CCIDConsulting

CCID Consulting Company Limited

(A joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8235

Annual Report 2017

CCIDConsulting

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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.

* *for identification purpose only*

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director
Zhao Zeming *(Chairman)*

Non-Executive Director
Luo Junrui

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Xia Yinan

AUDIT COMMITTEE

Li Xuemei *(Chairlady of the Committee)*
Guo Xinping
Xia Yinan

REMUNERATION COMMITTEE

Guo Xinping *(Chairman of the Committee)*
Li Xuemei
Zhao Zeming

NOMINATION COMMITTEE

Zhao Zeming *(Chairman of the Committee)*
Guo Xinping
Li Xuemei
Xia Yinan

SUPERVISORY COMMITTEE

Chen Ying *(Chairlady of the Committee)*
Xia Lin
Ma Xin

COMPLIANCE OFFICER

Zhao Zeming *(Chairman)*

COMPANY SECRETARY

Chan Yin Wah

AUTHORISED REPRESENTATIVES

Zhao Zeming *(Chairman)*
Chan Yin Wah

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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.

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 2017.

FINANCIAL RESULTS

For the year ended 31 December 2017 (the "period or the "year"), the Group recorded a turnover of approximately RMB146,977 thousand and a gross profit of approximately RMB76,886 thousand. The profit for the year amounted to RMB23,369 thousand and the basic earnings per share amounted to approximately RMB2.8 cents.

BUSINESS OUTLOOK

In 2018, 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, as well as providing comprehensive service packages to develop industrial economies.

Develop our "brain for MTX Industries"

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" ("Chanyetong"), and centering on the development of Chanyeton. In addition to upgrading our MTX platform system, and developing our intelligent content generation system, this business innovation platform will explore collaboration with external business partners and incorporate data resources and channels from both internal and external sources, for the purposes of transforming into a "brain for MTX industries". Such transformation will enable the Group to provide better services to government bodies, business parks, enterprises, and investment institutions.

Promote the application of our "CCID Accelerator"

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". On top of these, we will consolidate the integrated services for industries and enterprises, while developing and promoting our "CCID Accelerator" to its application in local government authorities and business parks.

Establish the "CCID Industrial Fund"

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". The Group has established a repository of listing companies, whereby sorting out listed companies that previously received our services or engaged in collaborations. In collaboration with external investment institutions, as well as entering into strategic cooperation agreements, the Group will proactively engage in negotiation and collaboration with various funds on the establishment of the "CCID Industrial Fund" to provide investment and financing services to other enterprises.

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

ACKNOWLEDGEMENT

I would like to 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.

Zhao Zeming
Chairman

Beijing, the People's Republic of China
22 March 2018

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 resulted 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

Firstly, 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. At the same time, 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. Furthermore, 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.

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.

Our Information Engineering Supervision Services Face Favorable Development Opportunities

During the "13th Five-Year Plan", the government gradually launches sizeable information engineering projects, among which, the intranet development project intended for e-government engineering continues to expand further, with sharing of government information resources classified as a key national undertaking. Therefore, the e-government engineering supervision segment will enjoy enormous opportunities. In addition, projects with respect to the development of intelligent cities, the "Sharp Eyes" Project, and administrative subcenters open up opportunities to industrial players engaged in construction supervision, operations and maintenance supervision, construction cost assessment, and engineering design services. Furthermore, business players in the information security segment tap into opportunities brought by intensified efforts to develop information security, the military-civilian integration, and information applications among the party committees at all levels, while the design service segment gain access to opportunities from the development of the big data industry, intelligent manufacturing, and intelligent parks.

BUSINESS REVIEW

Further Market Expansion

In 2017, the Group proactively explored the strategies and models of market expansion in our major areas and key regional industries, and steadily forged ahead with the construction and management of the network of regional market collaborations. To expedite the regional market expansion and the management of regional partners, the Group established a management mechanism to cover the entire life cycle of regional market collaborations with reference to various aspects of regional partners, including selection, admission, support, supervision, assessment, allocation, incentives, evaluation, and exit, along with a series of systems and measures. These mechanism, systems, and measures are constantly optimized and improved over the course of their implementation, which is evidenced by the relevant satisfactory results. In 2017, the Group provided the "consulting+" services to cities or parks in various provinces, including Shandong Tai'an, Shandong Qufu, Shandong Laixi, Jiangsu Changzhou, Jiangsu Rugao, Zhejiang Jiashang, Shanghai Songjiang, Hebei Baoding, Hubei Wuhan, Hubei Jingmen, and Guangxi Liuzhou. Meanwhile, the Group provided corporate consulting services to enterprises and financial institutions, including Huawei, Nio Auto, 360.cn, Country Garden, Luneng Real Estate, PKU Resources, Yangtze River Industry Fund, Haihe River Industry Fund, and Aplus Fund.

Constant Breakthroughs in Key Areas

In 2017, the Group achieved significant breakthroughs in various areas, including intelligent grain reserves, district and county intranets, IT performance assessment and evaluation, information system budgeting review, intranets for national government affairs, intelligent cities, and scientific research engineering supervision. In terms of major e-government engineering projects, the Group successfully won bids for major national e-government engineering supervision projects worth over RMB1 million, including the Macroeconomic Information Database Guidance Project of the National Development and Reform Commission, China Credit Information Sharing Platform (Phase II) of the State Information Center, the National Enterprise Credit Information Publicity System of the State Administration for Industry and Commerce, the National Big Data Ecosystem of the Ministry of Environmental Protection, the National Science and Technology Information System of the Ministry of Science and Technology, the Grain Management Platform of the State Administration of Grain, and the Application System Platform of China Knowledge Centre for Engineering Sciences and Technology, thus continuing to consolidate and improve our industrial position. By continuing to increase efforts of expanding the information security supervision market, we made new breakthroughs during our information security supervision services provided to General Office of the Central Committee of the Communist Party of China, Commission for Discipline Inspection of CPC, Office of Central Leading Group for Cyberspace Affairs, Ministry of Public Security, National Development and Reform Commission, Ministry of Agriculture, State Administration for Industry and Commerce, and Beijing Municipal Government and district party committees of Beijing. Our intelligent engineering supervision that covers projects in connection with intelligent building, intelligent cities, intelligent grain reserves, and data centers achieved good market recognition, with our market position and service areas becoming more focused and precise. In addition, the Group maintained robust development momentum in the operations and maintenance consulting and supervision, which covers both construction cost management and consulting and operations and maintenance consulting services for government entities and large-size state-owned enterprises, including Ministry of Finance, General Administration of Customs, National Health and Family Planning Commission, State Administration of Press, Publication, Radio, Film and Television, China Sports Lottery, China Southern Power Grid, and Binhai New Area.

Expedite Our Research on Product Innovation

In 2017, the Group optimized its annual reporting formats by closely observing the movements in the new business formats and new markets, and presented novel annual reports specifically prepared for the relevant industries, markets, and investment and financing segments by handpicking focal areas, including our "2017 Insights: Investment Opportunities in Emerging Industries" and "2016 and 2017 Blue Paper on Investing in New Industries Across China". Our reform of the research formats started with eight aspects, namely, "CCID Research and Judgement, Industry Growth Environment, Industry Chain Overview, Industrial Layout Map, Industrial Scale Forecast, Industrial Evolution Trend, Top 100 Investments by Value, and Industry Investment Directions", and expounds nearly sixty industrial focuses in our publication of "2018 Insights". Meanwhile, we continued to extend our brand influence by publishing a pile of white papers and research reports covering various issues, including Fintech, digital economy, artificial intelligence race between China and America, big data ecosystem, cyberspace and information security, cloud security, green bonds, environmental public-private partnership (PPP), comprehensive healthcare, medical equipment, artificial manufacturing, quantum telecommunications, top 50 robotics innovators, top 100 county and regional economies, top 30 real estate developers, and top 100 internet investments by value. Among these papers and reports, the white paper entitled "AI Development: China VS America" attracted widespread attention in the market, and subsequently enabled our Company to penetrate into the artificial intelligent segment, the internal reference derived from the contents of which was even adopted by General Office of the Central Committee of the Communist Party of China. Furthermore, the Group completed selecting topics in such manner that "a figure analyzes the industry chain in a notice", and organized the construction of databases for industry maps. On the other hand, the Group researched and developed various high value-added products and services, including "management and consulting services for funding project lifecycles", "management and consulting services for documentation of project lifecycles", "management and consulting services for inspection and acceptance of large-size information system projects", and "management, consulting, and performance assessment services for large-size information engineering projects", which also earned positive market responses.

Increase Efforts to Submit Applications for Qualifications and to Formulate Industrial Standards

In 2017, the Group applied for and obtained the Class-B qualification in integrated information security systems (consulting), while continuing to maintain its other qualifications, including Class-A qualification in information security supervision, Class-A information system engineering supervision, military engineering consulting qualification, the Class-B qualification in telecommunications engineering supervision, and the high-tech enterprise qualification. In addition, the Group passed the supervision and audit process for ISO9001, ISO20000, and ISO27000, and completed the formulation of industrial standards for information security engineering supervision organized by the National Administration for the Protection of State Secrets. In 2017, the Group took the lead in formulating two sets of standards, namely, the "Regulations Supervising Information Security Systems" and "Part V of Information Technology Services Supervision: Regulations Supervising Operations and Maintenance", while participating in the formulation of seven standards (which were subsequently published), namely, the "Part II of Information Technology Services Supervision: Regulations Supervising Infrastructure Projects", "Part III of Information Technology Services Supervision: Regulations Supervising Software Engineering", "Part VII of Information Technology Services Supervision: Supervision Measurements", "Regulation on the Development and Management of Information of the National Railway Administration", "Part I of the Management and Performance of Information-based Operations and Maintenance: Operations and Maintenance Performance", "Part II of the Management and Performance of Information-based Operations and Maintenance: Operations and Maintenance Budgeting", and "Part III of the Management and Performance of Information-based Operations and Maintenance: Operations and Maintenance Services". As a result, the Group further enhanced its influence and authoritativeness within the industry, which in return laid a solid foundation for consolidating and enhancing our market competitiveness. In particular, our formulation and publication of BMB18 standards, along with our regulations and standards with respect to the performance and budgeting of operations and maintenance, significantly improved our competitive strength in the market to support and safeguard our successful bidding for the supervision of an intelligent office system constructed for the administrative subcenter of Beijing, the management consulting and performance evaluation of the information engineering developed for China Association for Science and Technology, the performance evaluation of the information engineering developed for the Ministry of Finance, the consulting on the information-based budgeting and preparation for China Sports Lottery under General Administration of Sport, the review of information-based budgeting for China Southern Power Grid, the performance evaluation of the informatized customs system of China.

Steadily Advance the Investment and Financing Business

First, the Group established a database of investment and financing, whereby collating a packet of information related to capital investment and financing projects so that an information platform is established and matches resources required by the providers and demanders of capital. Second, the Group established a repository of listing companies, whereby sorting out listed companies that previously received our services or engaged in collaborations so that a pool of customer resources is created for conducting investment and financing businesses. Third, the Group entered into strategic cooperation agreements with Qingkong Hetang, Etown Capital, IC Cafe, and other capital investors, respectively, for the purposes of paving a smooth way for investment and financing businesses. Furthermore, in addition to active negotiations with various investment funds, the Group explored long-term partnership, and identified new investment and financing businesses.

