24 November 2017.

Except for the above contracts, the Directors and the Supervisors do not have any other service contract with the Company and its subsidiaries.



Report of the Directors

DIRECTORS' AND SUPERVISORS' REMUNERATION

The Directors' and Supervisors' remuneration shall be approved by the shareholders at the general meeting. Other emoluments shall be fixed by the Board based on the Directors' and Supervisors' duties, responsibilities and performance as well as the Company's results. The details of the Directors' and Supervisors' remuneration are set out in note 9 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

Apart from those disclosed under the relevant connected transactions and continuing connected transactions in this annual report, none of the Company, its holding company or any of its subsidiaries or subsidiaries of the Company has entered into any contract of significance during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

1. Non-Exempted Continuing Connected Transactions

For the year ended 31 December 2016, the Group has entered into the following continuing connected transactions, and disclosure of certain details is in compliance with requirements of Chapter 20 of the GEM Listing Rules.

- (1) On 26 October 2015, the Company and CCID renewed the information consultancy and supervision services revenue framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 1"). Pursuant to the Renewed Framework Agreement 1, the Company and/or its subsidiaries (as defined in the announcement of the Company dated 26 October 2015, the same below) shall, upon the request of CCID and/or its associates (as defined in the announcement of the Company dated 26 October 2015, the same below), provide information planning and information engineering supervision services to CCID and/or its associates for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 1 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB6,000,000, RMB6,300,000 and RMB6,678,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 1), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 1 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.
- (2) On 26 October 2015, the Company and CCID renewed the information consultancy and supervision services expense framework agreement which came to expiry on 31 December 2015 (the "Renewed Framework Agreement 2"). Pursuant to the Renewed Framework Agreement 2, the CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide information planning and information engineering supervision services to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 2 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB1,000,000, RMB1,050,000 and RMB1,113,000 (this amount will last until the date of termination of the Renewed Framework Agreement 2), respectively. The individual continuing connected transactions between the



Report of the Directors

Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 2 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

- (3) On 26 October 2015, the Company and CCID renewed the management and strategic consultancy services revenue agreement which came to expiry on 31 December 2015 (the “Renewed Framework Agreement 3”). Pursuant to the Renewed Framework Agreement 3, the Company and/or its subsidiaries shall, upon the request of CCID and/or its associates, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to CCID and/or its associates for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 3 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB5,000,000, RMB5,250,000 and RMB5,565,000 (these amounts will last until the date of termination of the Renewed Framework Agreement 3), respectively. The individual continuing connected transactions between CCID and/or its associates and the Company and/or its subsidiaries under the Renewed Framework Agreement 3 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.
- (4) On 26 October 2015, the Company and CCID renewed the management and strategic consultancy services expense framework agreement which came to expiry on 31 December 2015 (the “Renewed Framework Agreement 4”). Pursuant to the Renewed Framework Agreement 4, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide management and strategic consultancy services in respect of industry research, industry planning, industrial park development, urban economic development, enterprise management and investment and financing to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 4 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB1,200,000, RMB1,260,000 and RMB1,335,600 (these amounts will last until the date of termination of the Renewed Framework Agreement 4), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 4 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.
- (5) On 26 October 2015, the Company and CCID renewed the administration services expense framework agreement which came to expiry on 31 December 2015 (the “Renewed Framework Agreement 5”). Pursuant to the Renewed Framework Agreement 5, CCID and/or its associates shall, upon the request of the Company and/or its subsidiaries, provide administration services in respect of house leasing, property management, Internet port and telephone and translation to the Company and/or its subsidiaries for the period from 1 January 2016 to 31 December 2018. The Renewed Framework Agreement 5 prescribed that the maximum annual caps of the service fees for the three financial years ending 31 December 2018 were RMB3,500,000, RMB3,675,000 and RMB3,895,500 (these amounts will last until the date of termination of the Renewed



Report of the Directors

Framework Agreement 5), respectively. The individual continuing connected transactions between the Company and/or its subsidiaries and CCID and/or its associates under the Renewed Framework Agreement 5 shall be recognized by order or otherwise by signing separate agreements, provided that such recognition by orders and separate agreements shall neither act beyond the terms of the framework agreements, requirements and relevant annual caps thereof, nor constitute new categories of continuing connected transactions.

For the category of information consultancy and supervision services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 1 and the Renewed Framework Agreement 2 in aggregate, does not exceed 25%, and the total consideration is less than HK\$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of management and strategic consultancy services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 3 and the Renewed Framework Agreement 4 in aggregate, does not exceed 25%, and the total consideration is less than HK\$10 million. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transactions were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

For the category of administration services, the applicable percentage ratios (other than the profit ratio) for the Renewed Framework Agreement 5 does not exceed 5%. Pursuant to Rule 20.74(2) of the GEM Listing Rules, such transaction were exempted from the circular, independent financial advice and shareholders' approval requirements but are subject to reporting, announcement and annual review requirements under Chapter 20 of the GEM Listing Rules.

CCID is the ultimate controlling shareholder of the Company and holds approximately 70.14% of the total issued share capital of the Company as at the date of this annual report. Accordingly, CCID and its associates are connected persons of the Company under the GEM Listing Rules. In accordance with Chapter 20 of the GEM Listing Rules, the above renewed framework agreements and the transactions contemplated thereunder constitute Continuing Connected Transactions of the Company.

As Mr. Luo Junrui, an executive Director, and Mr. An Guangyou, a non-executive Director, are the deputy director of Science and Technology Committee and the deputy chief economist of CCID respectively, both of them are materially interested in the above continuing connected transactions. In accordance with the GEM Listing Rules and applicable requirements, they were requested to abstain and did abstain from voting for passing the resolutions in relation to the approval of the aforementioned renewed framework agreements at the Board meeting.

Details of the above continuing connected transactions are set out in the announcements dated 26 October 2015 and 24 November 2015 published on the GEM website at www.hkgem.com on the "Latest Company Announcements" page and on the "Investor Relations" page of the Company's website at www.ccidconsulting.com.



Report of the Directors

2. Non-Exempted Connected Transactions

For the year ended 31 December 2016, the Group had no connected transactions that are not exempt pursuant to Rule 20.31 of the GEM Listing Rules.

Further details of the above continuing connected transactions and connected transactions are set out in note 33 on pages 99 and 100 to the consolidated financial statements of this annual report.

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

- (1) The transactions are in the ordinary and usual course of business of the Group;
- (2) The transactions have been entered into on normal commercial terms or better (as defined in the GEM Listing Rules); and
- (3) The transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole.

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

- (1) Nothing has come to their attention that cause them to believe such continuing connected transactions were not approved by the Board;
- (2) If the continuing connected transactions involve the provision of goods or services by the Group, noting has come to their attention to cause them to believe that such continuing connected transactions were not in all material respects, conducted in accordance with the pricing policies of the Group;
- (3) Nothing has come to their attention that cause them to believe that such continuing connected transactions were not, in all material respects, conducted in accordance with the agreed terms of the relevant transactions; and
- (4) Nothing has come to their attention that cause them to believe that such continuing connected transactions exceeded the cap disclosed in previous announcements.



Report of the Directors

TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the relevant connected transactions and continuing connected transactions in this annual report, the Directors and Supervisors do not, directly or indirectly, have any transaction, arrangement or contract of material interests with the Company during the year (except service contracts).

Further details about transactions conducted in relation to these contracts during the year were set out in Significant Related Party Transactions in note 33 to the consolidated financial statements.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2016, none of the Directors, Supervisors and chief executives or their close associates have any interest or short position in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 under Laws of Hong Kong) ("SFO")), which are required to inform the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they are taken or deemed to have 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 as otherwise inform the Company and the Stock Exchange pursuant to the required standards of dealings by the Directors and Supervisors as mentioned in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO PURCHASE SHARES

Save as disclosed above under the paragraph "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying 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, their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and Supervisors to obtain such rights.

SHARE OPTION SCHEME

The Company conditionally adopted a Share Option Scheme as at 20 November 2002. The major terms and conditions of the Share Option Scheme were set out in the section "Summary of the Terms of Share Option Scheme" under Appendix IV of the prospectus as published by the Company on 29 November 2002. However, employees who are Chinese nationals are not entitled to exercise the option until these persons are allowed to subscribe or deal in H shares under the PRC laws and regulations. As at the date of this report, the Share Option Scheme is not yet effective. No Share Option has been granted under the Share Option Scheme as of 31 December 2016.



Report of the Directors

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2016, 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 required to be kept under Section 336 of the SFO.