Continue to upgrade the "MTX Chanyeton" Platform

In 2017, 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 the "MTX Chanyeton" platform, which was ultimately released to the market as the platform www.mtx.cn, with five versions for Android, Android PAD, IOS, PAD, and PC websites. Focusing on such various buzzwords as artificial intelligence, cyber security, big data, and virtual reality, this platform creates a series of website groups, while constructing industry maps and intelligent reporting systems based on the SmartBI system.

Innovative Media Distribution Approaches

In 2017, the Group improved 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 continuing to maintain positive momentum of media transmission effects, including our MTX Chanyeton, Weibo, WeChat, Today's Headlines, Baidu Library, Yi Dian Zi Xun, Netease, Sohu, Tencent, PhoenixNet. The Company took great efforts to develop various conferences, including "China IT Market Annual Conference 2017", "China Semiconductor Market Annual Conference 2017", "2017 China (Xixian) Forum for Intelligent Manufacturing and Innovation Development", "2017 Annual Conference for Intelligent Manufacture in China", "2017 Artificial Intelligence Jiaxiu Forum", at which, 200 media were invited to attend the aforesaid conferences. These media included famous media, such as CCTV, Xinhua News Agency, China News Service, Can Kao Xiao Xi, Guangming Daily, Global Times, with approximately 3,000 reports disseminated. In terms of research and promotion, the Company adopted the four-in-one approach, namely, "white paper + seminar + press conference + all-star analyst". 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.

Encourage the organization and development of learning orientation

In 2017, the Group further enriched our innovative 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 elite classes, in-house training, induction training, and mentorship training. By closely focusing on our business strategy of "consulting" to achieve our objective of "cultivating outstanding managers and creating elite leadership", the Group meticulously organized its "CCID Elite Training Class (Phase II)" from June to October 2017, during which, four in-house courses, one management scenario simulation, and one tea talk were arranged, amounting to a total of 45 learning hours. The successful completion of the courses enlightened these 44 elite apprentices to adopt new thinking approaches regarding business innovation, leading to completion and publication of the "Dissertation Collection of CCID Elite Training Class (Phase II)". Thus, our middle management had effectively enhanced their leadership. To accommodate the rapid development requirements for our business transformation and upgrading, the Company sped up the cultivation of more outstanding talents. In October 2017, the "2017 New Employee Training" was organized, and the management members of the Company were appointed as the lecturers to systematically deliver 16 specialty courses and corporate policies and procedures with specific focused areas. In collaboration with the China Young Communist League Committee of China Centre of Information Industry Development, we planned and organized the "Next Senior Consultants Contest" as the method to assess training results. Meanwhile, the Company fully implemented the "mentorship" system, the assessment cycle of which was extended to one year. The mentors and the apprentices are required to accomplish the "six ones" requirements, which provide ample time for new employees to complete their adaption to new positions and roles at the workplace, as well as facilitating the growth of the backbone employees at the Company. This advanced the process of our business innovation. 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.

Continuous Fostering of Harmony Culture Building

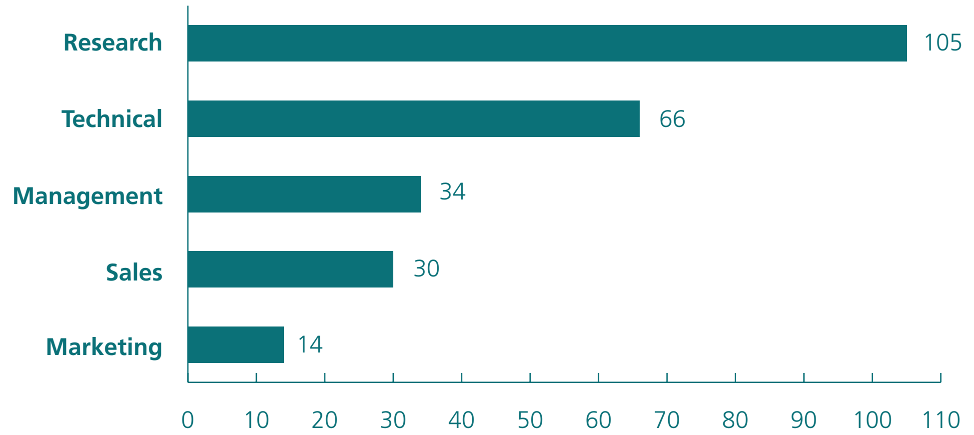
In 2017, the Group closely worked with the Party, the League, and the Labor Union. Under the people-oriented principle, the Company innovatively organized various themed activities, and built a harmonious ambiance that promotes positive and healthy thinking as well as relaxing, amicable, and united collaboration throughout the Company by starting with our understanding of staff's thinking, work and lifestyle and continuing to systematically carry out the work related to democratic management, social responsibility, entertainment and sports activities, and mental health. As for democratic management, we continued to hold the annual staff representatives meeting, at which, we regularly listen to the opinions and recommendations from staff representatives as to the improvement in the office conditions, adjustments to reimbursement for travel expenses, better lunch allowance standards, and many other areas. Thus, it effectively encouraged the positive involvement of our employees. To assist the young employees in recognizing the right lifestyle, we proactively promoted the development of "Most Harmonious Families" among the employees, and organized "CCID Consulting has a Date with you: New Employee Birthday Party" for three consecutive occasions, which will take place every quarter. As for community cultural activities, we held the third employee sports game, elected four young employees to participate the Young Professionals Debate, and established various social clubs, including Vocal Music Club, Dancer Club, Female Doctors' Crosstalk Team, Puppetry Club, along with such frequent social activities as basketball games, badminton games, swimming, and fitness exercises. These initiatives not only enriched amateur activities of our employees but also enhanced their emotional interactions and exchanges. As for social responsibility, we proactively organized our employees to participate in the programme headed "Caring Donations to Underprivileged Mothers under the Family Planning Policy".

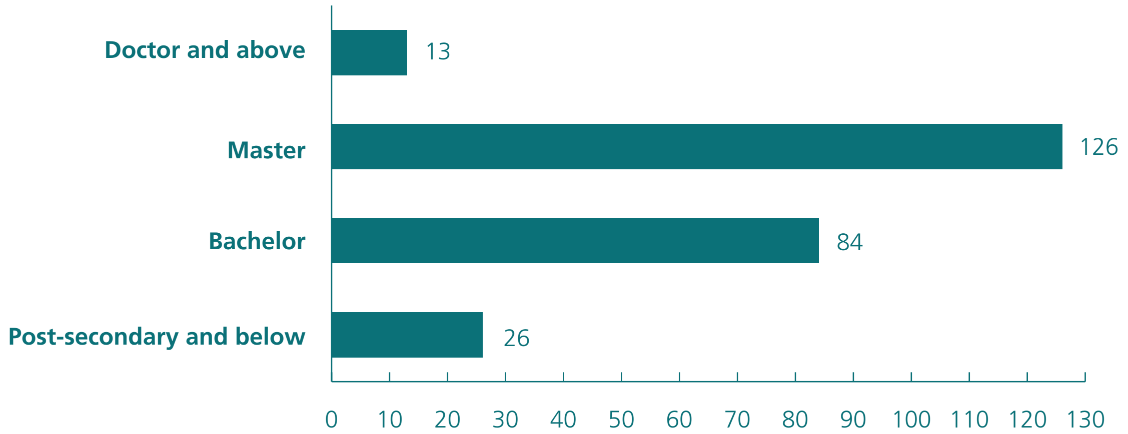
Marketing and Promotion

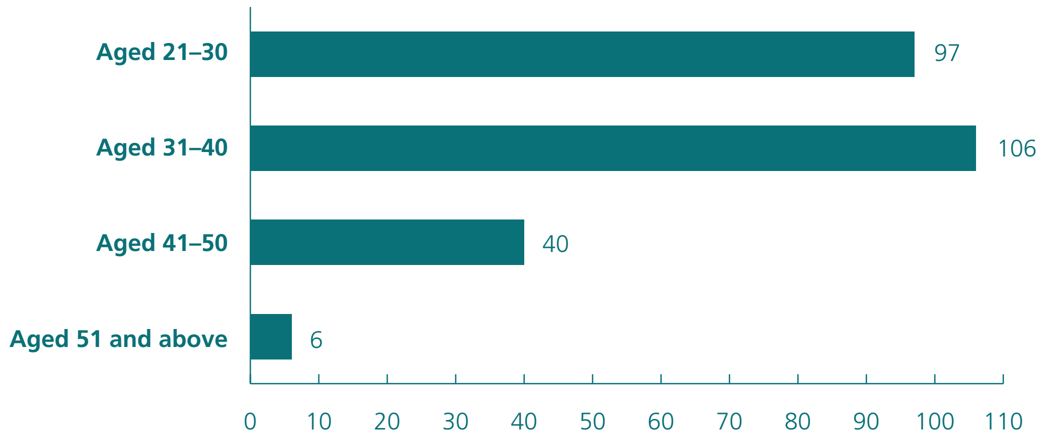
In 2017, the Group promoted the transformation and innovation in substance and form and achieved new breakthroughs in respect of influence and economic benefits through major brand programmes such as "China IT Market Annual Conference", "China Semiconductor Market Annual Conference", ""Artificial Intelligence Jiaxiu Forum" under the Big Data Expo in Guiyang", and "China Top 100 Innovation Counties Forum". In 2017, the Group was one of the first corporate management and consulting institutions to be added to a recommendation list, which is jointly published by China Enterprise Confederation and China Association of Small and Medium Enterprises.

Employee and Remuneration Policy

The Group had a total of 249 staff as of 31 December 2017 (2016: 275), the composition of which was as follows:







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 2017, the advantages of remaining in the forefront in economic growth rate and the National Development Plan, the financial indicators of the Group, such as operating results, financial position and cash flow, maintained a positive growth trend in 2017.

Turnover

For the year ended 31 December 2017, the Group recorded a turnover of approximately RMB146,977 thousand (2016: approximately RMB133,689 thousand), representing an increase of approximately 10% as compared to the same period of last year.

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

	2017		2016	
	RMB('000)	**%**	RMB('000)	%
Management and Strategy Consultancy Services	**73,662**	**50%**	70,025	52%
Market Consultancy Services	**15,910**	**11%**	11,698	9%
Information Engineering Supervision Services	**53,817**	**37%**	45,581	34%
Other Services	**3,588**	**2%**	6,385	5%
Total	**146,977**	**100%**	133,689	100%

The Group continued to carry out and deepen our business transformation and innovation strategies launched in 2015. Persisting in full-scale innovation of business operations and products, the Group focused on developing "MTX 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.

Costs and expenses

For the year ended 31 December 2017, the Group's costs and expenses amounted to a total of RMB111,936 thousand (2016: RMB106,909 thousand), representing an increase of approximately 5% 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 Law 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 RMB1,836 thousand for the year ended 31 December 2017.

Profit for the year

For the ended 31 December 2017, the Group reported total comprehensive income for the year of approximately RMB23,369 thousand (2016: RMB14,791 thousand), representing an increase of approximately 58% as compared to the corresponding period of last year. The main reason for the such increase is that: (1) for the super-large-scale project "Central Investment Supervision Service Project of Stage II of the Golden Tax Project Phase III" undertaken by Beijing CCID Industry and Information Engineering Supervision Center Co., Ltd.* (北京賽迪工業和信息化工程監理中心有限公司) ("CCID Supervision"), the subsidiary of the Company, its main work has been completed in 2017 and it has entered the final phase of the project, and realized a revenue of RMB9,180 thousand in 2017; and (2) projects in connection with Beijing city planning undertaken by CCID Supervision are in large amount of money with short terms due to the relocation layout planning of sub-center in Beijing. 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 2017, the Group held cash and cash equivalents of RMB86,148 thousand, of which approximately RMB86,148 thousand and US$2 (2016: cash and cash equivalents of RMB101,530 thousand, including RMB101,498 thousand, HK$36,522 and US$2), respectively, representing a drop of approximately 15% 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.