Long positions of shares

Name	Capacity	Nature of interest	Number and class of shares	Approximate percentage in the same class of shares	Approximate percentage of issued capital
China Centre of Information Industry Development (CCID) (Note 1)	Interest of controlled corporation	Long position	491,000,000 domestic shares	100%	70.14%
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	98,390,000 domestic shares	20.04%	14.06%
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 & Services 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%



Report of the Directors

Notes:

1. CCID, through Research Centre (controlled and supervised by CCID) and CCID Riyue (directly and indirectly, wholly owned by CCID) have beneficiary interests in the Company comprising the 392,610,000 domestic shares held directly by Research Center and the 98,390,000 domestic shares held directly by Beijing CCID Riyue Investment Co., Ltd.
2. 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 & Services Limited. Legend Express Agency & Services Limited is a wholly-owned subsidiary of Legend Holdings (BVI) Limited and Legend Holdings (BVI) Limited is a wholly-owned subsidiary of Lenovo Group Limited. Legend Holdings Limited holds 57.76% equity interests in Lenovo Group Limited, the above corporations are deemed to be interested in 20,000,000 H shares of the Company.
3. 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 directly 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% of the share capital 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. Lam William Ka Chung directly and indirectly holds approximately 40% equity interests in the share capital of Kingsway International Holdings Limited. Lam William Ka Chung is deemed to be interested in 14,600,000 H Shares of the Company.
4. 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 "Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares", as at 31 December 2016, there was no other person had interests and short position in shares and underlying shares of the Company were required to be kept in the register 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 GEM Listing Rules as at the latest practicable date prior to the publication of this annual report.

COMPETING INTERESTS

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



MANAGEMENT CONTRACTS

During the year, the Company did not enter into any contracts with respect to the management and administration of all or any substantial part of the business of the Company.

DONATIONS

During the year, no donation was made by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group currently focuses on consulting services which have a low impact on the environment. However, environmental protection remains a key concern of the Group, and the Group therefore encourages environmental protection and promotes its environmental awareness to all employees.

The Group commits to the principle and practice of recycling and reducing. It adopts a series of measures to protect the environment, such as encouraging water conservation, use of recycled paper for printing and copying, double-sided printing and copying, as well as switching off idle lightings and air conditioners in a timely manner to reduce energy consumption in offices.

The Group will review its environmental practices from time to time and consider implementing further environmental friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reduce, recycle and reuse, and further minimize our already low impact on the environment.

For details about the environmental policies and performance of the Group, please refer to the "Environmental, Social and Governance Report" set out on pages 28 to 31 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group carried out monitoring in respect of the Company's operations, financial management and staff management in accordance with relevant economic laws, regulations and implementation rules such as the Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法), the Contract Law of the People's Republic of China (中華人民共和國合同法), the Company Law of the People's Republic of China (中華人民共和國公司法), the Labour Law of the People's Republic of China (中華人民共和國勞動法), the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) and the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法). Meanwhile, it also reviewed its compliance with the GEM Listing Rules and the SFO.

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitutes material impact on the business and operation of the Company and its subsidiaries in all material respects.

PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors', Supervisors' and senior management's liabilities in respect of legal actions against its Directors, Supervisors and senior management arising out of corporate activities.



Report of the Directors

AUDITORS

The financial statements for the year ended 31 December 2016 have been audited by Qual-Mark CPA Limited who retire and offer them for re-appointment at the 2017 AGM. The Company has not changed its auditors over the last three years.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Group and its compliance is set out in the “Corporate Governance Report” on pages 18 to 27 of this annual report.

SUBSEQUENT EVENTS

As at 31 December 2016 and up to the date of this report, the Company or the Group has no subsequent events.

By Order of the Board

Luo Junrui

Chairman

Beijing, the People’s Republic of China
23 March 2017



Report of the Supervisory Committee

To: All Shareholders

The supervisory committee of CCID Consulting Company Limited (the "Supervisory Committee") has discharged its duties and authorities conscientiously, protected the interests of the shareholders and the benefits of the Company, and performed according to the principles of honesty and credibility scrupulously with reasonable care and diligent on proactive basis in accordance with the Company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the Articles of Association.

During the year, the Supervisory Committee prudently reviewed the operational and development plans of the Company and provided reasonable suggestions and advice to the Board, strictly and effectively supervised the Company's management as to whether the making of significant policy decisions and specific decisions was in compliance with the PRC laws and regulations and the Articles of Association, and whether they were in the interests of shareholders.

We have reviewed conscientiously and gave our consent to the report of the Directors, the audited financial statements and the dividend distribution proposal proposed at the forthcoming annual general meeting. We are of the opinion that the members of the Board, the general manager and other senior management of the Company have strictly observed the principles of honesty and credibility, performed their duties diligently and scrupulously, and have exercised their authority of office in good faith for the best interests of the Company, and have been capable of conducting their work in line with the Articles of Association, featuring relatively standardized operation and ever-perfecting internal control system. The transactions between the Company and related companies are executed strictly pursuant to terms in the interests of the shareholders of the Company as a whole and at fair and reasonable considerations. To date, none of the Directors, general manager and senior management members has been found abusing their authority of office, prejudicing the interests of the Company and infringing upon the interests of shareholders of the Company and employees of the Company, or in breach of any laws and regulations and the Articles of Association as well.

The Supervisory Committee is satisfied with the works and the economic benefits attained for the Company in 2016 and is fully confident in the future development of the Company.

By Order of the Supervisory Committee

Chen Ying

Chairlady of the Supervisory Committee

Beijing, the People's Republic of China
23 March 2017



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)

OPINION

We have audited the consolidated financial statements of the Group set out on pages 50 to 103, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. Revenue recognition from service contracts

As stated in the basis of preparation and summary of significant accounting policies of the consolidated financial statements, the Group recognised its revenue based on percentage of completion. To assure proper measurement of revenue recognition, the Group established multi-layer approval procedures in its internal control system. The Group also implemented real-time Office Automation system to monitor the stage of completion on real-time basis.

With reference to note 4 to the consolidated financial statements, the Group recognised revenue from service contracts totalling RMB133,689 thousand for the year ended 31 December 2016. As the amount of recognized revenue from service contracts is material and the approval procedures on revenue recognition inevitably involves management's judgement in the assessment of the level of completion that lead to estimation uncertainty, we have identified revenue recognition from service contracts as a key audit matter.



Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

A. Revenue recognition from service contracts (Continued)

We evaluated and tested the approval procedures that the management established for proper measurement of revenue recognition and also performed substantive audit procedures on the recorded revenue from service contracts. Our audit procedures were designed to test and evaluate the approval procedures established and implemented by the management. We have also performed substantive procedures to compare the revenue from service contracts with the revenue recognized in accordance with the PRC accounting standards as measured by the face value of the VAT invoices issued pursuant to the PRC tax law, the current year cash inflows and the revenue recognized based on percentage of completion in prior years in order to assess the accuracy and completeness of the revenue from service contracts recognized based on percentage of completion as approved by the management. We interviewed the project managers in-charge to understand the performance progress, payments condition and expected performance progress of the selected projects in order to assess and evaluate the consistency of the relevant revenue recognized, VAT invoices issued and payment conditions as reported to the management and recorded in the consolidated financial statements.

We also discussed with the Audit Committee details of our audit procedures relevant to management's approval and our substantive procedures on the revenue recognized from service contracts.

B. Impairment of assets on trade receivables and accrued assets

As stated in the basis of preparation and summary of significant accounting policies of the consolidated financial statements, impairment on accrued assets and trade receivables are based on the Directors' estimation on the recoverable amounts of the assets that would be determined by reference to fair value less costs to sell and value in use estimated using the discounted cash flow method. Because of the inherent risks associated with the estimations, the accuracy may have significant impact on the carrying amounts of the accrued assets and trade receivables as stated in the consolidated financial statements and the profit or loss for next reporting period.

With reference to notes 5 and 18 to the consolidated financial statements, the Group recorded impairment of assets on trade receivables and accrued assets totalling RMB9,747 thousands for the year ended 31 December 2016 during the individual assessment in which impairment of trade receivables amounted to RMB1,841 thousand and the balance aroused from impairment of accrued assets. Because of the materiality of the amount involved and the measurement of the impairment are inherently subject to significant judgement of the management, we have identified impairment of assets on trade receivables and accrued assets as a key audit matter.

We evaluated and tested the controls that management imposed to support their individual impairment assessment, which included identification of impaired projects (including the compilation and review of the outstanding project list and credit watch list by the project control department) and approval of significant individual impairment. We also performed substantive audit procedures on the individual impairment assessment including evaluation of the calculation based on the Group's methodologies and policies on sampling basis. For selected samples on impairment of assets, we also evaluated management's judgement over the occurrence of the impairment event against the evidence available and tested the individual impairment through re-performance of the discounted cash flow calculations. We also challenged management on the key assumptions and estimations of expected future cash flows by comparing with our knowledge to the industry, market practice and the Group's experience on actual loss.

We also discussed with the Audit Committee details of our testing procedures over management's control of impaired project identification and details of our testing procedures over individual impairment allowances, we also discussed judgement made on individually significant project impairments.



Independent Auditor's Report

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

It is our responsibility to form an independent opinion, based on our audit, on the consolidated financial statements and to report our opinion solely to you, as a body, in accordance with section 405 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. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

A further description of our responsibilities for the audit of the consolidated financial statements is located at HKICPA's website at "http://www.hkicpa.org.hk/file/media/section6_standards/standards/Audit-n-assurance/auditre/cfs_pf.pdf". This description forms part of our auditor's report.