Capital Structure

The capital structure of the Group as of 31 December 2017 is summarized as below:

	RMB ('000)	Percentage
Total Shareholders' equity attributable to equity holders of the Company	159,592	86%
Non-controlling interests	25,482	14%
Total	185,074	100%

Segment information

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

Capital Commitment and Contingent Liabilities

As of 31 December 2017, the Group had no capital commitment (2016: nil). The Company's capital commitment as of 31 December 2017 amounted to RMB800 thousand (2016: RMB800 thousand).

As of 31 December 2017, the Group had no contingent liabilities.

Pledged Assets

As of 31 December 2017, the Group had no pledged assets.

Gearing Ratio

As of 31 December 2017, the Group's gearing ratio was approximately 38% (2016: 29%). Gearing ratio is calculated by total liabilities less amounts due to related parties and plus proposed final dividend then divided by total equity minus proposed final dividend.

Major Investment

For the year ended 31 December 2017, the Group had subscribed the following wealth management products as set out in the table below:

Date of Subscription	Signing Party with the Group	Name of Wealth Management Product	Currency of Principal and Return	Subscription Amount	Term of Product	Expected Annualized Yield Rate
22 September 2017	China Minsheng Bank	Interest Rate Linked Structured Product	RMB	30,000,000	181 days	Based on the forward curve of the current USD3M-LIBOR and the pricing model, there is a 95% chance that the return rate on this product equals 4.30%
19 October 2017	China Construction Bank	"Qianyuan — Shengyixin" 2017 Standard Asset Portfolio Wealth Management Product No. 990	RMB	20,000,000	181 days	4.60%
28 December 2017	China Construction Bank	"Qianyuan — Rixinyueyi" (Daily basis) Open-ended Assets Portfolio RMB Wealth Management Product	RMB	20,000,000	365 days	3.70%

Major Acquisition and Disposal

As of 31 December 2017, the Group had no major acquisition and disposal.

Future Major Investment

As of 31 December 2017, the Group had 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 are exposed to foreign exchange risk in Renminbi conversion. In consideration of the exchange rate among Renminbi and United States Dollar, the Company is of the opinion that the relevant foreign exchange risk is normal and will regularly convert the deposits in foreign currency to Renminbi.

EXECUTIVE DIRECTOR

Zhao Zeming (趙澤明), aged 58, an executive Director and chairman of the Board. Mr. Zhao is currently the Head of Finance Department of China Centre of Information Industry Development. Mr. Zhao graduated from Renmin University of China with a bachelor degree in industrial and financial accounting. He is also a senior accountant. Previously, he served as an accounting officer at the Finance Department of the General Office of Ministry of Electronic Industry and the Finance Department of China Electronics Industry Corporation. He also held several positions at China Electronics Engineering Construction Development, including an accounting officer, a senior accountant, and deputy director. Mr. Zhao was the director of the Finance Department of Electronic Information Center of Ministry of Information Industry. He also served as a director for various departments at China Centre of Information Industry Development, including the Audit Department, Finance Department, Enterprise Management Department, and Personnel Department. Mr. Zhao was appointed as Supervisor of the Company with effect from 20 November 2009, and retired on 25 November 2014, and was appointed as an executive director of the Company with effect from 25 November 2017.

NON-EXECUTIVE DIRECTOR

Luo Junrui (駱俊瑞), aged 66, a non-executive director. 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., and the deputy director of Science and Technology Committee under China Center for Information Industry Development. 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, and was re-elected and re-designated as a non-executive director on 25 November 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Xinping (郭新平), aged 54, an independent non-executive director, is currently the Vice-Chairman of the Board of Yonyou Network Technology Co., Ltd. (shares of which are listed on the Shanghai Stock Exchange, 600588.SH), and the Chairman of the Supervisory Committee of Chanjet Information Technology Company Limited (shares of which are listed on the Stock Exchange, HK1588). 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 (shares of which are listed on the Shenzhen Stock Exchange, 002410.SZ), (resigned on 25 March 2014) and of Tus-Sound Environmental Resources Company Limited (formerly known as Sound Environmental Resources Company Limited) (shares of which are listed on the Shenzhen Stock Exchange, 000826.SZ), (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 2017.

Li Xuemei (李雪梅), aged 50, 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 2017.

Xia Yinan, aged 51, an independent non-executive director. Mr. Xia is currently a business partner of Tibet Proud Investment Manager Limited* (西藏萬憬投資管理有限公司) and Auspicious Greater China Investment Management (Hangzhou) LLP* (瑞海昊華投資管理(杭州)合夥企業(有限合夥)). Mr. Xia holds a bachelor degree in economics from Wuhan University. He held various positions at Bank of China, Anhui Branch, and Shenzhen Development Bank, including section chief, investment manager, branch president, and a business principal at their respective headquarters. From 2008 to 2014, Mr. Xia founded Shenzhen Extra Investment Co., Ltd.* (深圳鼎泓乘方投資有限公司) and Shenzhen Credible Capital Management Limited* (深圳信方資本管理有限公司) and was appointed as the principal of these two companies. From 2014 to 2016, Mr. Xia served as a director and chief executive officer of China Wall King Holding Co., Ltd* (中國華建投資控股有限公司). Mr. Xia was appointed as an independent non-executive director of the Company on 25 November 2017.

SUPERVISORS

Chen Ying (陳瑛), aged 66, 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 under the Ministry of Industry and Information Technology), a director and a supervisor of Beijing CCID Media Investments Co. Ltd. Ms. Chen was appointed as a supervisor of the Company with effect from 25 November 2014 and was re-elected and appointed with effect from 25 November 2017.

Xia Lin (夏琳), aged 50, a Supervisor. Ms. Xia is currently the deputy general manager of CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司) and general manager of the Finance Center under the company. Ms. Xia graduated from Wuhan University with a bachelor degree and the Central University of Nationalities with a Master degree. She is a U.S. Certified Management Accountant. Previously, Ms. Xia worked for China Metallurgical Import and Export Corporation, Shougang Branch* (中國冶金進出口公司首鋼分公司), Iveco Margirus Beijing Representative Office* (德國馬基路斯公司北京代表處), CTA Makro Commercial Co., Ltd. * (中貿聯萬客隆商業有限公司) and B&Q China. From April 2005 to October 2013, she served as the deputy general manager of several departments at Huida Asset Management Ltd. Co., including Finance Department, Asset Disposal Department I and Asset Disposal Department III. During the same tenure, she was also a deputy chief accountant of Nanning Phoenix Paper Industry Limited* (南寧鳳凰紙業有限公司). On 30 August 2006, she was appointed as a director of Nan Hua Bio-medicine Co., Ltd.* (南華生物醫藥股份有限公司, shares of which are listed on the Shenzhen Stock Exchange, 000504.SZ) and resigned on 12 November 2009. From October 2013 to August 2016, Ms. Xia served as a vice president of Beijing Pan-Asian Flying Banner Technology Limited* (北京泛亞飛旗科技投資有限公司). In August 2016, Ms. Xia started to work at CCID Academy for Industry and Information Technology Limited* (賽迪工業和信息化研究院(集團)有限公司). Ms. Xia has over 20 years of experience in financial management, capital operation and corporate management. Ms. Xia was appointed as a Supervisor of the Company with effect from 25 November 2017.

Ma Xin (馬欣), aged 53, the staff representative supervisor and the Customer Service Director. 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 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, and was re-elected and appointed at the staff representatives meeting on 24 November 2017 with effect from 25 November 2017.

SENIOR MANAGEMENT

Sun Huifeng (孫會峰), aged 39, is the general manager, 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 38, a deputy general manager and a general manager of Beijing CCID Strategy Consulting Co., Ltd.*(北京賽迪經略企業顧問有限公司). Ms. Wen graduated from the Beijing Jiaotong University with a master degree. 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 14 years of experience in the research of electronic information, software, industry planning and urban economy.

Song Yu (宋宇), aged 45, 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 14 years of experience in the industry research of electronic information, semiconductors and internet of things.

Li Ke (李珂), aged 41, 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 14 years of research experience in industries of semiconductors, optoelectronics and Internet of Things.

Fu Changwen (付長文), aged 37, 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 13 years of experience in industrial study, strategy consulting and corporate governance.

Lu Ping (呂萍), aged 39, 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 13 years of experience in market research, industry planning and government consultancy.

Hu Yun (胡雲), aged 44, is the financial controller. She 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, internal control consultation and financial training affairs for large state- owned enterprises. Ms. Hu joined the CCID Group in October 2007 and respectively served at the Company 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 a supervisor of the Company from 25 November 2014 to 13 June 2017 and was appointed as the financial controller of the Company since 13 June 2017.

Guan Dongsheng (管東升), aged 42, the general manager of Beijing CCID Industry and Information Engineering Supervision Center 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 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 42, 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 PRACTICES

For the year ended 31 December 2017, 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 former Chairman of the Board and the Chairman of the Nomination Committee attended the annual general meeting held on 13 June 2017, 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 Group 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 2017, 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.

For the year ended 31 December 2017 and as at the date of this annual report, the composition of the Board is set out as follows:

Executive Director
Zhao Zeming *(Chairman) (appointed on 25 November 2017)*

Non-Executive Directors
Luo Junrui *(re-elected and assigned from executive director to non-executive director on 25 November 2017)*
An Guangyou *(retired on 25 November 2017)*

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Xia Yinan *(appointed on 25 November 2017)*
Han Fuling *(retired on 25 November 2017)*

Details about our directors are set forth on Page 17 to Page 18 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 Board 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.

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 2017, the above corporate governance functions were performed by the Board.

Chairman and General Manager

Mr. Zhao Zeming, an executive Director, acts as the chairman of the Company, and Mr. Sun Huifeng acts as the general manager. 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 of the Company have explained the respective roles and responsibilities of the chairman and general manager in details.

Non-executive Director

Mr. Luo Junrui has been re-designated as the non-executive Director of the Company with effect from 25 November 2017, he has signed a service agreement with the Company for a term of three years from 25 November 2017 to 25 November 2020.

The independent non-executive Directors of the Company, Mr. Guo Xinping and Ms. Li Xuemei have been re-elected with effect from 25 November 2017, and Mr. Xia Yinan has been elected as an independent non-executive director with effect from 25 November 2017. The three independent non-executive Directors have signed service agreements with the Company for a term of three years from 25 November 2017 to 25 November 2020.

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. Zhao Zeming	Appointed on 25 November 2017	√	√
Mr. Luo Junrui		√	√
Mr. Guo Xinping		√	√
Ms. Li Xuemei		√	√
Mr. Xia Yinan	Appointed on 25 November 2017	√	√
Mr. Han Fuling	Retired on 25 November 2017	√	√
Mr. An Guangyou	Retired on 25 November 2017	√	√

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. Zhao Zeming, 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 two meetings, at which it reviewed such contents including the existing terms of the service contracts of the executive Director, non-executive Director and independent non-executive Directors, and nomination of the chairman of the Remuneration Committee. The Remuneration Committee considers that the existing terms of the service contracts of the executive Director, non-executive Director and independent non-executive Directors are fair and reasonable.

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. Zhao Zeming, the chairman of the Board, and other members include Mr. Guo Xinping, Ms. Li Xuemei and Mr. Xia Yinan, 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 three meetings, 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, the nomination of members to the Board, and the nomination of the chairman of the Nomination Committee, 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. Xia Yinan, both being independent non-executive Directors. Ms. Li Xuemei, the Chairlady of the 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 2016, the 2017 interim report and quarterly reports for the quarters ended 31 March 2017 and 30 September 2017, 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 2017, and was of the view that the preparation of such results has complied with applicable accounting standards and relevant regulatory and law provisions, and has made sufficient disclosures.

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

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

	Attendance Record for Meetings Held During the Period				
Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting(s)
Total Meetings	8	2	3	5	2
Mr. Zhao Zeming	1/1	1/1	1/1	N/A	0/0
Mr. Luo Junrui	8/8	1/1	2/2	N/A	2/2
Mr. An Guangyou	7/7	N/A	N/A	N/A	2/2
Mr. Guo Xinping	8/8	2/2	3/3	5/5	1/2
Ms. Li Xuemei	8/8	2/2	3/3	5/5	1/2
Mr. Xia Yinan	1/1	N/A	1/1	1/1	0/0
Mr. Han Fuling	7/7	N/A	2/2	4/4	0/2

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 2017 is set out below:

Remuneration band	Number of individuals
RMB300 thousand and below	—
RMB301 thousand to RMB500 thousand	1
RMB501 thousand or above	7

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 85 to 89 of the 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 RMB404 thousand was payable by the Company to the external auditor as remuneration for their auditing services. Apart from the above, no significant non-audit service has been provided by the external auditor of the Company.

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 53 to 56.

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 2017. 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, staff qualifications and experience, the training programmes for staff and the relevant budget of the accounting are effective and adequate. No material defect in the risk management and internal control systems was identified in the review. 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;

— 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 complied 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 Ms. Hu Yun (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 cents (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 meeting 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.

(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

No amendment to the Articles of Association has been made by the Company during the year ended 31 December 2017.

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.

ENVIRONMENT AND NATURAL RESOURCES

The Group is in compliance with the Environmental Protection Law of the People's Republic of China and other relevant laws and regulations. Currently, we are principally engaged in consulting services, which poses comparatively limited impacts on the environment. However, environmental protection remains a major concern, the Group encourages environmental protection and enhances our employees' environmental awareness.

Besides conducting reviews on its environmental conditions from time to time, the Group considers implementing 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 impacts on environment.

Use of Resources

In compliance with the Water Law of the People's Republic of China, the Energy Conservation Law of The People's Republic of China, The Circular Economy Promotion Law of the People's Republic of China Design Standard for Energy Efficiency of Public Buildings 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. In light of the business nature of consulting services, the Group mainly consumes such resources as office water, power and paper. The Group do not need to use packaging materials since it has no physical products for sale. The following table sets out major resources used by the Group for the year ended 31 December 2017:

Types of resources used	Unit	Usage amount	Per employee resource usage
Power consumption	kWh	144,000.00	578.31
Water consumption	ton	2,700.00	10.84
Paper consumption	ton	0.14	N/A*

* The total paper consumption and per employee paper consumption of the Group is relatively low and minimal, respectively, which is not applicable here.

The Group advocates water conservation and encourages the use of recycled paper for printing and photocopying, double-sided printing and photocopying, as well as transmitting data electronically as much as possible to reduce paper 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 helps save more paper consumption, telecommunication fees and postage, as it also minimizes such contact means that consumes resources of the social telecommunication routes and postal services, including the use of telephone, fax, and postal services. Employees are encouraged to use reusable instead of irreplaceable office supplies and stationery.

Emissions

According to the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Action Plan for Water Pollution Prevention and Control, the Regulations on Urban Drainage and Sewage Treatment and the Action Plan on Prevention and Control of Air Pollution, the Group pays close attention to its pollutants emissions. The Group's pollutants are mainly generated in the operation of daily offices as its business operation does not involve any manufacturing activity, therefore the Group do not generate hazardous waste. During the year, the waste generated mainly includes domestic sewage, office waste and vehicle exhaust. The emissions generated by the domestic sewage include Chemical Oxygen Demand (COD), Biochemical Oxygen Demand (BOD), Suspended Solids (SS) and Ammonia nitrogen. The following table sets out the emissions from office waste and vehicle exhaust by the Group for the year ended 31 December 2017:

Types of emissions	Emissions (ton)	Per employee emission (ton)
Office waste	**25.25**	**0.11**
of which: Waste paper	14.00	0.06
Garbage	11.25	0.05
Vehicle exhaust		
of which: Carbon monoxide	0.03	N/A

During the year, the Group's total greenhouse gas emissions amounted to 138.74 tons of CO2 equivalent, and the per employee greenhouse gas emissions was 0.56 tons of CO2 equivalent.

The Group controls the office room temperature and the hours of air-conditioning service, turns off idle lighting in a timely manner to reduce energy consumption and carbon emission, and selects direct fights for required business trips. Besides efficiently using the video-conferencing function for seminars, the Group formulates administrative vehicle management measures to improve the management of fuel use and reduce exhaust emission, and assigns dedicated personnel to allocate vehicles to maximize the utilization rate of vehicles, save energy, and reduce emissions. The Group's recyclable waste and waste paper have been uniformly reclaimed for processing by qualified property companies.

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 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 staff representatives held under law, and the staff representatives meetings take the lead in improving the Company based on the "reasonable and constructive implementation opinions". Seminars and other forms will take place at the staff representatives meetings, 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, further encouraging the employees to help and care about each other, as well as enhancing cohesion among employees and their sense of belonging to the Group.

In 2017, a seminar regarding mental health was held to assist our employees as a whole in learning how to relieve stress and make emotional adjustments, which also guided the employees to strike a balance between work and lifestyle in a pleasant and happy mood. As for employee care, we established a food stall for overtime employees to restore their energy and recognize their diligence and dedication,

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 labor authorities, the Group will timely process 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 Company will proactively organize induction training with its complete set of training 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, and employees are encouraged to proactively participate in professional training that improves the expertise of the employees. These are our efforts to enhance their professionalism and occupational level.

In 2017, to achieve the objective of "cultivating outstanding managers and elite leadership", the Group carried out the "CCID Elite Training (Phase II)", during which, the middle-level management of the Company received systematic training as to their leadership, innovative thinking, business strategies, and other areas. All of the management trainees completed various series of training, including "Know the Role of Managers", "Innovating for PeopleTM: the Path to Innovation"(「英為：創新之路」), "the Middle Management Training", the "Individual Development and Working Methods", and the "TechMark Simulation". As a result, they adopted new thinking approaches regarding business innovation, leading to completion and publication of the "Dissertation Collection of CCID Elite Training Class (Phase II)", which provides effective support to the Company for build a solid middle-level management team.

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 Company 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.

PRODUCT RESPONSIBILITY

In compliance 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 continues to improve its customer satisfaction. The Company 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 other requirements. According to the "Measures to Transfer and Manage the Customer Request Hotline, as well as the Measures to Investigate and Evaluate Customer Satisfaction" released and implemented by the Group, 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 Company 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 Company, such employee may be subject to termination of employment or other actions. In 2017, the Company was not involved in any litigation against corruption.

COMMUNITY INVESTMENTS

In 2017, to assist a poverty-stricken county, the Group designated an employee who has good political integrity with strong performance and sound professional practices. This employee is responsible for coordinating and implementing the assignment of poverty alleviation, as well as assisting the precise poverty targets. The Group also continued to organize public charity campaigns, such as "Caring Donations to Underprivileged Mothers under the Family Planning Policy". We also took 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 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in management and strategic 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 5 to 16 of this annual report. The discussion constitutes a part of this Report of the Directors.

BUSINESS OUTLOOK

The business outlook 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 35 to the consolidated financial statements on pages 114 to 116 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.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2017 and the financial position of the Group as at that date were set out on pages 57 to 59 of this annual report.

The Board has proposed the payment of a final dividend of RMB1.43 cents (tax inclusive) per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on 26 June 2018 (the "2017 Final Dividend"). Based on the number of issued shares as at the date of this annual report, the 2017 Final Dividend, if declared and paid, will amount to an aggregate amount of approximately RMB10,010,000 (tax inclusive). For distribution of 2017 Final Dividend, dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong Dollars (at the average closing prices of Hong Kong dollars announced by the People's Bank of China one week prior to the announcement of dividend, i.e. the date that the annual general meeting of the Company to be held on 14 June 2018 (the "2017 AGM")). The proposed payment of 2017 Final Dividend is subject to the approval by the shareholders at the 2017 AGM.

Pursuant to the Notice on the Issues Concerning Withholding Enterprises Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, a PRC resident enterprise, when distributing dividends for the year 2008 and for the years thereafter to holders of H shares who are overseas non-resident enterprises, shall be subject to enterprise income tax withheld at a uniform rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax.

Pursuant to relevant laws and regulations and regulatory documents such as the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》), the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Nonresidents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)) and the Notice of the State Administration of Taxation on the Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]45號文件廢止後有關個人所得稅徵管問題的通知》(國稅函 [2011]348號)), dividends received by overseas resident individual shareholders from the stocks issued by domestic nonforeign investment enterprises in Hong Kong is subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of the stocks issued by domestic nonforeign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or the tax arrangements between Mainland China and Hong Kong (Macau). For individual holders of H shares, dividends payable to them are subject to the individual income tax withheld at a tax rate of 10% in general unless otherwise specified by the tax regulations and the relevant tax agreements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders who are entitled to attend and vote at the 2017 AGM, the register of H shareholders will be closed from 15 May 2018 to 14 June 2018, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for attending the 2017 AGM, all transfer documents of H shares accompanied by the relevant share certificate(s) must be lodged to the Company's H share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 May 2018 for registration.

Shareholders whose names appear on the register of members of the Company at the close of business on 14 May 2018 will be entitled to attend and vote at the 2017 AGM.

In order to determine the shareholders who are entitled to receive the 2017 Final Dividend, the register of H shareholders will be closed from 21 June 2018 to 26 June 2018, both days inclusive, during which period no transfer of H shares will be effected. In order to qualify for receiving the 2017 Final Dividend, all transfer documents of H shares accompanied by the relevant share certificate(s) must be lodged to the Company's H share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 June 2018 for registration.

Shareholders whose names appear on the register of members of the Company at the close of business on 26 June 2018 are entitled to receive the 2017 Final Dividend. The proposed 2017 Final Dividend will be paid on or about 9 August 2018 following the approval at the 2017 AGM.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and a summary of the assets and liabilities of the Group for the last five financial years extracted from the audited financial statements are set out on page 118. 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 during the year.

RESERVES

Details of movements in the reserves of the Company and 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 2017, 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 RMB58,807 thousand available, after provisions, for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 15% of the total annual sales of the Company, and of which sales to the largest customer accounted for 6%.

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 Chapter 18 of 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 2017 and as at the date of this annual report, the Board comprised:

Executive Director
Zhao Zeming *(Chairman) (appointed on 25 November 2017)*

Non-Executive Directors
Luo Junrui *(re-elected and assigned from executive director to non-executive director on 25 November 2017)*
An Guangyou *(retired on 25 November 2017)*

Independent Non-Executive Directors
Guo Xinping
Li Xuemei
Xia Yinan *(appointed on 25 November 2017)*
Han Fuling *(retired on 25 November 2017)*

Due to work reallocation, Mr. An Guangyou and Mr. Han Fuling did not offer themselves for re-election at the extraordinary general meeting of the Company held on 24 November 2017. Both of them retired as a director of the Company and other positions with effect from 25 November 2017.