QUAL-MARK CPA LIMITED

Certified Public Accountants (Practising)

Room 2203, 22/F., Tung Wai Commercial Building,
109–111 Gloucester Road, Wanchai, Hong Kong

23 March 2017

Chan Ling Fung

Practising Certificate number P06188

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB('000)	2015 RMB('000)
Revenue	4	133,689	123,196
Cost of sales		(71,692)	(63,160)
Gross profit		61,997	60,036
Other revenue			
Other revenue	4	1,172	785
		63,169	60,821
Operating expenses			
Selling and distribution expenses		(10,850)	(11,948)
Administrative expenses		(24,294)	(25,302)
Other operating expenses		(73)	(66)
		(35,217)	(37,316)
Impairment of assets	5	(9,747)	(7,777)
		(44,964)	(45,093)
Profit before taxation	7	18,205	15,728
Taxation	8	(3,414)	(3,536)
Profit for the year		14,791	12,192
Other comprehensive income		—	—
Total comprehensive income for the year		14,791	12,192
Attributable to:			
Equity holders of the Company		12,111	9,377
Non-controlling interests		2,680	2,815
		14,791	12,192
Earnings per share			
Basic (RMB cents)	12	1.7	1.3
Diluted (RMB cents)	12	1.7	1.3

The notes on pages 55 to 103 form part of these consolidated financial statements.



Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB('000)	2015 RMB('000)
Non-current assets			
Property, plant and equipment	14	18,565	20,038
Intangible assets	16	14,681	14,681
Long term investments	17	1,990	1,990
Accrued assets	19	—	100
Deferred tax assets	27	4,334	1,597
		39,570	38,406
Current assets			
Accounts receivable	17,18	13,217	18,327
Prepayment, deposits and other receivable	17,21	6,745	7,114
Short term investments	17	20,167	175
Accrued assets	19	28,995	35,988
Cash and cash equivalents	22	101,530	95,155
Current tax assets		214	57
		170,868	156,816
Current liabilities			
Accounts payable	17,23	1,325	1,140
Accruals and other payable	17,25	34,282	19,357
Deferred revenue	24	6,394	7,088
Due to related parties	26	2,309	3,278
Current tax liabilities		4,423	3,907
		48,733	34,770
Net current assets		122,135	122,046

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB('000)	2015 RMB('000)
Non-current liabilities			
Deferred tax liabilities	27	—	218
NET ASSETS		161,705	160,234
EQUITY			
Share capital	28	70,000	70,000
Reserves		70,026	68,555
Total equity attributable to equity holders of the Company		140,026	138,555
Non-controlling interests		21,679	21,679
TOTAL EQUITY		161,705	160,234

Approved by the board of directors on 23 March 2017.

On behalf of the Directors

Luo Junrui
Director

An Guangyou
Director

The notes on pages 55 to 103 form part of these consolidated financial statements.



Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	2016 RMB('000)	2015 RMB('000)
Share capital			
Balance at beginning and end of year	28	70,000	70,000
Statutory reserve			
Balance at beginning of year		10,554	8,550
Appropriated from retained profits		1,400	2,004
Balance at end of year		11,954	10,554
Retained profits			
Balance at beginning of year		58,001	50,628
Profit for the year*		12,111	9,377
Appropriated to statutory reserve		(1,400)	(2,004)
2015 final dividend: RMB0.0152 per share	11	(10,640)	—
Balance at end of year		58,072	58,001
Total equity attributable to equity holders of the Company		140,026	138,555
Non-controlling interests			
Balance at beginning of year		21,679	18,864
Profit for the year [#]		2,680	2,815
Dividend declared and paid by partly-owned subsidiary to their other shareholders		(2,680)	—
Balance at end of year		21,679	21,679
Total		161,705	160,234
Total comprehensive income for the year			
Attributable to equity holders of the Company*		12,111	9,377
Attributable to non-controlling interests [#]		2,680	2,815
		14,791	12,192

The notes on pages 55 to 103 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Note	2016 RMB('000)	2015 RMB('000)
Cash flows from operating activities			
Profit before taxation		18,205	15,728
Depreciation		1,506	1,643
Interest income		(446)	(245)
Loss on disposal of property, plant and equipment		216	—
Dividend income		(280)	—
Fair value adjustment on financial assets		8	52
		19,209	17,178
Changes in accounts receivable		5,110	(1,596)
Changes in accrued assets		7,092	7,724
Changes in prepayment, deposits and other receivable		369	(30)
Changes in accounts payable		186	(1,522)
Changes in accruals and other payable		13,262	4,186
		45,228	25,940
PRC enterprise income tax paid		(6,010)	(1,527)
		39,218	24,413
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(249)	(720)
Payments to acquire financial assets		(20,000)	—
Interest received		446	245
Dividend received		280	—
		(19,523)	(475)
Cash flows from financing activities			
Dividend paid		(13,320)	—
		(13,320)	—
Net changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		95,155	71,217
Cash and cash equivalents at end of year	22	101,530	95,155

The notes on pages 55 to 103 form part of these consolidated financial statements.



Notes to Consolidated Financial Statements

31 December 2016

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
Hong Kong Companies Ordinance	Hong Kong Companies Ordinance (Cap. 622) which came into operation on 3 March 2014
HKFRS	Individual Hong Kong Financial Reporting Standard issued by HKICPA
HKAS	Individual Hong Kong Accounting Standard issued by HKICPA
HKFRSs	the collection of all individual HKFRS, HKAS and their interpretations
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 Design	Beijing CCID Industry and Information Engineering Design Center Co., Ltd., a subsidiary of the Company
CCID Supervision	Beijing CCID Industry and Information Engineering Supervision Center Co., Ltd., a subsidiary of CCID Design
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 Strategy	Beijing CCID County Strategy Consulting Co., Ltd., a subsidiary of the Company
Shenzhen CCID Strategy	Shenzhen CCID Strategy Consulting Co., Ltd., a subsidiary of the Company



Notes to Consolidated Financial Statements

31 December 2016

1. GENERAL (Continued)

(a) Definition (Continued)

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
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 the Exchange

(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 GEM since 12 December 2002. The registered office of the Company in PRC is located at Room 311, No. 2 Building, No. 28 Zhen Xing Road, Chang Ping District, Beijing, PRC. Its principal office and place of business is located at 9th and 10th Floor of CCID Plaza, 66 Zizhuyuan Road, Hai Dian District, Beijing, PRC. Its principal place of business in Hong Kong is located at Level 18, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Group is a provider of modern consultancy. The Group principally engages in the provision of management and strategic consultancy, market consultancy, data information management, design consulting and information engineering supervision services.

(c) Parent company

In the opinion of the Directors, the Company's immediate parent company is MIICMD, a company established in the PRC; the Company's ultimate parent company (which is also the Company's ultimate parent undertaking) 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.



Notes to Consolidated Financial Statements

31 December 2016

1. GENERAL (Continued)

(e) Translation differences

The financial statements have been issued in the Chinese language accompanied by an English translation. If there is any conflict in the financial statements between the meaning of the English words in the English translation and the Chinese words and terms in the Chinese version, the meaning of Chinese version shall prevail.

(f) Unofficial name

The English names of those companies incorporated in PRC as mentioned in the consolidated financial statements are not the official names in their constitutions but the unofficial translation of their Chinese names.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements comply with all of the requirements of all applicable HKFRSs effective at the beginning of the reporting period. These consolidated financial statements also comply with all the applicable disclosure requirements of the Hong Kong Companies Ordinance and all the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM.

(b) Basis of measurement

The measurement bases used in preparing these consolidated financial statements are set out in note 3 to consolidated financial statements.

(c) Critical accounting judgments

The judgments that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements are set out below.

Income recognition

The Group's major income is 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. The Group has also implemented real-time Office Automation system to secure proper approval of the level of completion on real-time basis. However, the approval procedures inevitably involve human judgment in the assessment of the level of completion that lead to estimation uncertainty on income recognition.



Notes to Consolidated Financial Statements

31 December 2016

2. BASIS OF PREPARATION (Continued)

(c) Critical accounting judgments (Continued)

Discounting factor

For the purpose of measuring the recoverable amount of an asset in use, discounting factor shall be estimated by reference to the generally expected return rate in the market on such kind of assets. In case the market information is not available, discounting factor shall be estimated by reference to the expected annual return from the asset at the time of recognition.

(d) Assumptions and other major sources of estimation uncertainty

Assumptions made about the future and other major sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period is set out below.