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 17 to 21 of this annual report.

SERVICE CONTRACTS FOR DIRECTORS AND SUPERVISORS

Mr. Zhao Zeming, an executive Director of the Company, was appointed with effect from 25 November 2017, and has entered into a 3-year service contract from 25 November 2017 to 25 November 2020 with the Company.

Mr. Luo Junrui was re-designated as a non-executive Director of the Company with effect from 25 November 2017, and has entered into a 3-year service contract from 25 November 2017 to 25 November 2020 with the Company.

Mr. Guo Xinping and Ms. Li Xuemei, the independent non-executive Directors of the Company, were re-elected and re-appointed with effect from 25 November 2017, and Mr. Xia Yinan, the independent non-executive Director of the Company , was appointed with effect from 25 November 2017. All of them have entered into a 3-year service contract from 25 November 2017 to 25 November 2020 with the Company.

Ms. Chen Ying and Ms. Xia Lin, the Supervisors of the Company, were re-elected and re-appointed with effect from 25 November 2017. Both of them have entered into a service contract from 25 November 2017 to 25 November 2020 with the Company. Ms. Ma Xin was elected as the supervisor of staff representatives in the staff representatives meeting and has entered into a service contract from 25 November 2017 to 25 November 2020.

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

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.

In accordance with the Circular issued by the Organization Department of the Communist Party of China on Matters Relating to Part-time Employment of Retired (Resigned) Leaders and Cadres in Social Groups, Mr. Luo Junrui and Ms. Chen Ying, being a director and supervisor of the Group, respectively, will no longer receive the allowances granted to directors and supervisors from the Company with effect from 2018 as they both satisfied the criteria governing part-time employment of retired (resigned) leaders and Cadres in social groups.

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 2017, 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 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 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, a former executive Director and currently a non-executive Director, and Mr. An Guangyou, a former 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.

2. Non-Exempted Connected Transactions

For the year ended 31 December 2017, 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 to the consolidated financial statements on pages 112 to 113 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:

(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 and 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 and cause them to believe that such continuing connected transactions exceeded the cap disclosed in previous announcements.

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 2017, 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

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 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES HELD BY THE COMPANY

As of 31 December 2017, 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%

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 CCID Riyue.

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, as at 31 December 2017, 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 32 to 37 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.

AUDITORS

The financial statements for the year ended 31 December 2017 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 22 to 31 of this annual report.

SUBSEQUENT EVENT

On 22 March 2018, the Board proposed to distribute 2017 Final Dividend, detail of which are set out in the section headed "RESULTS AND DIVIDENDS" in this Report of the Directors.

By Order of the Board

Zhao Zeming
Chairman

Beijing, the People's Republic of China
22 March 2018

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 report and the dividend distribution proposal proposed at the 2017 AGM. 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 2017 and is fully confident in the future development of the Group.

By Order of the Supervisory Committee

Chen Ying
Chairlady of the Supervisory Committee

Beijing, the People's Republic of China
22 March 2018

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 57 to 117, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 ("HKSAs") 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 RMB146,977 thousand for the year ended 31 December 2017. 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.

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, accrued assets and other receivable

As stated in the basis of preparation and summary of significant accounting policies of the consolidated financial statements, impairment on trade receivables, accrued assets and other receivable 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 trade receivables, accrued assets and other receivable as stated in the consolidated financial statements and the profit or loss for next reporting period.

With reference to notes 5, 18 and 19 to the consolidated financial statements, the Group recorded impairment of assets on trade receivables, accrued assets and other receivables totalling RMB8,644 thousands for the year ended 31 December 2017 during the individual assessment in which impairment of trade receivables amounted to RMB1,458 thousand and the balance aroused from impairment of accrued assets and other receivables. 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, accrued assets and other receivable as a key audit matter.

KEY AUDIT MATTERS (Continued)

B. Impairment of assets on trade receivables, accrued assets and other receivable (Continued)

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.

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 the 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.

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

22 March 2018
Chan Ling Fung
Practising Certificate number P06188

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017 RMB('000)**	2016 RMB('000)
Revenue	4	**146,977**	133,689
Cost of sales		**(70,091)**	(71,692)
Gross profit		**76,886**	61,997
Other revenue			
Other revenue	4	**2,109**	1,172
		78,995	63,169
Operating expenses			
Selling and distribution expenses		**(13,554)**	(10,850)
Administrative expenses		**(28,291)**	(24,294)
Other operating expenses		**—**	(73)
		(41,845)	(35,217)
Impairment of assets	5	**(8,644)**	(9,747)
		(50,489)	(44,964)
Profit before taxation	7	**28,506**	18,205
Taxation	8	**(5,137)**	(3,414)
Profit for the year		**23,369**	14,791
Other comprehensive income		**—**	—
Total comprehensive income for the year		**23,369**	14,791
Attributable to:			
Equity holders of the Company		**19,566**	12,111
Non-controlling interests		**3,803**	2,680
		23,369	14,791
Earnings per share			
Basic (RMB cents)	12	**2.8**	1.7
Diluted (RMB cents)	12	**2.8**	1.7

The notes on pages 62 to 117 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB('000)	2016 RMB('000)
Non-current assets			
Property, plant and equipment	14	**17,927**	18,565
Intangible assets	16	**14,681**	14,681
Long term investments	17	**1,990**	1,990
Deferred tax assets	27	**4,174**	4,334
		38,772	39,570
Current assets			
Accounts receivable	17,18	**15,603**	13,217
Prepayment, deposits and other receivable	17,21	**10,052**	6,745
Short term investments	17	**70,168**	20,167
Accrued assets	19	**27,667**	28,995
Cash and cash equivalents	22	**86,148**	101,530
Current tax assets		**214**	214
		209,852	170,868
Current liabilities			
Accounts payable	17,23	**1,078**	1,325
Accruals and other payable	17,25	**44,185**	34,282
Deferred revenue	24	**8,068**	6,394
Due to related parties	26	**7,580**	2,309
Current tax liabilities		**2,639**	4,423
		63,550	48,733
Net current assets		**146,302**	122,135
NET ASSETS		**185,074**	161,705
EQUITY			
Share capital	28	**70,000**	70,000
Reserves		**89,592**	70,026
Total equity attributable to equity holders of the Company		**159,592**	140,026
Non-controlling interests		**25,482**	21,679
TOTAL EQUITY		**185,074**	161,705

Approved by the board of directors on 22 March 2018.

On behalf of the Directors

Luo Junrui	**Zhao Zeming**
Director	*Director*

The notes on pages 62 to 117 form part of these consolidated financial statements.

CONSOLDIATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Notes	**2017 RMB('000)**	2016 RMB('000)
Share capital			
Balance at beginning and end of year	28	**70,000**	70,000
Statutory reserve			
Balance at beginning of year		**11,954**	10,554
Appropriated from retained profits		**1,591**	1,400
Balance at end of year		**13,545**	11,954
Retained profits			
Balance at beginning of year		**58,072**	58,001
Profit for the year*		**19,566**	12,111
Appropriated to statutory reserve		**(1,591)**	(1,400)
2015 final dividend: RMB0.0152 per share (tax inclusive)	11	**—**	(10,640)
Balance at end of year		**76,047**	58,072
Total equity attributable to equity holders of the Company		**159,592**	140,026
Non-controlling interests			
Balance at beginning of year		**21,679**	21,679
Profit for the year#		**3,803**	2,680
Dividend declared and paid by partly-owned subsidiary to its other shareholders		**—**	(2,680)
Balance at end of year		**25,482**	21,679
Total		**185,074**	161,705
Total comprehensive income for the year			
Attributable to equity holders of the Company*		**19,566**	12,111
Attributable to non-controlling interests#		**3,803**	2,680
		23,369	14,791

The notes on pages 62 to 117 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB('000)	2016 RMB('000)
Cash flows from operating activities			
Profit before taxation		**28,506**	18,205
Depreciation		**1,402**	1,506
Interest income		**(986)**	(446)
Investment income		**(784)**	—
Loss on disposal of property, plant and equipment		—	216
Dividend income		—	(280)
Fair value adjustment on financial assets		**(1)**	8
		28,137	19,209
Changes in accounts receivable		**(2,386)**	5,110
Changes in accrued assets		**1,328**	7,092
Changes in prepayment, deposits and other receivable		**(3,306)**	369
Changes in accounts payable		**(248)**	186
Changes in accruals and other payable		**16,848**	13,262
Cash generated from operations		**40,373**	45,228
PRC enterprise income tax paid		**(6,761)**	(6,010)
Net cash generated from operating activities		**33,612**	39,218
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(764)**	(249)
Payments to acquire financial assets		**(50,000)**	(20,000)
Interest received		**986**	446
Investment income received		**784**	—
Dividend received		—	280
Net cash used in investing activities		**(48,994)**	(19,523)
Cash flows from financing activities			
Dividend paid		—	(13,320)
Net cash used in financing activities		—	(13,320)
Net changes in cash and cash equivalents		**(15,382)**	6,375
Cash and cash equivalents at beginning of year		**101,530**	95,155
Cash and cash equivalents at end of year	22	**86,148**	101,530

The notes on pages 62 to 117 form part of these consolidated financial statements.

The Group has no significant financing activities for the current year and last year, accordingly the reconciliation of liabilities arising from financing activities is not necessary in this regard.

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 (China Software Testing Center), 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

1. GENERAL (Continued)

(a) Definition (Continued)

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
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.

1. GENERAL (Continued)

(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.

(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.

2. BASIS OF PREPARATION (Continued)

(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.

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.

2. BASIS OF PREPARATION (Continued)

(e) Mandatory effective HKFRS

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

Amendment to HKAS 7:	Disclosure Initiative
Amendments to HKAS 12:	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle:	Amendments to HKFRS 12

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
HKFRS 17	Insurance Contracts	1 January 2021
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined
Amendment to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)	1 January 2018

2. BASIS OF PREPARATION (Continued)

(f) Impact of issued but not yet effective HKFRS (Continued)

		Mandatory effective date
Amendment to HKAS 28	Long-term interests in Associates or Joint Venture	1 January 2019
Amendment to HKAS 40	Transfers of Investment Property	1 January 2018
Annual improvements to HKFRSs 2014–2016 cycle	Amendment to HKFRS 1 and HKAS 28	1 January 2018
Annual improvements to HKFRSs 2015–2017 cycle	Amendment to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group has not early adopted the New Standards and Amendments in these consolidated financial statements. The Group is going to initially apply the New Standards and Amendments in the first accounting period beginning on or after their respective mandatory effective dates. The Group has already commenced an assessment of the impact of the New Standards and Amendments. The following Standards would have a significant impact on its consolidated financial statements in the period of initial application.

HKFRS 9 — Financial Instruments

The Group holds equity instruments in an unlisted entity with carrying amount of RMB1,990,000 (2016: same). According to the effective HKAS 39, the investments are measured at cost less impairment losses.

According to HKFRS 9, investments in unlisted equity instruments are measured at fair value; changes in fair value may be recognized in profit or loss or other comprehensive income. The Group will appoint an independent professional valuer to evaluate the fair value of the aforesaid investments at respective reporting dates; the changes in its fair value may affect the profit or loss of the Group for the years ended/ending 31 December 2017 and 2018.

Moreover, expected credit loss shall be evaluated for all trade receivables and other financial instruments measured at amortized costs using simplified approach in accordance with HKFRS 9. The impairment losses thereon may differ from that measured based on current accounting policy.

2. BASIS OF PREPARATION (Continued)

(f) Impact of issued but not yet effective HKFRS (Continued)

HKFRS 15 — Revenue from Contracts with customers

As depicted in details in notes 3(m) and 3(n) to the consolidated financial statements, the Group currently recognizes revenue from service contracts using percentage of completion method. According to HKFRS 15, percentage of completion method shall no longer be applicable, instead the amount of revenue recognized shall be the amount allocated to the performance obligations that may be satisfied over time or at a particular point of time.

Having assessed the terms of service contracts of the Group, the revenue generated from the service contracts shall be recognized at specific point of time; for the service contracts having retention period clause, the portion of revenue that will be received after the retention period shall be recognized over time. The initial payment at the inception of the service contracts shall be deferred to contract liabilities until the rights to receive the next payment are established and, by that time, the contract liabilities will be transferred to contract revenue. Except for retention money, all other payments shall be recognized as revenue when the rights to receive such payment are established.

Contract costs (including employees costs and sub-contractors' charges) directly incurred for service contracts shall be recognized as contract assets in accordance with HKFRS 15. Such contract assets shall be recognized as an expense when the corresponding contract revenue is recognized. As a practical expedient, the Group may recognize the associated costs of obtaining and performing the contract as an expense when incurred if the amortization period of the contract assets that the Group otherwise would have recognized is one year or less.

For service contacts having retention period clause, the portion of revenue that will be received after the retention period shall be recognized over the retention period on straight-line basis.

In accordance with HKAS 8, the aforesaid accounting policy will be effective on 1 January 2018 retrospectively. The Group is collecting the relevant information to re-measure the contract revenue and contract costs for the years ended/ending 31 December 2017 and 2018 and the corresponding contract assets and contract liabilities as at the beginning of 2017 and at the end of 2017 and 2018.

Other New Standards and Amendments

The Group is not yet in a position to state whether the other New Standards and Amendments would have a significant impact on its consolidated financial statements in their respective period of initial application.

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 consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries, 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.

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.

	2017	2016
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of assets (Continued)

iii) Other assets (Continued)

Recognition of impairment losses

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

Reversals of impairment losses

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 is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

Non-derivative financial assets that are designated as available for sale or are not classified as other types of financial assets are classified as available-for-sale financial assets. After initial recognition, available-for-sale financial assets are measured at fair value prior to the deduction of transaction costs. Changes in fair value are recognised in other comprehensive income until derecognition. At derecognition, the changes in fair value accumulated in other comprehensive income are reclassified to profit or loss as a reclassification adjustment. 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 also 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.

When a decline in the fair value of an available-for-sale financial asset carried at fair value has been recognised in other comprehensive income and there is objective evidence that the available-for-sale financial asset has been impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss as a reclassification adjustment even though the available-for-sale financial asset has not been derecognised. The amount to be reclassified shall be the difference between the acquisition cost (net of principal repayment and amortisation) and the current fair value, less previously reclassified impairment loss. Impairment loss for an investment in an equity instrument classified as available-for-sale financial asset shall not be reversed through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

On the contrary, if the fair value of debt instrument classified as available-for-sale financial asset subsequently reverses, the carrying amount of the debt instrument is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been recognised for the debt instrument in prior years. A reversal of an impairment loss is recognised in profit or loss.

The Group shall assess at the end of each reporting period whether the available-for-sale financial assets carried at cost are impaired. If there is objective evidence that an impairment loss has been incurred, the Group shall recognise impairment loss in profit or loss. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market rate of return for a similar financial asset. The carrying amount of the available-for-sale financial assets shall be reduced directly. Such impairment losses shall not be reversed in subsequent period.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

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

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contracts for services (Continued)

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

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

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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:

	2017 RMB('000)	2016 RMB('000)
Management and strategic consultancy services	**73,662**	70,025
Market consultancy services	**15,910**	11,698
Information engineering supervision services	**53,817**	45,581
Other	**3,588**	6,385
	146,977	133,689

4. REVENUE (Continued)

(b) Other revenue

	2017 RMB('000)	2016 RMB('000)
Interest income from bank deposits	986	446
Investment income	784	278
Dividend income	—	280
Exchange gain, net	2	—
Sundry income	337	168
	2,109	1,172

5. IMPAIRMENT OF ASSETS

	2017 RMB('000)	2016 RMB('000)
Trade receivables and accrued assets		
Bad and doubtful debts recognised in profit or loss	8,550	9,747
Bad and doubtful debts recovered	(225)	—
	8,325	9,747
Other receivables		
Bad and doubtful debts recognised in profit or loss	319	—
Bad and doubtful debts recovered	—	—
	319	—
Total	8,644	9,747

5. IMPAIRMENT OF ASSETS (Continued)

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

	2017 RMB('000)	2016 RMB('000)
Individually assessed		
New and additions	**8,869**	9,747
Less: Recovered	**(225)**	—
	8,644	9,747
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:

	2017 RMB('000)	2016 RMB('000)
Auditor's remuneration	**404**	502
Auditor's expenses	**—**	50
	404	552

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

a) Net (gain)/loss on financial instruments

	2017 RMB('000)	2016 RMB('000)
Financial assets and liabilities at fair value through profit or loss at initial recognition	**(1)**	8

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

	2017 RMB('000)	2016 RMB('000)
Fees, salaries, wages and other short-term benefits	**52,496**	46,945
Retirement benefit scheme contributions	**13,078**	14,878
Total staff costs	**65,574**	61,823

Total staff costs include research and development costs amounted to RMB9,924 thousand (2016: RMB4,604 thousand).

At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2016: Nil).

c) Other items

	2017 RMB('000)	2016 RMB('000)
Cost of services provided#	**70,091**	71,692
Depreciation#	**1,402**	1,506
Loss on disposal of fixed assets	**—**	216
Operating lease rental: Land and buildings#	**2,400**	2,660
Research and development cost#	**9,924**	4,604
# The cost of services provided included:		
Depreciation	**955**	855
Staff cost	**41,653**	40,400
Operating lease rental: Land and buildings	**1,443**	592

8. TAXATION

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

	2017 RMB('000)	2016 RMB('000)
PRC enterprise income tax		
Provision for the year	**5,451**	6,168
Deferred tax — temporary differences	**(314)**	(2,754)
	5,137	3,414

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 2017 (2016: 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% (2016: 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% (2016: the Company and CCID Supervision at 15%).

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

8. TAXATION (Continued)

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

	2017 RMB('000)	2016 RMB('000)
Profit before taxation	**28,506**	18,205
Applicable tax rate	**25%**	25%
Product of accounting profit multiplied by applicable tax rate	**7,127**	4,551
Tax effect of non-deductible expenses	**373**	168
Preferential tax rate granted to high technology industry	**(3,555)**	(4,094)
Tax effect of unused tax losses	**1,163**	510
Tax effect of unrecognised but taxed income	**198**	3,963
Tax effect of deductible but not recognised expenses	**3,131**	2,391
Tax effect of recognised but untaxed income	**(2,751)**	(463)
Tax effect of non-taxable revenue	**(376)**	(70)
Tax effect of tax loss in prior years offsetting tax profit for current year	**(95)**	(715)
Adjustment on deferred tax expenses	**(314)**	(2,754)
Other adjustments	**236**	(73)
Tax expense	**5,137**	3,414

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:

	2017 RMB('000)	2016 RMB('000)
Acting as directors		
Fees	**283**	273
Provision of management services		
Emoluments (including benefit in kind)	**807**	637
	1,090	910

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:

2017

	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 *(Note 9.1)*	21	—	100	—	121
Zhao Zeming *(Note 9.2)*	4	—	—	—	4
Non-executive directors					
An Guangyou *(Note 9.3)*	26	—	—	—	26
Luo Junrui *(Note 9.1)*	8	—	—	—	8
Independent non-executive directors					
Guo Xinping *(Note 9.4)*	44	—	—	—	44
Han Fuling *(Note 9.5)*	39	—	—	—	39
Li Xuemei *(Note 9.4)*	44	—	—	—	44
Xia Yinan *(Note 9.6)*	5	—	—	—	5
Supervisors					
Xia Lin *(Note 9.7)*	4	—	—	—	4
Hu Yun *(Note 9.8)*	14	207	117	113	451
Chen Ying *(Note 9.9)*	30	—	—	—	30
Gong Ping *(Note 9.10)*	12	—	—	—	12
Ma Xin *(Note 9.11)*	32	168	33	69	302
	283	375	250	182	1,090
General manager					
Sun Huifeng *(Note 9.12)*	—	666	201	114	981
Total for 2017	283	1,041	451	296	2,071

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 2017 (2016: Nil). No directors and supervisors forfeited any emolument during the year ended 31 December 2017 (2016: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Throughout 2017, 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.

2016

	Fees RMB('000)	Salaries and other benefits RMB('000)	Discretionary bonus RMB('000)	Retirement benefit scheme contributions RMB('000)	Total RMB('000)
Executive director					
Luo Junrui	29	—	—	—	29
Non-executive director					
An Guangyou	29	—	—	—	29
Independent non-executive directors					
Guo Xinping	43	—	—	—	43
Han Fuling	43	—	—	—	43
Li Xuemei	43	—	—	—	43
Supervisors					
Zhao Xiuzhen (Note 9.13)	14	—	12	—	26
Hu Yun	28	158	115	104	405
Chen Ying	28	—	—	—	28
Ma Xin	16	157	26	65	264
	273	315	153	169	910
General managers					
Li Shuchong (Note 9.14)	—	126	195	26	347
Sun Huifeng (Note 9.12)	—	449	139	106	694
	—	575	334	132	1,041
Total for 2016	273	890	487	301	1,951

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Notes:

9.1 By the Extraordinary General Meeting held on 24 November 2017, the shareholders of the Company resolved to re-elect and assign Mr. Luo Junrui as non-executive Director with effect from 25 November 2017.

9.2 By the extraordinary general meeting of the Company held on 24 November 2017, the shareholders of the Company resolved to appoint Mr. Zhao Zeming as an executive Director of the Company with effect from 25 November 2017.

9.3 Mr. An Guangyou retired from his position as non-executive Director of the Company with effect from 25 November 2017. Mr. An Guangyou confirmed that there was no disagreement with the board of directors and there is no other matters concerning his retirement that need to be brought to the attention of the shareholders.

9.4 By the extraordinary general meeting of the Company held on 24 November 2017, the shareholders of the Company resolved to re-elect Mr. Guo Xinping and Ms. Li Xuemei as the independent non-executive Directors with effect from 25 November 2017.

9.5 Mr. Han Fuling retired from his position as independent non-executive Director of the Company with effect from 25 November 2017. Mr. Han Fuling confirmed that there was no disagreement with the board of directors and there is no other matters concerning his retirement that need to be brought to the attention of the shareholders.

9.6 By the extraordinary general meeting of the Company held on 24 November 2017, the shareholders of the Company resolved to appoint Mr. Xia Yinan as an independent non-executive Director with effect from 25 November 2017.

9.7 By the extraordinary general meeting of the Company held on 24 November 2017, the shareholders of the Company resolved to appoint Ms. Xia Lin as a supervisor with effect from 25 November 2017.