Impairment of assets

The impairments of property, plant and equipment, intangible assets, available-for-sale financial assets measured at cost, trade and other receivables and accrued assets are based on the Directors' estimation on the recoverable amounts of the assets that would be determined by reference to fair value less costs to sell and value in use estimated using the discounted cash flow method. Because of inherent risks associated with the estimations, their accuracy may have a significant impact on the carrying amounts of the property, plant and equipment, intangible assets, available-for-sale financial assets measured at cost, trade and other receivables and accrued assets as stated in the consolidated statement of financial position and the profit or loss for the next reporting period. At present, the management is unable to provide information about the sensitivity and expected resolution of the uncertainty. The possible effect of the assumptions and sources of estimation uncertainty is unable to be estimated reliably; it is impracticable to disclose the extent of possible effects within the next reporting period.

(e) Mandatory effective HKFRS

The following amended HKFRS and HKAS become effective mandatorily in the year.

Amendment to HKFRS 10, HKFRS 12 and HKAS 28 (2011): Investment Entities — Applying the Consolidation Exception

Amendment to HKFRS 11: Accounting for Acquisitions of Interests in Joint Operations

HKFRS 14: Regulatory Deferred Account (For the First Timer of Adopting HKFRSs only)

Amendment to HKAS 1: Disclosure Initiative

Amendment to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendment to HKAS 16 and HKAS 41: Agriculture: Bearer Plants



Notes to Consolidated Financial Statements

31 December 2016

2. BASIS OF PREPARATION (Continued)

(e) Mandatory effective HKFRS (Continued)

Amendment to HKAS 27: Equity Method in Separate Financial Statements

Annual Improvements to HKFRSs 2012–2014 cycle: Amendments to HKFRS 5, HKFRS 7, HKAS 19 (2011) and HKAS 34

The adoption of the amendments of the above HKFRSs in this year does not have material impact on the Group's financial performance and financial position for the current and prior years and on the disclosures set out in these consolidated financial statements.

(f) Impact of issued but not yet effective HKFRS

HKICPA has issued the following HKFRS and HKAS, 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:

		Mandatory effective date
HKFRS 9 (Revised)	Financial Instruments	1 January 2018
HKFRS 15 (Revised)	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

The Group has not early adopted the Standards and Amendments in this set of financial statements. The Group has already commenced an assessment of the impact of the Standards and Amendments but not yet in a position to state whether the Standards and Amendments would have a significant impact on its consolidated financial statements in the period of initial application.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statement present the financial information of the Group. The followings are the specific accounting policies that are necessary for a proper understanding of the financial statements.

(a) Bases of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary, including those controlled through investment entity subsidiaries. Subsidiaries are those investees, including unincorporated company such as partnership, controlled by the Company. The Company controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power may be arising from holding of majority of voting rights in subsidiaries or from other means such as contractual arrangement.

A subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases. The results of subsidiaries acquired or disposed of during the year are included in profit or loss from effective date of acquisition or up to the effective date of disposal, as appropriate.

The consolidated financial statements present financial information about the Group as a single economic entity. They combine like items of assets, liabilities, equity, income, expenses and cash flows of the Company with those of its subsidiaries. The carrying amount of the holding company's investment in each subsidiary shall offset against the holding company's portion of equity of each subsidiary. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profits and losses resulting from intra-group transactions are eliminated in full unless the losses indicate an impairment that requires recognition in the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events and conditions in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. The financial statements of the Company and of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date (equivalent to the reporting date of the Company).

(b) Intangible assets

Intangible assets are measured at initial recognition at cost. After initial recognition, intangible assets with indefinite useful lives are measured at cost less accumulated amortisation and impairment losses, if any. They are not subject to amortisation but reviewed for impairment annually.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment are measured at initial recognition at cost and subsequently measured 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. If necessary, the residual value, depreciation method or useful life of that asset is amended prospectively to reflect the new expectation. Depreciation is calculated using the straight-line method to write off the depreciable amount of each property, plant and equipment to profit or loss unless it is included in the carrying amount of another assets over its estimated useful lives. The following estimated useful lives are used for the depreciation of property, plant and equipment.

	2016	2015
Land and buildings held under finance lease	30 years	30 years
Furniture, fixtures and equipment	5 years	5 years
Motor vehicles	5 years	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 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) Accounts receivable and accrued assets

Receivables that are stated at 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.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of assets (Continued)

i) *Accounts receivable and accrued assets* (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 Relief from Royalty Valuation Method with several major assumptions. Impairment loss is determined by comparing the recoverable amount with carrying value of the intangible assets.

iii) *Other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the property, plant and equipment and available-for-sale financial assets stated at cost may be impaired or, an impairment loss previously recognised no longer exists or may have decreased. 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).

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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of assets (Continued)

iii) Other assets (Continued)

Reversals of impairment losses

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. 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 when 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) Composition of 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.

(i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability will be recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. At initial recognition, financial instruments are accounted for at trade date basis and measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs thereon. After initial recognition, financial assets and financial liabilities are measured at fair value, at amortised cost or at cost depending on their classifications.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

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. After initial recognition, financial assets at fair value through profit or loss are measured at fair value prior to the deduction of transaction costs. Gains or losses arising from changes in fair value or otherwise are recognised in profit or loss. Such gains or losses are presented separately from interest and dividends.

Unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are classified as available-for-sale financial assets. Such kind of available-for-sale financial assets are measured at cost after initial recognition. Interest calculated using the effective interest method, dividends on equity instrument, impairment loss, exchange gain or loss and gain or loss after derecognition are recognised in profit or loss.

(j) 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 previous 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.

(k) 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.

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.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

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.

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



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

- 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.

(l) Provisions and contingent liabilities

Provision has been made for all legal or constructive obligations as a result of past events that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of 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.

(m) 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.

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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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 management and strategic consultancy, market consultancy, data information management and design consultancy services is recognised in note 3(m) above;
- ii) Revenue from rendering of information engineering supervision service is recognised according to note 3(n) 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 sales tax, where applicable.

(p) Translation of foreign currencies

The functional currency of the Company and its subsidiaries operating in PRC is Renminbi. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was measured. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised into other comprehensive income too.



Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties

For the purposes of these consolidated financial statements, a person is considered to be related to the Group if the person or a close member of that person's family has control or joint control over the Group; has significant influence over the Group; or is a member of the key management personnel of the Group or of a parent of the Company.

An entity is also related to the Group if any of the following conditions applies:

- (a) 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);
- (b) 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;
- (c) The members of the Group and the entity are joint ventures of the same third party;
- (d) 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;
- (e) 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;
- (f) The entity is controlled or jointly controlled by a person who has control or joint control over the Group; has significant influence over the Group; or is a member of the key management personnel of the Group or of a parent of the Company;
- (g) A person who has control or joint control over the Group 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); and
- (h) A management entity which provides key management personnel services to the Group or its parent.

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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Fair value can be determined based on quoted market price in an active market for identical assets or by valuation techniques such as market approach, cost approach or income approach. When valuation techniques are applied, observable inputs other than quoted market price and/or unobservable inputs will be used to estimate the fair value of the assets or liabilities. The Group shall use one or more valuation techniques to measure fair value consistently.

For those assets and liabilities measured at fair value, the assets or liabilities shall initially be measured at fair value. If the transaction price of the assets and liabilities differs from their fair value, the resulting gains or losses shall be recognised in profit or loss.

The fair value of the Group's assets and liabilities measured at the reporting date on a recurring and non-recurring basis, are categorised into the three-level fair value hierarchy as defined in HKFRS 13: Fair Value Measurement. The level into which a fair value measurement is classified is determined based on the observability and significance of the inputs used in the valuation technique. The fair value of Level 1 fair value hierarchy is measured using only unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The fair value of Level 2 fair value hierarchy is measured using observable inputs other than quoted market prices and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available. The fair value of Level 3 fair value hierarchy is measured using significant unobservable inputs. Depending on the availability of the various inputs at the time of measurement, assets and liabilities measured at fair value may be classified in Level 1, 2 or 3 from time to time. If necessary, such assets and liabilities may be transferred from a level to another.

(s) Non-controlling interests

Non-controlling interests are the equity in subsidiaries that are not attributable to the equity holders of the Company. At acquisition date, the Group initially measures components of non-controlling interests in the acquiree at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. After initial recognition, the Group allocates the profit or loss and each component of other comprehensive income in subsidiaries to the non-controlling interests based on their proportionate share in the respective subsidiaries. Non-controlling interests in net assets which consist of the amount of those interests at the date of the original business combination and the share of changes in equity by the non-controlling parties since the date of the combination are presented separately from the controlling interests. Losses and other comprehensive income applicable to the non-controlling parties in excess of the non-controlling interests in the subsidiary equity are allocated to non-controlling interests even if this results in the non-controlling interests having a deficit balance. When the proportion of the equity held by non-controlling interests changes, it shall adjust the carrying amount of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. It shall recognise directly in the equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Company.