9.8 Ms. Hu Yun resigned from her position as shareholder's representative supervisor of the Company on 13 June 2017. Ms. Hu Yun confirmed that there was no disagreement with the board of directors and the supervisory committee and there is no other matters concerning her resignation that need to be brought to the attention of the shareholders.

9.9 By the extraordinary general meeting of the Company held on 24 November 2017, the shareholders of the Company resolved to re-elect Ms. Chen Ying as the shareholder's representative supervisor with effect from 25 November 2017.

9.10 By the annual general meeting of the Company held on 13 June 2017, the shareholders of the Company resolved to appoint Mr. Gong Ping as the shareholders' representative supervisor of the Company with effect from 13 June 2017.

Mr. Gong Ping retired from his position as shareholder's representative supervisor of the Company with effect from 25 November 2017. Mr. Gong Ping confirmed that there is no disagreement with the board of directors and the supervisory committee and there is no other matters concerning his retirement that need to be brought to the attention of the shareholders.

9.11 By the congress of staff held on 24 November 2017, Ms. Ma Xin was re-elected as the staff representative supervisor of the Company with effect from 25 November 2017.

9.12 By the broad of directors' meeting held on 16 March 2016, Mr. Sun Huifeng was appointed as the general manager of the Company with effect from 16 March 2016.

9.13 Due to work reallocation, Ms. Zhao Xiuzhen tendered her resignation as the 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.

9.14 Mr. Li Shuchong tendered his resignation as the general manager of the Company with effect from 16 March 2016. Mr. Li Shuchong confirmed that he did not have 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.

10. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, one (2016: 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 (2016: four) individuals are as follows:

	2017 RMB('000)	2016 RMB('000)
Salaries and other benefits	**1,715**	1,519
Discretionary bonuses	**842**	680
Retirement benefit scheme contributions	**447**	422
	3,004	2,621

The emoluments of all highest paid non-director individuals fall below RMB1,000,000 (2016: 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 2017 (2016: Nil).

11. DIVIDENDS

	2017 RMB	2016 RMB
Proposed final dividend RMB1.43 cent per share (tax inclusive) (2016: Nil)		
491,000,000 domestic shares	**7,021,300**	—
209,000,000 H shares	**2,988,700**	—
	10,010,000	—

The proposed final dividend for 2017 is subject to the approval by the Company's shareholders at the 2017 annual general meeting.

11. DIVIDENDS (Continued)

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.

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:

	2017	2016
Profit attributable to equity holders of the Company (RMB ('000))	**19,566**	12,111
Divided by weighted average number of issued shares (thousand shares)	**700,000**	700,000
Basic and diluted earnings per share (RMB cents)	**2.8**	1.7

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.

13. OPERATING SEGMENTS (Continued)

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

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.

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.

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)
2017					
Revenue from external customers	**73,662**	**15,910**	**53,817**	**3,588**	**146,977**
Inter-segment income	**1,910**	**—**	**270**	**10**	**2,190**
Segment profit	**39,058**	**10,737**	**27,674**	**373**	**77,842**
Depreciation and amortisation	**(703)**	**(152)**	**(513)**	**(34)**	**(1,402)**
Taxation	**(2,575)**	**(556)**	**(1,881)**	**(125)**	**(5,137)**
Other material non-cash items:					
— Impairment loss	**(8,016)**	**—**	**—**	**(628)**	**(8,644)**
Addition of property, plant and equipment	**309**	**—**	**455**	**—**	**764**
Reportable segment assets	**31,646**	**5,675**	**5,156**	**3,876**	**46,353**
Reportable segment liabilities	**20,591**	**—**	**14,190**	**1,505**	**36,286**
	155,882	**31,614**	**99,168**	**8,565**	**295,229**
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

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)
2017				
Total per reportable segments	**149,167**	**77,842**	**46,353**	**36,286**
Elimination	**(2,190)**	**(68)**	—	—
Other revenue and net gains	—	**2,109**	—	—
Other operating expenses	—	**(41,331)**	—	—
Unallocated assets	—	—	**202,271**	—
Unallocated liabilities	—	—	—	**27,264**
Other material non-cash items:				
— Taxation	—	**(5,137)**	—	—
— Depreciation	—	**(1,402)**	—	—
— Impairment loss	—	**(8,644)**	—	—
Total per consolidated financial statements	**146,977**	**23,369**	**248,624**	**63,550**

	Revenue RMB('000)	Profit RMB('000)	Assets RMB('000)	Liabilities RMB('000)
2016				
Total per reportable segments	136,427	62,853	44,601	28,947
Elimination	(2,738)	406	—	—
Other revenue and net gains	—	1,172	—	—
Other operating expenses	—	(34,973)	—	—
Unallocated assets	—	—	165,837	—
Unallocated liabilities	—	—	—	19,786
Other material non-cash items:				
— Taxation	—	(3,414)	—	—
— Depreciation	—	(1,506)	—	—
— Impairment loss	—	(9,747)	—	—
Total per consolidated financial statements	133,689	14,791	210,438	48,733

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 (2016: same).

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 (2016: same).

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 2016	32,819	(14,228)	18,591
Depreciation	—	(1,041)	(1,041)
Balance at end of 2016 and beginning of 2017	32,819	(15,269)	17,550
Depreciation	—	(1,041)	(1,041)
Balance at end of 2017	32,819	(16,310)	16,509
Furniture, fixtures and equipment			
Balance at 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 and beginning of 2017	3,163	(2,288)	875
Additions	764	—	764
Depreciation	—	(325)	(325)
Balance at end of 2017	3,927	(2,613)	1,314
Motor vehicles			
Balance at beginning of 2016	1,402	(1,164)	238
Depreciation	—	(98)	(98)
Balance at end of 2016 and beginning of 2017	1,402	(1,262)	140
Depreciation	—	(36)	(36)
Balance at end of 2017	1,402	(1,298)	104
Total			
Balance at 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 and beginning of 2017	37,384	(18,819)	18,565
Additions	764	—	764
Depreciation	—	(1,402)	(1,402)
Balance at end of 2017	38,148	(20,221)	17,927

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amount of property, plant and equipment held under finance lease at the reporting date amounted to RMB16,509 thousand (2016: RMB17,550 thousand).

15. INTERESTS IN SUBSIDIARIES

List of subsidiaries

Name	Place of incorporation and operation business	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 information and design consultancy 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.

16. INTANGIBLE ASSETS

	2017 RMB('000)	2016 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.

16. INTANGIBLE ASSETS (Continued)

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

At the end of financial year, the Group reappointed the Surveyor to evaluate the recoverable amount of the intangible assets. The Surveyor applied Relief from Royalty Valuation Method and adopted Discounted Cash Flow analyses with the following major assumptions.

	2017 RMB('000)	2016 RMB('000)
Relevant net cash flows	**1,654**	1,676
Long-term growth rate	**2.55%**	2.81%
Applicable tax rate	**15.21%**	25%
Discounting factor	**13.70%**	13.45%
Recoverable amount by Relief from Royalty Valuation Method	**16,000**	16,195

According to the estimation of the Surveyor's report, 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 2016, the recoverable amount of the intangible assets was estimated by the management.

17. FINANCIAL INSTRUMENTS

	2017 RMB('000)	2016 RMB('000)
Investments		
Designated financial assets at fair value through profit or loss at initial recognition, at fair value (note 17.1)	**168**	167
Available-for-sale investments, at fair value (note 17.2)	**70,000**	20,000
Available-for-sale investments, at cost (note 17.3 & 17.4)	**8,657**	8,657
Less: Impairment loss	**(6,667)**	(6,667)
	72,158	22,157
Long-term investment	**(1,990)**	(1,990)
Current investment	**70,168**	20,167
Trade and other receivables		
Loan and receivable		
Trade receivable	**15,603**	13,217
Other receivable	**8,258**	6,373
	23,861	19,590
Trade and other payables		
Financial liabilities at amortised cost		
Trade payable	**1,078**	1,325
Other payable	**11,600**	6,988
	12,678	8,313
Total		
Financial assets at fair value through profit or loss at initial recognition	**168**	167
Available-for-sale financial assets	**71,990**	21,990
Loans and receivable	**23,861**	19,590
Less: Financial liabilities at amortised cost	**(12,678)**	(8,313)
	83,341	33,434

17. FINANCIAL INSTRUMENTS (Continued)

Notes:

17.1 This class of 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 This class of available-for-sale financial assets stated at fair value is measured at quoted price (unadjusted) provided by market participant for identical assets or liabilities that the Group can access at the measurement date (i.e. level 3 inputs).

17.3 Unlisted shares refer to 19.9% (2016: 19.9%) equitable interests in Beijing CCID Exhibition Co., Ltd. held by CCID Supervision.

17.4 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.

17.5 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 (2016: same). In this situation, such loans and receivable and the available-for-sale financial assets are exempted from discounting.

	2017 RMB('000)	2016 RMB('000)
Assets and liabilities measured at fair value on recurring basis		
Level 1 of fair value hierarchy		
Financial assets at fair value through profit or loss	**168**	167
Level 3 of fair value hierarchy		
Available-for-sale financial assets		
— Asset portfolio wealth management product	**40,000**	20,000
— Interest rate linked structural product	**30,000**	—
	70,000	20,000
Total	**70,168**	20,167

During the year, there was no transfer between level 1 and level 3 fair value hierarchies. The Group's policy is to recognize transfers between levels of fair value hierarchy at the end of reporting period in which they occur.

Valuation techniques and inputs used in Level 3 fair value hierarchy

The fair value of both asset portfolio wealth management product and the interest rate linked structured product is determined using the quoted prices (unadjusted) provided by the banker who is also the market participant for identical assets or liabilities.

17. FINANCIAL INSTRUMENTS (Continued)

Valuation techniques and inputs used in Level 3 fair value hierarchy (Continued)

Reconciliation statement of available-for-sale financial assets categorized within Level 3 of fair value hierarchy:

	2017 **RMB('000)**	2016 RMB('000)
Balance at beginning of year	**20,000**	—
Matured during the year	**(20,000)**	—
Acquisition during the year	**70,000**	20,000
Balance at end of year	**70,000**	20,000

Narrative description of sensitivity of the fair value measurements categorized within Level 3 of fair value hierarchy

There is no significant unobservable input used in the fair value measurements of the available-for-sale financial assets.

18. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable is as follows:-

	Related parties **RMB('000)**	**Third parties** **RMB('000)**	**Total** **RMB('000)**
2017			
Within 60 days	**108**	**5,890**	**5,998**
61 days to 180 days	**—**	**3,472**	**3,472**
181 days to 365 days	**—**	**2,150**	**2,150**
Over 365 days	**206**	**3,777**	**3,983**
	314	**15,289**	**15,603**
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

18. ACCOUNTS RECEIVABLE (Continued)

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.

Reconciliation of allowance account for credit losses:

	2017 RMB('000)	2016 RMB('000)
Balance at beginning of year	**7,787**	5,946
New and additions	**1,612**	1,841
Recovered	**(154)**	—
Balance at end of year	**9,245**	7,787

19. ACCRUED ASSETS

	2017 RMB('000)	2016 RMB('000)
Total	**53,630**	49,589
Impairment losses	**(25,963)**	(20,594)
	27,667	28,995
Current portion	**27,667**	28,995
Non-current portion	**—**	—

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.