Notes to Consolidated Financial Statements

31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Separate financial statement

The Group regards the company-level statement of financial position of the Company presented in notes to consolidated financial statements as a separate financial statement. In the separate financial statement, the investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

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:

	2016 RMB('000)	2015 RMB('000)
Management and strategic consultancy services	70,025	61,709
Market consultancy services	11,698	12,424
Information engineering supervision services	45,581	42,663
Other	6,385	6,400
	133,689	123,196

(b) Other revenue

	2016 RMB('000)	2015 RMB('000)
Interest income from bank deposits	446	245
Dividend income	280	—
Sundry income	446	540
	1,172	785



Notes to Consolidated Financial Statements

31 December 2016

5. IMPAIRMENT OF ASSETS

	2016 RMB('000)	2015 RMB('000)
Trade receivables and accrued assets		
Bad and doubtful debts recognised in profit or loss	9,747	8,171
Bad and doubtful debts recovered	—	(394)
	9,747	7,777

The Directors have carried out individual assessment on accounts receivable and accrued assets 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:

	2016 RMB('000)	2015 RMB('000)
Individually assessed		
New and additions	9,747	8,171
Less: Recovered	—	(394)
	9,747	7,777
Collectively assessed		
New and additions	—	—
Less: Recovered	—	—
	—	—

6. AUDITOR'S REMUNERATION

Auditor's remuneration and expenses for the year disclosed pursuant to Part 2 of Schedule 4 of the Hong Kong Companies Ordinance are as follows:

	2016 RMB('000)	2015 RMB('000)
Auditor's remuneration	502	301
Auditor's expenses	50	75
	552	376

Notes to Consolidated Financial Statements

31 December 2016

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Net (gain)/loss on financial instruments

	2016 RMB('000)	2015 RMB('000)
Financial assets and liabilities at fair value through profit or loss at initial recognition	8	52

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

	2016 RMB('000)	2015 RMB('000)
Fees, salaries, wages and other short-term benefits	46,945	44,697
Retirement benefit scheme contributions	14,878	14,617
Total staff costs	61,823	59,314

Total staff costs include research and development costs amounted to RMB4,604 thousand (2015: RMB4,786 thousand).

At 31 December 2016, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2015: Nil).

(c) Other items

	2016 RMB('000)	2015 RMB('000)
Cost of services provided #	71,692	63,160
Depreciation #	1,506	1,643
Loss on disposal of fixed assets	216	—
Operating lease rental: Land and buildings #	2,660	2,503
Research and development cost #	4,604	4,786
# The cost of services provided included:		
Depreciation	855	899
Staff cost	40,400	38,085
Operating lease rental: Land and buildings	592	818



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8. TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 RMB('000)	2015 RMB('000)
PRC enterprise income tax		
Provision for the year	6,168	4,124
Deferred tax — temporary differences	(2,754)	(642)
Adjustment on current tax of prior periods	—	54
	3,414	3,536

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 2016 (2015: 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 members in the Group (except the Company and CCID Supervision) are subject to a corporate income tax at a rate of 25% (2015: 25%).

The Company and CCID Supervision are 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% (2015: CCID Supervision 15%).

Major unrecognised deferred tax at the end of reporting period is disclosed in note 27(b) to the consolidated financial statements.

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8. TAXATION (Continued)

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

	2016 RMB('000)	2015 RMB('000)
Profit before taxation	18,205	15,728
Applicable tax rate	25%	25%
Product of accounting profit multiplied by applicable tax rate	4,551	3,932
Tax effect of non-deductible expenses	168	308
Preferential tax rate granted to high technology industry	(4,094)	(1,821)
Tax effect of unused tax losses	510	1,170
Tax effect of unrecognised but taxed income	3,963	2,502
Tax effect of deductible but not recognised expenses	2,391	1,435
Tax effect of recognised but untaxed income	(463)	(2,929)
Tax effect of non-taxable revenue	(70)	(157)
Tax effect of tax loss in prior years offsetting tax profit for current year	(715)	(326)
Adjustment on deferred tax expenses	(2,753)	(642)
Other adjustments	(74)	64
Tax expense	3,414	3,536

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Remuneration of directors (including former directors and shadow directors) and supervisors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2016 RMB('000)	2015 RMB('000)
Acting as directors		
Fees	273	275
Provision of management services		
Emoluments (including benefit in kind)	637	490
	910	765



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9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Details of directors' and supervisors' and past directors' (including general manager) remuneration disclosed pursuant to Rule 18.28 of the GEM Listing Rule are as follows:

2016

	Fees RMB('000)	Salaries and other benefits RMB('000)	Discretionary bonus RMB('000)	Retirement benefit scheme contributions RMB('000)	Total RMB('000)
Executive directors					
Luo Junrui	29	—	—	—	29
Non-executive directors					
An Guangyou	29	—	—	—	29
Independent non-executive directors					
Guo Xiping	43	—	—	—	43
Han Fuling	43	—	—	—	43
Li Xuemei	43	—	—	—	43
Supervisors					
Zhao Xiuzhen (Note 9.1)	14	—	12	—	26
Hu Yun	28	158	115	104	405
Chen Ying	28	—	—	—	28
Ma Xin (Note 9.2)	16	157	26	65	264
	273	315	153	169	910
General manager					
Li Shuchong (Note 9.3)	—	126	195	26	347
Sun Huifeng (Note 9.4)	—	449	139	106	694
	—	575	334	132	1,041
Total for 2016	273	890	487	301	1,951

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 2016 (2015: Nil). No directors and supervisors forfeited any emolument during the year ended 31 December 2016 (2015: Nil).

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9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Throughout 2016, the Company made no loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company, their controlled body corporate or their connected entities; the subsidiary undertakings of the Company also made no loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company.

In the opinion of the Directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the financial year.

2015

	Fees RMB('000)	Salaries and other benefits RMB('000)	Discretionary bonus RMB('000)	Retirement benefit scheme contributions RMB('000)	Total RMB('000)
Executive directors					
Luo Junrui	29	—	—	—	29
Non-executive directors					
An Guangyou	29	—	—	—	29
Independent non-executive directors					
Guo Xinping	43	—	—	—	43
Han Fuling	43	—	—	—	43
Li Xuemei	43	—	—	—	43
Supervisors					
Zhao Xiuzhen	30	91	6	48	175
Hu Yun	29	135	113	97	374
Chen Ying	29	—	—	—	29
	275	226	119	145	765
General manager					
Li Shuchong	—	439	67	97	603
Total for 2015	275	665	186	242	1,368



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9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Notes:

- 9.1 Due to work reallocation, Ms. Zhao Xiuzhen has tendered her resignation as staff representative supervisor of the Company with effect from 28 June 2016. Ms. Zhao Xiuzhen confirmed that she has no disagreement with the board and the supervisory committee of the Company, and there were no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company.
- 9.2 At the congress of staff held by the Company on 28 June 2016, Ms. Ma Xin was elected as the staff representative supervisor of the Company with effect from 28 June 2016.
- 9.3 Mr. Li Shuchong has tendered his resignation as the general manager of the Company with effect from 16 March 2016. Mr. Li Shuchong confirmed that he has no disagreement with the board and there were no matters relating to his resignation that needs to be brought to the attention of the shareholders of the Company.
- 9.4 At the broad of Directors meeting held on 16 March 2016, Mr. Sun Huifeng was appointed by the board as the general manager of the Company with effect from 16 March 2016.

10. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, one (2015: one) of them is a director (including general manager) whose emoluments are disclosed in note 9 to consolidated financial statements. The aggregate of the emoluments in respect of the other four (2015: four) individuals are as follows:

	2016 RMB('000)	2015 RMB('000)
Salaries and other benefits	1,519	1,383
Discretionary bonuses	680	713
Retirement benefit scheme contributions	422	389
	2,621	2,485

The emoluments of all highest paid non-director individuals fall below RMB1,000,000 (2015: 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 2016 (2015: Nil).

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11. DIVIDENDS

	2016 RMB	2015 RMB
Proposed final dividend RMB0.0152 per share (tax inclusive)		
491,000,000 domestic shares	—	7,463,200
209,000,000 H shares	—	3,176,800
	—	10,640,000

The proposed final dividend for 2015 was approved by the Company's shareholders at the 2016 annual general meeting.

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.
- (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.



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12. EARNINGS PER SHARE

Basic

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

Diluted

As there were no dilutive 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:

	2016	2015
Profit attributable to equity holders of the Company (RMB ('000))	12,111	9,377
Divided by weighted average number of issued shares (thousand shares)	700,000	700,000
Basic and diluted earnings per share (RMB cents)	1.7	1.3

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 three reportable segments. All of their respective reported revenue and absolute amount of reported profit or loss exceed the 10% threshold prescribed by HKFRS 8: Operating Segment.

- 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;
- the market consultancy services segment provides two kinds of services: standard research on specific sectors and tailor-made research; and
- the information engineering supervision services segment provides information engineering supervision services to undertaken projects.

In addition, the Group has provision of data information management services segment and training services segment whose scale of operation do not meet quantitative thresholds of reportable segments. Provision for data information management services and training services segment have been included in other segments.



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13. OPERATING SEGMENTS (Continued)

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, financial 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.



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13. OPERATING SEGMENTS (Continued)

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

	Management and Strategic Consultancy Services Segment RMB('000)	Market Consultancy Services Segment RMB('000)	Information Engineering Supervision Services Segment RMB('000)	Other Segments RMB('000)	Total RMB('000)
2016					
Revenue from external customers	70,025	11,698	45,581	6,385	133,689
Inter-segment income	2,433	—	237	68	2,738
Segment profit	32,516	6,647	21,014	2,676	62,853
Depreciation and amortisation	(789)	(132)	(513)	(72)	(1,506)
Taxation	(1,788)	(299)	(1,164)	(163)	(3,414)
Other material non-cash items:					
— Impairment loss	(8,340)	—	—	(1,407)	(9,747)
Addition of property, plant and equipment	47	—	202	—	249
Reportable segment assets	34,441	5,205	2,365	2,590	44,601
Reportable segment liabilities	13,502	302	12,229	2,914	28,947
	142,047	23,421	79,951	12,991	258,410
	Management and Strategic Consultancy Services Segment RMB('000)	Market Consultancy Services Segment RMB('000)	Information Engineering Supervision Services Segment RMB('000)	Other Segments RMB('000)	Total RMB('000)
2015					
Revenue from external customers	61,709	12,424	42,663	6,400	123,196
Inter-segment income	3,387	—	794	116	4,297
Segment profit	22,592	7,356	23,318	2,951	56,217
Depreciation and amortisation	(822)	(164)	(575)	(82)	(1,643)
Taxation	(1,768)	(354)	(1,238)	(176)	(3,536)
Other material non-cash items:					
— Impairment loss	(4,686)	—	150	(3,241)	(7,777)
Addition of property, plant and equipment	—	—	720	—	720
Reportable segment assets	40,115	8,664	5,125	510	54,414
Reportable segment liabilities	7,741	1,287	851	343	10,222
	128,268	29,213	71,808	6,821	236,110

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13. OPERATING SEGMENTS (Continued)

Reconciliations of reportable segment revenue, profit, assets and liabilities

	Revenue RMB('000)	Profit RMB('000)	Assets RMB('000)	Liabilities RMB('000)
2016				
Total per reportable segments	136,427	62,853	44,602	28,947
Elimination	(2,738)	406	—	—
Other revenue and net gains	—	1,172	—	—
Other operating expenses	—	(34,973)	—	—
Unallocated assets	—	—	165,837	—
Unallocated liabilities	—	—	—	19,787
Other material non-cash items:				
— Taxation	—	(3,414)	—	—
— Depreciation	—	(1,506)	—	—
— Impairment loss	—	(9,747)	—	—
Total per consolidated financial statements	133,689	14,791	210,439	48,734
	Revenue RMB('000)	Profit RMB('000)	Assets RMB('000)	Liabilities RMB('000)
2015				
Total per reportable segments	127,493	56,217	54,414	10,222
Elimination	(4,297)	(3,823)	—	—
Other revenue and net gains	—	785	—	—
Other operating expenses	—	(28,031)	—	—
Unallocated assets	—	—	140,808	—
Unallocated liabilities	—	—	—	24,766
Other material non-cash items:				
— Taxation	—	(3,536)	—	—
— Depreciation	—	(1,643)	—	—
— Impairment loss	—	(7,777)	—	—
Total per consolidated financial statements	123,196	12,192	195,222	34,988

Geographical segments

The non-current assets of the Group other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contract; and the 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% or more of the Group's total revenue for the year.



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14. PROPERTY, PLANT AND EQUIPMENT

	Cost RMB('000)	Accumulated depreciation and accumulated impairment losses RMB('000)	Carrying amount RMB('000)
Leasehold land and buildings			
Balance at beginning of 2015	32,819	(13,187)	19,632
Depreciation	—	(1,041)	(1,041)
Balance at end of 2015 and beginning of 2016	32,819	(14,228)	18,591
Depreciation	—	(1,041)	(1,041)
Balance at end of 2016	32,819	(15,269)	17,550
Furniture, fixtures and equipment			
Balance at beginning of 2015	6,500	(5,584)	916
Additions	720	—	720
Depreciation	—	(427)	(427)
Balance at end of 2015 and beginning of 2016	7,220	(6,011)	1,209
Additions	249	—	249
Depreciation	—	(367)	(367)
Disposal	(4,306)	4,090	(216)
Balance at end of 2016	3,163	(2,288)	875
Motor vehicles			
Balance at beginning of 2015	1,402	(989)	413
Depreciation	—	(175)	(175)
Balance at end of 2015 and beginning of 2016	1,402	(1,164)	238
Depreciation	—	(98)	(98)
Balance at end of 2016	1,402	(1,262)	140
Total			
Balance at beginning of 2015	40,721	(19,760)	20,961
Additions	720	—	720
Depreciation	—	(1,643)	(1,643)
Balance at end of 2015 and beginning of 2016	41,441	(21,403)	20,038
Additions	249	—	249
Depreciation	—	(1,506)	(1,506)
Disposal	(4,306)	4,090	(216)
Balance at end of 2016	37,384	(18,819)	18,565

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of property, plant and equipment held under finance lease at the reporting date amounted to RMB17,550,000 (2015: RMB18,591,000).

15. INTERESTS IN SUBSIDIARIES

List of subsidiaries

Name	Place of incorporation and operations	Registered capital RMB ('000)	Proportion of ownership interest	Nature of business
Beijing CCID Industry and Information Engineering Design Center Co., Ltd.	Beijing, PRC	50,000	95%	Provision of data services and establishment of information database services
Beijing CCID Industry and Information Engineering Supervision Center 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.	Beijing, PRC	5,000	99%	Provision for management consultancy services
Beijing CCID County Strategy Consulting Co., Ltd.	Beijing, PRC	5,000	90.1%	Provision for economic consultancy services
Shenzhen CCID Strategy Consulting Co., Ltd.	Shenzhen, PRC	1,000	100%	Provision for management consultancy services

Notes:

15.1 The Group has no subsidiary having material non-controlling interests.

15.2 The Group holds the same portion of voting rights of its subsidiaries as its respective ownership interests.



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16. INTANGIBLE ASSETS

	2016 RMB('000)	2015 RMB('000)
Information database with indefinite useful lives		
Cost	38,268	38,268
Accumulated amortisation and impairment losses	(23,587)	(23,587)
Balance at beginning and end of year	14,681	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 HKAS 38 ("Intangible assets"). As the useful life of the information database is indefinite, no amortisation is made for it according to HKAS 38 ("Intangible assets"), but it needs to be tested for impairment annually according to HKAS 36 ("Impairment of assets").

At the end of financial year, the Management estimated the recoverable amount of the intangible assets using Relief from Royalty Valuation Method with the following major assumptions.

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16. INTANGIBLE ASSETS (Continued)

	2016 RMB('000)	2015 RMB('000)
Relevant net cash flows	1,676	1,545
Long-term growth rate	2.81%	2.81%
Applicable tax rate	25%	25%
Discounting factor	13.45%	13.45%
Recoverable amount by Relief from Royalty Valuation Method	16,195	14,931

According to the estimation by the management, the recoverable amount of the information database at the end of reporting period is not less than its carrying amount, thus provision for impairment loss is not necessary.

At 31 December 2015, the recoverable amount of the intangible assets was evaluated by the management.



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17. FINANCIAL INSTRUMENTS

	2016 RMB('000)	2015 RMB('000)
Investments		
Designated financial assets at fair value through profit or loss at initial recognition, at fair value (note 17.1)	167	175
Available-for-sale investments, at fair value (note 17.1)	20,000	—
Available-for-sale investments, at cost (note 17.2 & 17.3)	8,657	8,657
Less: Impairment loss	(6,667)	(6,667)
	22,157	2,165
Long-term investment	(1,990)	(1,990)
Current investment	20,167	175
Trade and other receivables		
<i>Loan and receivable</i>		
Trade receivable	13,217	18,327
Other receivable	6,373	6,742
	19,590	25,069
Trade and other payables		
<i>Financial liabilities at amortised cost</i>		
Trade payable	1,325	1,140
Other payable	6,989	10,738
	8,314	11,878
Total		
Financial assets at fair value through profit or loss at initial recognition	167	175
Available-for-sale financial assets	21,990	1,990
Loans and receivable	19,590	25,069
Less: Financial liabilities at amortised cost	(8,314)	(11,878)
	33,433	15,356

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17. FINANCIAL INSTRUMENTS (Continued)

Notes:

- 17.1 All of the financial assets stated at fair value are measured at quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date (i.e. Level 1 inputs).
- 17.2 Unlisted shares refer to 19.9% (2015: 19.9%) equitable interests in Beijing CCID Exhibition Co., Ltd. held by CCID Supervision.
- 17.3 Available-for-sale financial assets neither have quoted prices in active market nor equity-link derivatives for references. The fair value of the available-for-sale financial assets is undisclosable in absence of reliable basis of measurement.
- 17.4 The average credit period of the loans and receivable and the available-for-sale financial assets measured at cost based on which the fair value is measured is 1 year (2015: same). In this situation, such loans and receivable and the available-for-sale financial assets are exempted from discounting.

18. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable is as follows:

	Related parties RMB('000)	Third parties RMB('000)	Total RMB('000)
2016			
Within 60 days	9	3,302	3,311
61 days to 180 days	200	3,088	3,288
181 days to 365 days	—	1,074	1,074
Over 365 days	6	5,538	5,544
	215	13,002	13,217
2015			
Within 60 days	154	4,507	4,661
61 days to 180 days	100	1,928	2,028
181 days to 365 days	—	2,718	2,718
Over 365 days	100	8,820	8,920
	354	17,973	18,327

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 creditworthiness, extend the credit period upon clients' request. The ageing analysis is presented on the basis of the date of relevant invoice.



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18. ACCOUNTS RECEIVABLE (Continued)

Reconciliation of allowance account for credit losses:

	2016 RMB('000)	2015 RMB('000)
Balance at beginning of year	5,946	5,142
New and additions	1,841	804
Recovered	—	—
Balance at end of year	7,787	5,946

19. ACCRUED ASSETS

	2016 RMB('000)	2015 RMB('000)
Total	49,589	50,093
Impairment losses	(20,594)	(14,005)
Current portion	28,995 28,995	36,088 35,988
Non-current portion	—	100

The Group recognises 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.

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20. DUE FROM RELATED PARTIES

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

	2016 RMB('000)	2015 RMB('000)
Name of related parties		
CCID	364	1,528
MIICMD	117	657
CCID Statecraft Media Investment Co., Ltd	—	25
CCID New Culture Media Co., Ltd	—	239
CCID Information Physical System Testing Lab Co., Ltd	—	142
CCID Net Information Technology Co., Ltd.	106	310
CCID IT Company Limited	—	158
CCID Information Technology Testing Co., Ltd	—	34
	587	3,093

The above related parties are controlled by CCID. The amounts due from related parties are unsecured and interest-free.

21. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB('000)	2015 RMB('000)
Advances to employees	6,134	6,248
Prepayments	237	237
Rental and other deposits	135	135
Other receivable	239	494
	6,745	7,114

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



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22. CASH AND CASH EQUIVALENTS

	2016 RMB('000)	2015 RMB('000)
Cash at banks and on hand	100,361	93,916
Secured deposits	1,169	1,239
Balance per consolidated statement of financial position and consolidated statement of cash flows	101,530	95,155

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:

	Original currency		RMB equivalent	
	2016	2015	2016 RMB('000)	2015 RMB('000)
United States dollars	2	2	—	—
Hong Kong dollars	36,522	36,522	32	32

23. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable is as follows:

	Related parties RMB('000)	Third parties RMB('000)	Total RMB('000)
2016			
Over 365 days	882	443	1,325
2015			
Over 365 days	882	258	1,140

Amount due to related parties are analysed as follow:

	2016 RMB('000)	2015 RMB('000)
Name of related parties		
Beijing CCID Guo Ruan Certification Company Limited	882	882

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.

Notes to Consolidated Financial Statements

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24. DEFERRED REVENUE

From 1 September 2012 onward, the revenue of the Group recognised in accordance with PRC accounting standard shall be measured by reference to the face value of VAT invoices issued pursuant to the PRC tax law. According to the HKFRS, the revenue from the provision of services shall be measured on percentage of completion basis. Those billed (by the way of VAT invoices) but unrecognized revenue is credited to deferred revenue account in order to reconcile the difference of these two sets of generally accepted accounting principle.

25. ACCRUALS AND OTHER PAYABLES

	2016 RMB('000)	2015 RMB('000)
Accrued salaries and welfares	6,901	3,147
Provision for social insurance fees and the public housing funds	1,382	1,313
Other tax payable	2,380	1,730
Received in advance	18,940	5,707
Other payable	4,679	7,460
	34,282	19,357

26. DUE TO RELATED PARTIES

	2016 RMB('000)	2015 RMB('000)
Immediate holding company	2,137	2,128
Ultimate holding company	—	1,000
Related company	172	150
	2,309	3,278

Notes:

26.1 The amount due to the immediate holding company at 31 December 2016 included the amount payable for the acquisition of the ninth and tenth floors of CCID Plaza. The amount payable is interest-free and payable in accordance with the terms of the relevant property purchase agreement.

26.2 The amounts due to other related companies are unsecured, interest-free and have no fixed terms of repayment.



Notes to Consolidated Financial Statements

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27. DEFERRED TAXATION

(a) Recognised deferred tax

Components of recognised deferred tax:

	2016 RMB('000)	2015 RMB('000)
Deferred tax assets		
Financial assets	28	43
Impairment loss on accounts receivable	4,652	4,939
Accrued assets	(898)	(3,641)
Intangible assets	478	478
Others	74	(222)
	4,334	1,597
Deferred tax liabilities		
Accrued assets	—	349
Intangible assets	—	(45)
Others	—	(86)
	—	218

(b) Unrecognised deferred tax

Components of unrecognised deferred tax assets/(liabilities):

	2016 RMB('000)	2015 RMB('000)
Unused tax loss	1,829	1,634
Accrued assets	(453)	(576)
Impairment loss	173	—
	1,549	1,058

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 by the end of the following years.

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27. DEFERRED TAXATION (Continued)

(b) Unrecognised deferred tax (Continued)

	2016 RMB('000)	2015 RMB('000)
2017	—	690
2018	192	315
2019	737	125
2020	900	504
	1,829	1,634

28. SHARE CAPITAL

	No. of shares	Amount RMB('000)
Registered, issued and fully paid		
<i>Domestic shares of RMB0.1 each</i>		
Balance at beginning of 2015	485,900,000	48,590
Transferred from legal person shares	5,100,000	510
Balance at end of 2015 and balance at beginning and end of 2016	491,000,000	49,100
<i>Legal person shares of RMB0.1 each</i>		
Balance at beginning of 2015	5,100,000	510
Transferred to domestic shares	(5,100,000)	(510)
Balance at end of 2015 and balance at beginning and end of 2016	—	—
<i>H shares of RMB0.1 each</i>		
Balance at beginning and end of 2015 and 2016	209,000,000	20,900
Total	700,000,000	70,000

On 10 July 2015, the total of 5,100,000 legal person shares were transferred to another major shareholder as under domestic shares.



Notes to Consolidated Financial Statements

31 December 2016

28. SHARE CAPITAL (Continued)

Pursuant to article 14 of the Company's constitution, all of the holders of domestic shares, legal person shares and H shares are the ordinary shareholders of the Company; they bear the same rights and obligations. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meeting of the Company. All ordinary shares rank equally with regard to the Group's residual assets.

29. SHARE OPTION SCHEME

The Company conditionally 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. At the end of reporting period, the share option scheme is not yet effective. Until 31 December 2016, no options were granted to the Group's employees.

Notes to Consolidated Financial Statements

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30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

This statement of financial position is a separate financial statement. Its accounting policy in respect of the investments in subsidiaries is set out in note 3(t) to consolidated financial statements.

	2016 RMB('000)	2015 RMB('000)
Non-current assets		
Property, plant and equipment	17,737	19,139
Interests in subsidiaries	73,822	80,422
Deferred tax assets	1,405	98
	92,964	99,659
Current assets		
Accounts receivable	9,658	10,799
Accrued assets	23,129	30,342
Prepayment, deposits and other receivable	2,021	2,244
Cash and cash equivalents	22,545	26,771
Short term investments	20,167	175
	77,520	70,331
Current liabilities		
Accounts payable	9,069	8,873
Deferred revenue	4,226	3,562
Accruals and other payable	9,402	7,351
Due to related parties	1,839	2,804
Current tax liabilities	2,014	1,231
	26,550	23,821
Net current assets	50,970	46,510
NET ASSETS	143,934	146,169
EQUITY		
Share capital	70,000	70,000
Reserves	73,934	76,169
TOTAL EQUITY	143,934	146,169

Approved by the board of directors on 23 March 2017.

On behalf of the Directors

Luo Junrui
Director

An Guangyou
Director



Notes to Consolidated Financial Statements

31 December 2016

31. MOVEMENT IN RESERVES OF THE COMPANY

	2016 RMB('000)	2015 RMB('000)
Capital reserve		
Balance at beginning and end of year	18,100	18,100
Statutory reserve		
Balance at beginning of year	11,095	10,760
Transferred from retained profits	1,700	335
Balance at end of year	12,795	11,095
Discretionary reserve		
Balance at beginning and end of year	59	59
Retained profits		
Balance at beginning of year	46,915	38,942
Profit for the year	8,405	8,308
Transferred to statutory reserve	(1,700)	(335)
2015 final dividend	(10,640)	—
Balance at end of year	42,980	46,915
Total	73,934	76,169

Notes:

- 31.1 The capital reserve account can only be used to increase share capital.
- 31.2 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 to 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 of statutory reserve fund shall not less than 25% of the share capital/registered capital after capitalization.
- 31.3 The Company, CCID Design, CCID Management, CCID Capital and CCID Strategy (2015: The Company, CCID Capital and CCID Supervision) have transferred 10% of profit after tax to the statutory reserve fund. No discretionary reserve funds were appropriated for 2016 (2015: Nil).
- 31.4 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.