20. DUE FROM RELATED PARTIES

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

	2017 RMB('000)	2016 RMB('000)
Name of related parties		
CCID	**1,658**	364
MIICMD	**117**	117
CCID Network Information Technology Co., Ltd.	**97**	106
Guangdong CCID Industrial and Information Research Co., Ltd	**170**	—
CCID Industrial and Information Research Co., Ltd	**90**	—
	2,132	587

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

	2017 RMB('000)	2016 RMB('000)
Advances to employees	**7,982**	6,134
Prepayments	**1,659**	237
Rental and other deposits	**135**	135
Other receivable	**276**	239
	10,052	6,745

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

22. CASH AND CASH EQUIVALENTS

	2017 **RMB('000)**	2016 RMB('000)
Cash at banks and on hand	**85,660**	100,361
Secured deposits	**488**	1,169
Balance per consolidated statement of financial position and consolidated statement of cash flows	**86,148**	101,530

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

	Original currency		**RMB equivalent**	
	2017	2016	**2017** **RMB('000)**	2016 RMB('000)
United States dollars	**2**	2	**—**	—
Hong Kong dollars	**—**	36,522	**—**	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)**
2017			
Within 60 days	**142**	**—**	**142**
Over 365 days	**882**	**54**	**936**
	1,024	**54**	**1,078**
2016			
Over 365 days	**882**	**443**	**1,325**

23. ACCOUNTS PAYABLE (Continued)

Amount due to related parties are analysed as follow:

	2017 RMB('000)	2016 RMB('000)
Name of related parties		
Beijing CCID Translation Technology Co., Ltd	**142**	—
Beijing CCID Guo Ruan Certification Company Limited	**882**	882
	1,024	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.

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

	2017 RMB('000)	2016 RMB('000)
Accrued salaries and welfares	**11,256**	6,901
Provision for social insurance fees and the public housing funds	**1,668**	1,382
Other tax payable	**3,185**	2,380
Received in advance	**24,056**	18,940
Other payable	**4,020**	4,679
	44,185	34,282

26. DUE TO RELATED PARTIES

	2017 RMB('000)	2016 RMB('000)
Immediate holding company	**6,738**	2,137
Related company	**842**	172
	7,580	2,309

Notes:

26.1 The amount due to the immediate holding company at 31 December 2017 included the balance payable for the acquisition of the ninth and tenth floors of CCID Plaza. The balance payable is interest-free and payable in accordance with the terms of the relevant property purchase agreement (2016: same).

26.2 The amounts due to other related companies are unsecured, interest-free and have no fixed terms of repayment (2016: same).

27. DEFERRED TAXATION

(a) Recognised deferred tax

Components of recognised deferred tax:

	2017 RMB('000)	2016 RMB('000)
Deferred tax assets		
Financial assets	**28**	28
Impairment of assets	**5,782**	4,652
Accrued assets	**(2,963)**	(898)
Intangible assets	**478**	478
Others	**849**	74
	4,174	4,334

27. DEFERRED TAXATION (Continued)

(b) Unrecognised deferred tax

Components of unrecognised deferred tax assets/(liabilities):

	2017 RMB('000)	2016 RMB('000)
Unused tax loss	**3,332**	1,829
Accrued assets	**(272)**	(453)
Impairment of assets	**277**	173
	3,337	1,549

The Group has not recognised deferred tax assets in respect of the unused tax losses (net of the temporary difference from accrued assets and impairment of assets) as it is uncertain that whether future taxable profit will be available against which tax losses can be utilised. The unused tax losses will expire by the end of the following years.

	2017 RMB('000)	2016 RMB('000)
2018	**132**	—
2019	**453**	192
2020	**646**	737
2021	**865**	900
2022	**1,236**	—
	3,332	1,829

28. SHARE CAPITAL

	No. of shares	Amount RMB('000)
Registered, issued and fully paid		
Domestic shares of RMB0.1 each		
Balance at beginning and end of 2016 and 2017	491,000,000	49,100
H shares of RMB0.1 each		
Balance at beginning and end of 2016 and 2017	209,000,000	20,900
Total	700,000,000	70,000

Pursuant to chapter 7 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 2017, no options were granted to the Group's employees.

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

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

	2017 RMB('000)	2016 RMB('000)
Non-current assets		
Property, plant and equipment	**16,929**	17,737
Interests in subsidiaries	**75,322**	73,822
Deferred tax assets	**601**	1,405
	92,852	92,964
Current assets		
Accounts receivable	**11,851**	9,658
Accrued assets	**24,089**	23,129
Prepayment, deposits and other receivable	**3,993**	2,021
Cash and cash equivalents	**26,168**	22,545
Short term investments	**40,168**	20,167
	106,269	77,520
Current liabilities		
Accounts payable	**8,701**	9,069
Deferred revenue	**5,917**	4,226
Accruals and other payable	**20,496**	9,402
Due to related parties	**1,936**	1,839
Current tax liabilities	**745**	2,014
	37,795	26,550
Net current assets	**68,474**	50,970
NET ASSETS	**161,326**	143,934
EQUITY		
Share capital	**70,000**	70,000
Reserves (note 31 to consolidated financial statements)	**91,326**	73,934
TOTAL EQUITY	**161,326**	143,934

Approved by the board of directors on 22 March 2018.

On behalf of the Directors

Luo Junrui
Director

Zhao Zeming
Director

31. MOVEMENT IN RESERVES OF THE COMPANY

	2017 RMB('000)	2016 RMB('000)
Capital reserve		
Balance at beginning and end of year	**18,100**	18,100
Statutory reserve		
Balance at beginning of year	**12,795**	11,095
Transferred from retained profits	**1,565**	1,700
Balance at end of year	**14,360**	12,795
Discretionary reserve		
Balance at beginning and end of year	**59**	59
Retained profits		
Balance at beginning of year	**42,980**	46,915
Profit for the year	**17,392**	8,405
Transferred to statutory reserve	**(1,565)**	(1,700)
2015 final dividend	**—**	(10,640)
Balance at end of year	**58,807**	42,980
Total	**91,326**	73,934

31. MOVEMENT IN RESERVES OF THE COMPANY (Continued)

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 and CCID Capital (2016: The Company, CCID Design, CCID Management, CCID Capital and CCID Strategy) have transferred 10% of profit after tax to the statutory reserve fund. No discretionary reserve funds were appropriated for 2017 (2016: 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.

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:

	2017 **RMB('000)**	2016 RMB('000)
Retained profits	**58,807**	42,980

32. COMMITMENTS

The Group has no future minimum lease payments under non-cancellable operating lease as at the year end date.

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

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:

	2017 RMB('000)	2016 RMB('000)
Gross revenue earned before sales surtaxes		
Provision for consulting services to:		
CCID	**1,053**	2,367
CCID Statercraft Media Investments Co., Ltd.	**—**	8
CCID Network Information Technology Co., Ltd.	**—**	148
CCID Information Physical System Testing Lab. Co., Ltd.	**231**	77
CCID Industrial and Information Research Co., Ltd.	**330**	—
Guangdong CCID Industrial and Information Research Co., Ltd.	**660**	80
	2,274	2,680
Provision for information design and supervision services		
CCID	**1,315**	1,572
Administrative and promotion expenses (including advertising services, translation services and website and hyperlink services)		
Rental, building management fee, internet fee and utilities fare charged by MIICMD	**724**	757
Allocation of administrative expenses by MIICMD(note 33.3)	**4,929**	—
Rental, building management fee charged by CCID Property Management Co., Ltd.	**1,178**	1,472
Translation expense charged by CCID Translation Technology Co., Ltd.	**329**	47
	7,160	2,276
Others		
Consultancy service fee paid to CCID	**70**	662
Service fee paid to CCID Network Information Technology Co., Ltd.	**116**	20
Service fee paid to CCID IT Co., Ltd.	**120**	—
Service fee paid to CCID Testing and Certification Centre Co., Ltd	**120**	—
	426	682

33. RELATED PARTY DISCLOSURES (Continued)

(a) 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, except for the sharing of administrative expenses mentioned in note 33.3 below which was charged at actual cost incurred, all others were 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 The sharing of administrative expenses is allocated by MIICMD based on the actual usage of the Group and the actual costs incurred. This connected transaction fell within the exemption per 20.71(8) of the GEM Listing Rules and was fully exempted from shareholder's approval, annual renew and all disclosure requirements pursuant to 20.96 of the GEM Listing Rules.

33.4 Except for the connected transaction mentioned in note 33.3 above, all of the related party transactions as disclosed in this note constitute "connected transactions" and "continuing connected transactions" as defined in Chapter 20 of the GEM Listing Rules which are transactions with CCID under their 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

	2017 RMB('000)	2016 RMB('000)
Salaries, wages and other benefits	**10,674**	9,140
Retirement benefit scheme contributions	**2,601**	2,278
	13,275	11,418

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 (2016: same).

34. EVENTS AFTER REPORTING PERIOD

Details of dividend proposed before the consolidated financial statement were authorised for issue but not recognised as a distribution to the shareholders during the year are set out in note 11 to consolidated financial statements. The proposed dividend to the domestic shareholders do not have income tax effect (2016: Nil). The proposed dividend to the H shareholders have income tax effect (2016: Nil).

35. 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.

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% (2016: 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

	2017 **RMB('000)**	2016 RMB('000)
Pass due for more than one year	**3,983**	5,538

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.

35. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

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.

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:

	2017 **RMB('000)**	2016 RMB('000)
Trade and other payables		
Payable on demand or within three months	**21,207**	16,667

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 (2016: not more than RMB1 thousand).

35. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

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 RMB702 thousand (2016: RMB202 thousand).

36. MANAGING CAPITAL

	2017 **RMB('000)**	2016 RMB('000)
Managing capital comprises:		
Issued and paid up share capital	**70,000**	70,000
Retained profits	**76,047**	58,072
Other reserves	**13,545**	11,954
	159,592	140,026

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 2017, the Group's strategies were to maintain the revised net debt-to-adjusted capital ratio at a level below 50% (2016: Same).

36. MANAGING CAPITAL (Continued)

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

	2017 RMB('000)	2016 RMB('000)
Total liabilities	**63,551**	48,733
Add: Proposed final dividend	**10,010**	—
Less: Balance due to related parties	**(7,580)**	(2,309)
	65,981	46,424
Total shareholders' equity	**185,074**	161,705
Less: Proposed final dividend	**(10,010)**	—
	175,064	161,705
Revised net debt-to-adjusted capital ratio	**38%**	29%

37. 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 22 March 2018.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2013 RMB('000)	2014 RMB('000)	2015 RMB('000)	2016 RMB('000)	**2017 RMB('000)**
Turnover	145,788	131,285	123,196	133,689	**146,977**
Cost of sales	(74,153)	(63,312)	(63,160)	(71,692)	**(70,091)**
Goss profits	71,635	67,973	60,036	61,997	**76,886**
Profit before taxation	14,204	13,747	15,728	18,205	**28,506**
Taxation	(844)	(3,107)	(3,536)	(3,414)	**(5,137)**
Profit for the year	13,360	10,640	12,192	14,791	**23,369**
Attributable to:					
Equity holders of the Company	10,086	8,978	9,377	12,111	**19,566**
Non-controlling interests	3,274	1,662	2,815	2,680	**3,803**
	13,360	10,640	12,192	14,791	**23,369**

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				
	2013 RMB('000)	2014 RMB('000)	2015 RMB('000)	2016 RMB('000)	**2017 RMB('000)**
Total assets	171,202	178,875	195,222	210,438	**248,624**
Total liabilities	(33,847)	(30,833)	(34,988)	(48,733)	**(63,550)**
	137,355	148,042	160,234	161,705	**185,074**