Notes to Consolidated Financial Statements

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31. MOVEMENT IN RESERVES OF THE COMPANY (Continued)

Notes: (Continued)

31.5 The Company's reserve available for distribution pursuant to Sections 291, 297, 298 and 299 of Hong Kong Companies Ordinance is as follow:

	2016 RMB('000)	2015 RMB('000)
Retained profits	42,980	46,915

32. COMMITMENTS

The future minimum lease payments under non-cancellable operating lease in aggregate are analysed as follows:

	2016 RMB('000)	2015 RMB('000)
Acted as lessee		
Within one year	—	3

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.



Notes to Consolidated Financial Statements

31 December 2016

33. RELATED PARTY DISCLOSURES

- (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 connected transactions with related parties during the year:

	2016 RMB('000)	2015 RMB('000)
Gross revenue earned before sales surtaxes		
Provision for consulting services to:		
CCID	2,367	4,777
CCID Statercraft Media Investments Co., Ltd.	8	25
CCID Net Information Technology Co., Ltd.	148	22
CCID Information Physical System Testing Lab. Co., Ltd.	77	176
Guangdong CCID Industry and Information Engineering Research Co., Ltd.	80	—
	2,680	5,000
Provision for data management and supervision services		
CCID	1,572	—
CCID Net Information Technology Co., Ltd.	—	71
	1,572	71
Administrative and promotion expenses (including advertising services and website and hyperlink services)		
Rental, building management fee, internet fee and utilities fare charged by MIICMD	757	2,355
Rental, building management fee charged by CCID Property Management Co., Ltd.	1,472	—
Advertising expenses charged by CCID Statercraft Media Investment Co., Ltd.	—	800
Translation expense charged by CCID Translation Co., Ltd.	47	43
	2,276	3,198
Others		
Consultancy fee to CCID	662	667
Service fee to CCID Statercraft Media Investments Co., Ltd.	—	1,050
Service fee to CCID IT Company Limited	—	120
Service fee to CCID Net Information Technology Co., Ltd.	20	257
	682	2,094

Notes to Consolidated Financial Statements

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33. RELATED PARTY DISCLOSURES (Continued)

(a) (Continued)

Notes:

- 33.1 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.
- 33.2 The Company and the related companies are within the CCID Group and are under common control of the same ultimate holding company.
- 33.3 All of the related party transactions as disclosed in this note constitute “connected transactions” or “continuing connected transactions” as defined in Chapter 20 of the GEM Listing Rules which are transactions with CCID under the respective framework agreements announced by the Company on 26 October 2015 and have complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

(b) Key management personnel remuneration

	2016 RMB('000)	2015 RMB('000)
Salaries, wages and other benefits	9,140	5,987
Retirement benefit scheme contributions	2,278	1,472
	11,418	7,459

The remuneration has been included in staff costs (see note 7(b)).

- (c) The ultimate controlling party of the Group is the PRC Government. The Group's major source of revenue are sourced from the PRC Government and entities controlled by them (2015: same).

34. FINANCIAL RISK MANAGEMENT

Exposure to financial risks on the financial instruments of the Group comprises 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 and/or bankers.

Credit risk

The Group's major source of credit risk comes from its accounts receivable. The accounts receivable have normal credit periods ranged from 60 to 365 days. The repayment terms of other receivable are not defined. The ageing analysis of the trade receivable is presented in note 18 to consolidated financial statements.



Notes to Consolidated Financial Statements

31 December 2016

34. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Objective, policy and processes

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all parties requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. At the reporting date, there were no material credit risks. The maximum exposure to credit risk represents the carrying amount of each financial asset on that date. The Group does not change the exposure and policy from the previous period.

Concentration of credit risk

The Directors determine concentration of credit risk based on the size of project, credit limit and credit terms. For large scale project, the Group usually requires customer to pay deposits before commencement of work. Progress billings will be served to customer based on the progress of the projects. In the opinion of the Directors, the concentration of credit risk is moderate. No single customers or a group of customers contribute more than 10% (2015: same) of the revenue. Nevertheless, the Directors still review the aged receivable on regular basis in order to avoid apparent concentration of credit risk.

Ageing analysis of pasted due but not yet impaired financial assets

	2016 RMB('000)	2015 RMB('000)
Pass due for more than one year	5,538	8,820

The Group holds no collateral in respect of the past due financial assets.

Liquidity risk

The Group's major sources of liquidity risk come from its accounts payable. The ageing analysis of the accounts payable is presented in note 23 to consolidated financial statements. The maximum liabilities of the accounts payable are similar to the recognised amounts. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirement.

Objective, policy and processes

In view of insignificant exposure to liquidity risk, the Group does not have specific objective, policy and processes for the liquidity risk but secure settlement of trade debts by the due dates.

Concentration of liquidity risk

In the opinion of the Directors, the Group's concentration of liquidity risk is relatively low because the Group would not heavily rely on individual supplier or sub-contractor to provide goods and/or services.

Notes to Consolidated Financial Statements

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34. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Maturity analysis

At the end of reporting period, the remaining contractual maturities of the Group'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 can be required to pay are as follow:

	2016 RMB('000)	2015 RMB('000)
Trade and other payables		
Payable on demand or within three months	16,667	14,790

Market risk

The Group's major sources of market risk come from currency risk and price risk. The Group's exposures to each of these risks and its objectives, policies and processes for managing the risks and methods used to measure the risks are set out below.

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 regard 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.

At the end of reporting period, had RMB been strengthened or weakened by 1% against the foreign currencies with all other variables held constant, the profit before tax for the year would increase or decrease by not more than RMB1 thousand (2015: not more than RMB1 thousand).

Price risk

The Group's major source of price risk come from the financial assets at fair value. It is the Group's policy to invest mainly in bank issued financial products in order to secure a stable return on investment. The Group neither invests in high risk derivatives nor holds investments on margin basis. The maximum exposure to price risk is the carrying amount at the end of reporting period.

At the end of reporting period, had the fair value of the investment portfolio been 1% higher or lower with all other variables held constant, the profit for the year before tax would increase or decrease by RMB202 thousand (2015: RMB2 thousand).



Notes to Consolidated Financial Statements

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35. MANAGING CAPITAL

	2016 RMB('000)	2015 RMB('000)
Managing capital comprises:		
Issued and paid up share capital	70,000	70,000
Retained profits	58,072	58,001
Other reserves	11,954	10,554
	140,026	138,555

The Group is not subject to any externally imposed capital requirements. Accordingly, the Group's objectives when managing capital are to safeguard the Group'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.

The Group manages the capital by using the net debt-to-adjusted capital ratio as it was used to be. For this purpose, the Group defines 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 all of the members in CCID Group. Adjusted capital comprises all components of equity less proposed final dividend.

In 2016, the Group's strategies were to maintain the revised net debt-to-adjusted capital ratio at a level below 50% (2015: Same).

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

	2016 RMB('000)	2015 RMB('000)
Total liabilities	48,733	34,988
Less: Balance due to ultimate holding company	—	(1,000)
Less: Balance due to immediate holding company	(2,137)	(2,128)
	46,596	31,860
Total shareholders' equity	161,705	160,234
Net debt-to-adjusted capital ratio	29%	20%

36. ISSUE OF THE FINANCIAL STATEMENTS

The consolidated as well as the company-level statement of financial position were approved and the consolidated financial statements were authorized for issue by the Directors on 23 March 2017.

Five-Year Financial Summary

The summary of the results of the Group for the last five financial years extracted from the published annual consolidated financial statements are as follow.

	Year ended 31 December				2016 RMB('000)
	2012 RMB('000)	2013 RMB('000)	2014 RMB('000)	2015 RMB('000)	
Turnover	145,666	145,788	131,285	123,196	133,689
Cost of sales	(82,041)	(74,153)	(63,312)	(63,160)	(71,692)
Gross profits	63,625	71,635	67,973	60,036	61,997
Profit before taxation	13,865	14,204	13,747	15,728	18,205
Taxation	(3,507)	(844)	(3,107)	(3,536)	(3,414)
Profit for the year	10,358	13,360	10,640	12,192	14,791
Attributable to:					
Equity holders of the Company	8,338	10,086	8,978	9,377	12,111
Non-controlling interests	2,020	3,274	1,662	2,815	2,680
	10,358	13,360	10,640	12,192	14,791

The summary of the assets and liabilities of the Group at the reporting date of last five financial years extracted from its published annual consolidated financial statements are as follow.

	As at 31 December				2016 RMB('000)
	2012 RMB('000)	2013 RMB('000)	2014 RMB('000)	2015 RMB('000)	
Total assets	144,843	171,202	178,875	195,222	210,438
Total liabilities	(20,848)	(33,847)	(30,833)	(34,988)	(48,733)
	123,995	137,355	148,042	160,234	161,705